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[General Report made to the General Council, AITUC on 22 July 1974]

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# REPORT TO THE GENERAL COUNCIL, AITUC

## International Developments

When we look to the international scene, the general picture it presents on a world scale is one of both advances and retreats, but in which the balances are in favour of advance of the socialist and democratic forces over those of the forces of imperialism and reaction.

The steps initiated by the Soviet Union for strengthening detente and peaceful co-existence have been further carried forward by the third summit meeting between the USSR and the USA and the continuance of the European Conference work.

Since the Soviet Union and the USA took steps in the direction of detente, there has been a change in the Middle East situation. The Arab-Israeli situation is also showing positive signs of entering not only a phase of peaceful co-existence but also a phase of disengagement of the warring forces and then solving the major problems left over by the 1967 war and returning the Arab territories occupied by Israel and the homelands of the Palestinians.

But in the recent period, the most outstanding event in the Arab world was the way the Arab States used their hold over the world supplies of oil to force the ruling classes, their oil cartels and multi-nationals of the imperialist countries and particularly of the USA to surrender to the Arabs a big share of the vast oil-profits that their monopolists were making and secondly, to force the USA and others to curb Israeli aggression and bring about some detente in that area.

It has to be noted that the oil-weapon could be used only when the most pro-US Arab State, that is Saudi Arabia, agreed to join in because it has the largest production and largest US dollar holdings. The oil weapon that is hiking the price upwards or denying supplies altogether was extremely rewarding not only to Arab States but to Iran also, though Iran had no direct interest in Arab-Israeli politics.

It would be useful to point out here what these economic monetary gains were and what astounding volume they have assumed.

"The world faces the biggest reshuffle in the flow of capital in monetary history" as a result of the dramatic increase in petroleum prices. "This presents the great challenge to the functioning of our financial markets", said Mr. Walter Seipp of the Deutsche Bank A.G. at an international conference in New York on June 11, 1974.

"Funds from the nearest oil-producing countries have always played a substantial role in the Euromarket. But as a result of higher oil prices in 1974 alone, the overall magnitude of additional oil import prices will probably be in the range of $60,000 million to $70,000 million. Even if some 15 to 20,000 million should be spent by the Organisation of Petroleum Exporting Countries (OPEC) there should still remain some $50,000 million to be recycled into international and national financial systems." (*Economic Times*, 12.6.74)

This shows the terrific power of liquid capital the ruling classes of the OPEC countries have got.

While India is wondering how to repay its receipt of Rs. 712 crore (i.e. say 1000 million dollars) promises for 1973-74, here are these small but rich emirates and kingdoms who have such terrific amount of dollar holdings. We can only hope that these results of their battle against imperialist capital which was impoverishing them so long will be used not only to strengthen their anti-imperialist might but also to let these vast gains filter to their own masses below.

Some of this capital is of course being used to strengthen the military strength of these countries. Iran, for example, is buying nuclear reactors and big military hardware from the French. Most of the armament firms will now slice away parts of this big capital gains of the OPEC countries. What the imperialist oil companies lost will be partly regained by their brothers in the armament industries. Even the change is for the better in many respects provided the whole thing is guided by a policy of peace, independence and people's welfare.

The oil weapon not only gained profits for the oil producing countries. When all stood united, it forced the imperialists to temporarily at least ask Israel to check its aggression.

And behind these world shaking events, was the fact that the imperialists like in the old days could not just send their gunboats against these countries to make them behave, because the Arabs were fully backed by the might of the Soviet Union.

Our trade unions have had very friendly relations with the trade unions of the Arab countries, particularly of Iraq, Syria, Egypt and Lebanon and we hope to build them further. Our country has friendly relations with Iran, but we have yet to see their trade unions coming into their own and develop fraternal relations with us and other countries, which they had some years ago. In short, the whole of the Middle East has advanced in strength and forced imperialism and its henchmen to retreat. The whole Arab world, as well as Iran and others who were under financial and partly, political slavery to the imperialist oil cartels, their politics have attained financial and political mastery over their resources and their destiny. Gone are the days of Dulles when the US wanted to blackmail Egypt by denying aid to Aswan Dam unless Egypt agreed to US domination. Nor can UK and France dare to invade as they did in 1956 when Suez was nationalised.

A question is pertinently asked why the friendly Arab countries could not help India with its surplus capital or its oil. There is no doubt that India's Foreign Ministry received friendly wishes from the Arabs and our Oil Ministry also. Iraq has been helpful even before this crisis. But apart from politics, the Arabs over there and others believe that our oil policy and management is very much guided by those very American and British oil cartels whom they are fighting. And even some of the Indian bureaucrats outdo the Americans in their financial and political approach to the oil interests of the Middle East—which is what makes them recoil from being too friendly with us. The cure for this lies in the political field in India.

The next most exhilarating event which we wish to note is the overthrow of the fascist dictatorship in Portugal on 25th of April, 1974. We in India have a special affinity with these first steps of the anti-fascist democratic revolution in Portugal, carried out by the progressive forces of the young officers in the army and the democratic forces including the Communist Party of Portugal, which had been fighting illegally for 48 years and now headed by Comrade Alvaro Cunhal.

We in India remember how we liberated our territory of Goa in 1961 which was under the Portuguese heel for nearly 400 years.

Portugal is the oldest imperialism in the world. It still holds vast territories in Africa under its fascist heel. The liberation fighters of Mozambique, Angola and Guinea-Bissau were glad to see the overthrow of the fascist dictatorship to whose fall their own liberation struggle had also made significant contribution. The Communist Party and other democratic forces in Portugal hold that unless the colonies are given independence, the fight for democratic revolution in the home country also will not succeed. We wish the Portuguese forces of democratic, anti-fascist liberation struggle complete success and also to the liberation forces of the African colonies held by the fascist Portuguese ruling class.

While Portuguese fascism has fallen and African colonies are proclaiming their independence, it would be appropriate here to mention the question of another Portuguese colony —called the Island of *Macao* near the coast of China. Not only China has not welcomed the fall of Portuguese fascism; it has not cared to take over Macao which China has all along claimed as its own territory. In fact, the Maoists in Portugal itself, while mouthing ultra-revolutionary phrases, are creating obstacles for the unity of the democratic revolutionary forces. No wonder they do not want to take over Macao from the Portuguese fascist rule, though they were so quick to send their ships to seize the islands near Vietnam, claiming them as their own from ancient history. To them to create war hysteria against the Soviet Union is more profitable than taking Macao from the Portuguese imperialists. Such are the ways of Maoism and the Maoist variety of so-called "Chinese Communism."

Some people may feel that with the defeat of the Nazis in the Second World War and the liberation of Europe and the world from the worst inhuman forms of fascist rule, mankind is rid of this menace for good. It is true that the original seat of fascism has been put out of power and imperialism, which gave birth to it, has been weakened as a world system and a powerful world socialist system has come into existence. Each day the growing strength of the world socialist system and the democratic revolutionary forces of anti-imperialist freedom movement helped by the socialist countries are growing stronger.

But imperialism has not and does not change its nature or class character and does not cease to be a menace, though it is firmly contained by the forces of socialism and anti-imperialism. Hence we find that while we are rejoicing over the fall of Portuguese fascism, the worst military fascist dictatorship of *Spain* on the very borders of Portugal still continues to rule, propped up as it is by the imperialist interests of Britain and the USA. And on the continent of Europe itself, while we celebrate the victory of the democratic revolutionary forces in Portugal, next door the democratic regime of Archbishop Makarios in *Cyprus* has been overthrown on 15th of July by the fascist gangs sent by the military dictators of Greece, who are kept in power by the NATO imperialist powers to provide them reliable bases in the Mediterranean, to fight the forces of socialism and democratic revolution. While Portugal has fallen to the early stages of democracy, Cyprus has fallen before the onslaught of fascism.

The one-man military fascist rule of General Pinochet in *Chile* continues massacre of the fighters for democracy and unheard of repression and killings are going on there. The forces of democracy throughout the world are demanding the release of Comrade Corvalan and others and we all have to work for saving their lives. In *Uruguay*, they have held Comrade Arismondi in prison and his life also is in danger at the hands of the reactionary ruling clique there.

One cannot but take note of the fact that Peron, the President of Argentina died on July 1, 1974. This is a very significant event, because Peronism has played a very mixed role both for the Left and Right Parties in Argentina for the last several years. But we cannot assess it just now.

There has been one more very significant event and that is the friendship treaty between the Governments of Somalia in Africa and the Soviet Union. This we are mentioning because this is the first African country which has established such all-round relations with the Soviet Union. President Mohamed Siad Barre, elected this year Chairman of the Organisation of African Unity (OAU), expressed the view that all the countries of the continent could not remain indifferent to the most fruitful results of this visit of Comrade Podgorny, the President of the USSR Supreme Soviet.

The importance of the President's remark has to be seen in the context of so many events affecting Africa—viz. the birth of the 42nd sovereign OAU member, Guinea Bissau, once a colony of Portugal, the downfall of the fascist Caetano dictatorship in Portugal which was so long considered unthinkable and the big mass strikes shaking the South African regime of apartheid. In all this context, the Treaty has a special significance for Africa as such, where Somalia is the most progressive African country, where life is being restructured along socialistic lines since October 1969 as one report puts it.

Recently we had the happiness to have a visit from the representatives of the Provisional Revolutionary Government of South Vietnam. The leader of their delegation is a leader of the trade union movement in Vietnam. The delegation had to come to meet the Government of India on the question of recognition of the PRG. It is certainly a matter of regret that the Government of India refuses recognition to the PRG though it has been recognised not only by socialist states but by many capitalist states also and even the USA has to deal with it and recognise it when dealing with South Vietnam and Saigon affairs. We strongly demand that the PRG of South Vietnam be recognised immediately by the Government of India.

We have had contacts with the TUs of the Democratic People's Republic of Korea and a month of solidarity with them is being celebrated in India.

While looking at other countries in the international context, we cannot omit saying where our own country stands. The foreign policy of India continues to be of non-alignment. But it has acquired firmer relations with the Soviet Union and other countries of the socialist block, particularly in the economic sphere. Socialist aid given to India is in such strategic areas as makes our independence stronger and possibilities of building a stable and democratic economy better, provided the proper internal alignment of forces were on the right line.

International reactionary forces would like Pakistan to disturb the peace of the sub-continent by taking warlike postures against India. That enables the exploiting classes to put the economies and the people of India and Pakistan both under greater stress of exploitation and control of the monopolies, the big rich, their bureaucracies and their policies of capitalist enrichment. Though these class-gains are common to both India and Pakistan, yet the Indian side does not want war and sincerely wants peace and friendship with Pakistan. In fact, the idea of collective security for Asia has very much relevance to these three or four countries like India, Pakistan, Bangladesh, Sri Lanka and Nepal.

The trade unions of our country have no contact with those of Pakistan. But we have close relations with the trade unions of Bangla Desh led by Bangladesh TU Kendra. We also have exchange of delegations with Sri Lanka. And apart from bilateral relationships, we all meet in the international conferences called by the World Federation of Trade

Unions or by the national TU centres of the socialist countries. We have met in the Soviet Union, Czechoslovakia, German Democratic Republic, Hungary, Rumania, Bulgaria, Yugoslavia, Mongolia and Cuba and in some committees of ILO at Geneva where the AITUC rarely gets any ingress except perhaps in some trade committees. On the whole our trade unions of the AITUC and the working class have wide contacts.

Such contacts do help to generate an atmosphere for friendship and peaceful coexistence and mutual assistance on the basis of equality. But when the Governments of these countries, afraid of the international solidarity interfere in this intercourse and international brotherhood of the workingclass, it not only harms the workers but also national interests and the forces of peace and brotherhood.

At the end of this survey, if we cast the balance sheet of the whole world process, what do we get as the outstanding facts ?

The whole of the *highly developed capitalist sector of the world* is in the grip of a severe crisis. Despite sophisticated technology and surfeit of production in industry and agriculture, millions there are suffering from high prices, inflation, unemployment, poverty in the midst of plenty, tottering currencies despite gold vaults, violence, murder and fear all around in daily life. Wonderful apartments with all gadgets to make man happy in his home suddenly become mortgaged and taken away because whole lines of factories have closed. And yet nuclear weapons pile up in defence of capitalism and to annihilate socialism and democracy. The crisis of the capitalist system is making even its owners jittery lest socialism overwhelm them. And when the despised Arab held back his barrel of oil, the arrogance of the imperialst expropriators came down to a smiling picture. And their great nuclear power could not frighten because opposite to it stood another nuclear arsenal in the hands of the workingclass of the socialist world. At the most all could annihilate all, but the power of imperialism to dictate or the claims of capitalism to build a world of plenty with happiness had vanished. But they still have enough brute force to kill and kill like a beast in the bush, which is being surrounded by the forces of the working class.

At the opposite end stands the *socialist world* led by the Soviet Union. They have as much nuclear power, as many machines, as much sophisticated power of production. But there is no unemployment, no fear of living, no fear of being destroyed by the nuclear arsenal. The atom has been split for the service of man. Houses by the millions and not shanties of Hongkong, Calcutta, Bombay or New York, are going up there. And despite the vast development of five-year plans, there is no inflation or wage-freeze. And there the pollution of modern industry is being taken up as a social human problem and not a problem of the rate of profit. The world is one, whatever the system—it is one world biosphere, as all scientists now admit. And if you cut down forests in Siberia or Canada or India in an unplanned manner, or let loose chemicals in water just because you want to reduce your cost of production, the law of one-world biospehre will hit us all. Hence in the socialist world this new science of humanism, of the world being one in the accounting of Nature is being used to plan production that way and save man's well-being and life. There the maximum rate of production cannot be allowed to kill man or Nature! That is the socialist world.

And then we come in, we of the *Third World*. For centuries we were robbed by capitalist imperialism, looted, enslaved or killed and even skinned for the capitalist rate of superprofit. But after the Second World War and the victory of the socialist and democratic forces, we became independent, a new Third World wherein some took to the capitalist road, some to the non-capitalist way, some still walking by holding to the aprons of their old masters, and yet trying to shake them off, some revolting and facing the brutalities of their imperialist masters. Some like us, a vast sub-continent went over to the capitalist path and got what it inevitably leads to—growth with inflation, unemployment, luxury hotels, vast factories to make superprofits, dens of smugglers and hordes of sadhus to pour the opium-balm on your sorrow either real of opium or philosophical. And yet the heroic people of the Third World have refused to initiate and set up everywhere the stinking pots of decadent capitalism. Slowly many of them are rising to the consciousness that their salvation lies only in the *socialist path* and all talk of middle-roads and their own special welfare mixtures of economies or culture lead to the same disaster as all capitalisms are getting. This Third World is variegated and we in India, its biggest member, have yet to learn our lessons well. The Third World, too, has now got a workingclass, the leader of the revolution, and also a new intelligentsia and a toiling peasantry and even a new young army-man, who wants to get out of the dead barracks and go and mix and be with the people. Hence, we of the third world, though not all homogeneous or of one type are going to contribute in building a new world. On what model? The working class model is always a socialist model or a national democratic model, leaning towards socialism and nothing else. There we the workers of India stand, we of the AITUC hold the banner in unity with all democratic masses and against the reactionary forces. That is the balancesheet of the two basic world systems—capitalism and socialism. And this balancesheet is moving in its favour all the assets of revolution, democracy, socialism and peace.

## II

### Wage Freeze—Bourgeois Logic

On the 6th of July, 1974, the Government of India promulgated an Ordinance freezing payment in cash to the workers of any wage increase that may be due or may have been agreed upon and becomes due after 6th of July. It also freezes payment of half the increase in D.A. that may become due from the 6th of July, that is the date of the Ordinance. As reports say, a total of eighteen million workers and salaried employees will be directly affected. This order is expected to freeze and put out of circulation a sum of about Rs 450 crores. It will be frozen and held back to the credit of the workers in the form of deposit with the Reserve Bank of India. But the sum will not go into circulation in any channel like the Provident Fund.

This measure which was once proposed by Mr. Morarji Desai, the representative of ultra reactionary forces, is now adopted by a Government which claims to represent democratic and progressive forces. And both have the same noble objective—the welfare of the masses. So the welfare state, whose leaders are determined to build a "socialist" society, has begun to fight the ravages of capitalism, black money, rising prices, hoarding and scarcity, which the world over are the inevitable fruits of capitalism, by freezing the wages of the workingclass, which is the only leading and consistent force that can fight capitalism. *We may say, therefore, that on the 6th of July, 1974 the wage freeze Ordinance heralded the end of the welfare state if it ever was there. The bourgeois face of the Government was off its socialist mask.*

What was the logic of the Ordinance? It was that every month when the workers go with their pay packet to the market to buy things, the sellers, who see the rise in the cash

D.A. or wage increase in the hands of the workers, raise the prices of goods. Then the price index for the next month goes up. So the workers ask for more D.A. to beat or meet the price rise shown by the new index. When the new additional D.A. is given, the shop keeper or the sellers raise prices again. Thus the cycle goes on. So, the Government wants to break this cycle by asking the worker to stop buying and thus stop the prices rising. In order to stop buying, the increasing wages and rising D.A. must be stopped from being paid in cash to the workers. Deprived of this cash, he will not be able to buy. And deprived of the buyers' new cash, the sellers will not raise prices. And so we will have stable prices, stable market, and no inflation. Then will come stability and prosperity. So stop the workers' buying by taking away Rs. 450 crores from his hands and hold them in trust. Give him good interest so that he can see his D.A. and wages growing by 11 per cent every year. After two years, when the capitalist has been taught a lesson by a freeze in his sales of Rs. 450 crores in two years, he will bring down his prices and behave like a true Indian patriot and a democratic and perhaps join Sarvodaya, if he already has not done so.

That is the recipe that the Government has proposed to solve the crisis of the capitalist system.

What does the worker do? He just buys less. That is all—just a small point in his life but what a gain to the country and society, they say. So, Rs. 450 crores are frozen and saved and paid back with good interest in five years in five instalments, after the trader and the capitalist system has been taught a lesson and reformed by "no buying for the worker and no rise in prices for the nation!" And thus stops inflation, the present disease of our economy.

What does the worker expect to do in the meanwhile for getting his requirements? Having no additonal wage money or D.A. in his hands, he expects the trader to bring down the prices to suit the frozen workers' needs or at least not to raise them. And the worker expects to get things at the previous month's prices or even lower!

If this expectation of the Government were really justified and capable of fulfilment, one would not mind keeping the Rs. 450 crores with the Government, not only for two or five but even more years and with that rate of interest. But will it happen? Has it happened anywhere? No. Nowhere.

In many capitalist countries, like the U.S.A., U.K., etc. they did freeze wages to fight inflation. There they also had to freeze prices. *Even then the trade unions there did not give their consent.* But the price freeze invariably failed though there were no shortages of supply of commodities in those developed and rich capitalist countries. The workers fought against the wage freeze and forced the Government to give it up as prices never remained stable, despite the buyers' wage-money being frozen.

So our Government learnt the Anglo-American lesson in a new way. They froze the wages but not the prices, because, according to them, the original sin begins with the workers' rising wage and D.A. and not with the owners and sellers of commodities, that is the capitalists who manufacture the goods and sell them in the market. The prices are not made by the manufacturers and sellers, that is by the capitalist, but by the workers' wages according to the ruling Congress theoreticians. The price rises are due to the workers' money, his wages and D.A. and not the activities of the capitalist who can set the prices high enough to make his profits and super-profits and super-monopoly profits.

So the Government of India's economic advisers, its monopoly backers and bureaucrats improved upon the schemes of the rich capitalist countries and did not freeze prices, but only wages. Why they could do this is understadable. The Government being a spiritualist Government is of the opinion that the Indian worker used to poverty and philosophy, can add a little more to his hunger and prayers by buying less food and more poverty, thereby teaching the non-spiritual greedy trader a lesson and persuade him to reduce prices *voluntarily*. In our country, the Sarvodayvadis make landlords and capitalists give up wealth and greed voluntarily—is it not? So just wait and see the miracle of freezing wages and D.A. and not the prices and the lesson it will teach to these capitalists, who have forgotten our old Indian culture and gone into the Western market culture.

Why did they not freeze prices? Their answer is that our economy *is not as centralised and organised* as in the developed capitalist countries. So if prices were frozen, goods will not come to the market which is spread over millions of points of sale and then there will be nothing to buy. This country is not fed by supermarkets but by millions of almost "invisible" sellers. How to control them?

But by freezing wages and D.A. you wanted just that, is it not? To reduce sales by freezing wages so that reduced sales will lead to reduced prices. So if goods do not come to the market, there will be no problem of prices at all and the workers can save all his wages, why only the additional wage or D.A.?

But that may mean total starvation for the worker and crisis for the market for the capitalist and a political storm. So it is better to half-starve the worker than allow both the worker and trader to go at each other's throat or at Government's. So let the trader have your throat. Then he will change voluntarily. This is the special Indian amendment of not freezing prices in the recipe of Western monopoly capital and its market philosophy.

What is wrong with this logic? The wrong is the theory held by the Government advisers and all the capitalists in the world that high prices are due to rising wages. Cut wage money and the prices will fall.

The workingclass, the world over has fought this theory—even the conservative trade unions of America and England fought it. The Japanese SOHYO fought it and all others.

There was no such question in the socialist economies at all. Those learned bourgeois writers, who cite the aberrations at a certain point of growth in the Polish or the GDR economy or the price scissors of 1925 in the Soviet economy, when Planning had not yet begun and the results of the civil-war and invasions of the foreign imperialists had destroyed the Soviet economy, are not telling the truth and using wrong analogies, to defend the Indian bourgeoisie and its spokesmen in the Government. However, let us leave that argument for the present.

However, is the phenomenon true or not that every time the rise in D.A. is given in the big cities, where industry and offices are concentrated, prices do rise on the pay days? It is only partly true. *Prices of a few things do show changes; but they are not high enough nor permanent, to explain the present rocketting and inflationary rise in prices.*

Moreover, let us ask: If wage rises lead to high prices, why have not wage-cuts or wage-freeze, or complete absence of wage-money due to unemployment led to fall or freeze in prices anywhere in the world in modern times since 1936 or so, that is, after the Great Depression of 1930? This idea that the quantum of money put in circulation through wages in the hands of the worker is the decisive factor that leads to changes in the money-prices in the market is a false theory and is made out by the protagonists of monopoly capitalism in the present period, to save their system being attacked by the workingclass and by the socialist standpoint on this question of wages, money and prices.

### THE QUANTUM THEORY OF MONEY

We do not agree with the Government and its theoreticians on their ideas of the quantum theory of money, which partly has led them to freeze wages and D.A. and some dividend payments also (about Rs. 50 crores). It is not money in circulation that *basically* decides prices, though it plays a vital role in its movements.

We must not look at money as just money, as a coin or a piece of paper stamped with Government guarantee that it is one rupee or one hundred rupees. Money is a symbol which helps you to exchange goods and buy or sell a thing or even to store value. But who and what decides that your five rupees is worth five shirts or five kilos of rice today? Who and what decides that tomorrow that note is worth only three shirts or three kilos of rice? You will say the market says so. But what enables the market to reduce the value of your five rupee note from five shirts to three or five kilos of rice to three? You say behind the market stands the huge power of merchants, factory owners and their huge godowns of goods. They decide these things. But how do they get that power, that hoard, that control over you and your life and your money? It did not happen in the empire of Ashoka or Akbar that way.

To understand this you must remember that you are now in the *capitalist system*. In this system a vast number of people have lost their land, their handicrafts and all and have to sell their bodily ability and time to earn a living. So workers sell their *labour-power* to the *capitalist buyer* who has machines to employ you and produce shirts, rice, flour, etc. He pays you, say, five rupees for a day of eight hours. And you work for that five rupee; otherwise you starve. Your labour power has *such quality* that actually you produced in four hours those five rupees value which you have been paid. But you are hired for eight hours. So you work next four hours free to produce surplus value for your employer. So he has made ten rupees value in place of your five.

Next day you spend the five rupees and millions like you, who have produced *socially* or collectively *working together in a system of machines or in factory*, do the same. And the *unpaid* four hours of each of you and the millions like you become the possession, the wealth, later called profit of your employer and owner of capital, who hired you.

When the world over this capitalist process accumulates this wealth it has to find markets and new buyers because each one of you buys only half of what you produce! So goods pile up and markets have to be found and competitions fought. That leads to wars. And again you are hired to fight these wars.

The Governments or the State power is in the hands of this capitalist *class* as a whole. They maintain armies to keep their system going. They *take taxes from you* to hold you in this system of capitalism based on wage-slavery. If you revolt they are there to beat you down. So you pay not only for the capitalist but also for the state to hold you or execute you if you rebel!

A few rich imperialist countries come to hold in subjection a few other countries. Then the imperialists cut each other's throats through trade wars, trying to sell cheaper than the other and ruin him. We workers fight for higher wages. We ask for wage increase to seven rupees instead of five because we realise how our labour power is the source of wealth of those scoundrels, statesmen or Governments or capitalists. We may win a wage increase but even their profit grows still further by other means like speeding up and changing machines or capturing new markets. And thus *our war with them and their war with us and with each other goes on*. Our labour power, the source of wealth accumulates in their hands, as goods, factories, gold, money, capital.

And when the capitalists the world over have accumulated too many goods and there are no more markets to expand, a *capitalist crisis* grips the whole world. *There are plenty of goods to sell but no buyer*—the buyer, that is the worker, clerk, agricultural labourer has no money left. There are more goods to sell and buyers to buy, but the capitalist will not sell unless he gets his profits, that is, more money than he paid you. If he sells ten shirts instead of five again for the same five rupees he gave you, what does he gain? Why then is he a capitalist in business?

Thus the private ownership of means of production is at the root of this crisis of capitalist economy. In those countries where the workers have overthrown this system and established socialism, this *crisis* of too many goods to sell but no men with money to buy does not exist. Everyone now accepts that there is no such crisis in the Soviet Union and other socialist countries either of depression like that of 1930 or of inflation as of now, because the means of production are owned socially and not for private profit which is the cause of all crises. There the surplus you produce comes back to you in many forms and so there is no crisis caused by private ownership of capital.

This is the root cause. But it appears in many forms. Because now goods are not produced or sold only by each country for itself. There is the *international market.* International money also exists in rates of exchange. So far it was supported and measured by *gold* but since the last war, the U.S. imperialists made their dollar the international measure of value, fictitiously linked to gold. Now that also is repudiated. The big multinational capitalist robbers not only rob the working people but rob each other also.

The US imperialists fought wars and lost money, that is goods. They lost it more in Vietnam than in the Second World War, which in fact enriched them. So the dollar lost its former value. And because the capitalist world accepted the dollar as the measure and dictator of international money-value, the currencies of these nations also lost even their own intrinsic value, like our rupee. In the First World War, Germany repudiated her own currency and every one who had German Marks lost that value. Capitalist nations have repudiated their currencies and international debts many times in history. But the Government of India has not the courage even to ask for moratorium on inflated debts and thus save itself from the imported inflation of the dollar and the World Bank.

Thus in the capitalist world, basically the monetary crisis is not just of too much currency in the market or too little in the hands of buyers. It is a reflection of the system as such *whose main base is the private ownership of capital.* The monetary crisis is only a reflection of the war of the various capitalist nations and their big state-monopoly capitalists on the question of sharing the vast wealth they extract from the workers and poor nations. The state-monopoly capitalists and their multinationals are now so big that their incomes are even bigger than the national incomes of many countries. They not only buy cotton, copper, iron and wheat the world over. *They buy whole Governments and* countries and those who refuse to be sold, they kill and overthrow. Only now they are a bit afraid, they cannot go to war like in 1914-17 or 1939-45 because the socialist world system is now strong enough to stop them and their Governments from such adventures. Even then they try to do small "murders" as in Cyprus, Chile, etc. but also lose as in Portugal.

But they play with the currencies of the capitalist world, manipulate their value, command countries like India to keep their rupee down and raise prices and surrender their wealth to them in unequal exchange.

The capitalist Governments like that in India also like to follow the methods of the rich capitalist countries. So at the behest of our capitalists, the Government of India manipulates the banks, the exchange rate, commercial credit, markets, its own vast expenses, both on the useful side and the corrupt side. It creates more money than necessary, creates inflation, to enrich the big landlords, kulaks, monopolists and the bureaucracy. And then hypocritically complain that there you have *inflation*—too much money in the market against too few goods. And hence prices are rising for the poor common man. They run their so-called welfare and "socialistic" system like that of the USA, UK etc. That is Indian economy having become a full-throated commodity-based economy also a galloping capitalist economy with monopoly houses in control of the major volume of capital and market. India shows all the inflationary evils as other capitalist countres, made by its own capitalist policies and also those exported by the imperialist countries.

So instead of controlling capital and its allies, who pay me five rupees and extract ten rupees from my labour power, the Government of the bougeoisie says that I have too many rupees and hence prices are rising. So they reduce these five rupees, freeze them from going up even if the capitalist raises his prices of goods. They call this a remedy to stop *inflation*—to save our country from going bankrupt—in short save capitalism from being taken over by the people and taking the country to socialism.

The capitalists' scientists never used to show how much surplus we make for them from our labour. But now for their own understanding and accounting, they publish them in the "Census of Manufactures" where they show "Value added by Manufacture" i.e. value added by labour power. You can study it and tell it to workers as a weapon of our ideological struggle against capitalism. *Without our own class ideology* and our class understanding of the capitalist system, we will not be able to make the worker understand what is happening today to us. The Government and its theoreticians are repeating the same theories as those of the Americans or the English and the Germans that *inflation* is the cause of the crisis in India. But they do not tell us where it came from? Formerly in 1930, it was *deflation*, depression or no money and too much goods to sell on the market—they said—was the cause. Now it is the reverse. So, let us see how many such crisis we had before and what was the result?

At a certain stage of capitalist development, the inevitable phenomenon of crisis began to appear every ten or seven years. It looks as if there are plenty of goods to sell, but there is no one to buy, a *crisis of depression* due to over production they called it. There prices fall.

## Capitalist Crises

But let us go back to the question of prices and crises. At a certain stage of capitalist development, the inevitable phenomenon of crisis begins with a ten year or seven year cycle of crisis which invades and disrupts it. A time comes when there are plenty of goods to sell, but there is no one to buy, a crisis of *depression* due to the *relative overproduction* sets in in which *prices fall and even then there are no buyers.* Some people might remember the post-war *1920 crisis of high prices but no buyers to buy at that prices, and the crisis of 1930 of falling prices and abundant goods but no buyer with* money to buy. The abundance is fictitious in the sense that those who need to buy have not enough money and those who want to sell must have their price *with profit* which the buyer, that is the poor, cannot pay. In 1930 they poured milk into the gutters because there was no one to buy it even at the falling prices. The buyers had been rendered so poor by the owners of capital. And so there was a *crisis* of *"over-production"*, they said. They did not call it crisis of pauperisaton.

That depression of *falling prices but no buyer and no money*, of closures and unemployment threatened revolutions and counter-revolutions. But ultimately capitalism came on the top.

In all this storm, only the *Soviet Union* suffered no economic crisis and everyone wondered why. But people later learnt that only socialism, where capitalist does not exist to steal the surplus value produced by the worker has no crisis or problems of unemployment, or glut or shortages in the market. *It was seen by many that the source of the crisis is capitalism.* Sydney and Beatrice Webb of the British Labour Party put that lesson very well in their book on the Soviet Union in 1936.

Right till the year 1929 production was booming and people had money to buy. Let them spend, so said the theoreticians. Then came the crash. And money vanished. It began with Japan, went over to Asia, then to Europe and next swallowed rich America also.

That was the Great Depression, the crisis of world capitalist system, of closures of factories, of unemployment, of surplus products lying unsold—*a crisis of no money* and no work they said. That was 1930. In that depressionary cycle the prices fell first and the wages were cut down later.

The Indian peasant sold whatever gold ornaments he had to pay taxes as he got not enough price for his products. And the Birlas bought and exported that distress gold to UK and USA, which gathered the largest hoard of gold in the world. The British pound was devalued and the British Navy, most loyal in the world, even threatened to revolt. After the effects of a long duration of the crisis and some slow movement of *consumption* reduced the stocks, and the depression lifted. Let us remember that the capitalists who went into liquidation were swallowed by those who had bigger capital, though people had no money. State intervention in favour monopoly capital had yet to learn the art of combating this type of depression by some method which will inject new blood in the system and save it from revolution! Too much productive capacity in the hands of a few and with money also in their hands and prices also in their hands, the impoverished worker and poor peasant and middleclass man was left with no money to buy the very commodities he had produced in plenty. Even *at falling prices, he was too poor to do it.* This state of things gives no good health to the bourgeoisie also because in the crisis big blocs of capital were swallowing small capital in the market mechanism. The exploiters, after exploiting the workers, also swallowed each other in the civil war of the finance market.

That depression slowly went down and the Second World War of 1939 came. In this period, the depression had not lifted totally. Capitalism had exhausted the efficacy of its old methodology to overcome its crisis quickly and easily, as before, because the monopolists had already divided and re-divided the world, and in their competition for more profits they had no new world to go to except to cut each other's throats than war.

At this time, before the war came in, the bourgeoisie got a theoretician, a magician they say, to tell them how to lift the depression and how to bring in the boom. That trick of the theoretician of monopoly finance was given by Sir John Maynard Keynes of England. It was called *inflation*. He simply said something like this: Let the Government print a pound note. It costs nothing. Call in an unmployed man and ask him to dig a hole in the ground for one day and pay him the pound. Ask him next day to fill it up and give him another pound note. He will take them to the market and buy a loaf of bread and a shirt and pay them those two notes. The bakery and the mill which had shut down and the shop which had no customer will restart their job and the depression will go. Then send that hole digger to the factory back and unemployment will go. Tax the factory owners, if you can, and get the two pound notes back or preferably by floating a public loan or keep the inflation going for a while as deficit finance.

This theoretician of deficit-finance, of creating fictitious money to move goods and raise their demand and prices by the sheer power of the state-stamped paper note, backed by a little force and a little gold, if available, (through the Birlas from the colonial slaves of India!) organised the methodology of *inflation*. People get money to buy, prices rise and the capitalist gets more profit than before, monopoly concentrates and state-monopoly-capitalism begins to think of a new multinational form of world domination. The trick of inflation—that is what the capitalist learnt—put money to buy in the hands of wage-slaves and draw back from them ten times the surplus value than before.

But monopoly capital could not live without a war of world domination and a desire to destroy the socialist Soviet Union—that horrifying spectre which had no crisis. The 1939-45 World War was launched.

It had to be financed by inflation. Consumption goods production falling and war-goods being destroyed sent prices up, and scarcity came. Famines came. *And despite money in hand, there were no goods to buy.* That was *inflation* brought by monopoly capital and their state systems—war, inflationary money by cartloads chasing goods which were few. In India they made profits of 300 to 500 per cent on textiles, sugar and what not in 1947-49. In the inflationary cycle, unlike in 1930, the prices rose first and wages lagged behind or rose slowly.

*Since then the capitalist world has stuck to inflation as the safety valve against an economic explosion and a new depression.*

We in India have *inherited* all this and suffered from all this in 1905, in 1920, in 1930, in 1940-45—and also now. Because despite our political independence, we have not shaken the tentacles of international monopoly capital, its inflationary attacks because of the subservience of our ruling class to foreign monopoly as was seen in the rupee devaluation or our import policy.

After we got independence, our bourgeoisie got their own state power to beat down the worker and get increased surplus value from his labour power to build the power of the big monopoly houses, create deficit financing in the name of five-year plans, print money for inflationary capital as Keynes said, speculate and raise prices, whether there are goods or no goods—in short use *inflation*, use the glut of money with falling value to raise prices, create false scarcity and enrich capitalism and its hangers-on. And when the worker would strike for higher wages, tell him that it is just his wages-rise that leads to inflation and rise in prices and hence he must be restrained.

So *freeze the wages* becomes the slogan of the shrewd bourgeoisie and its ignorant rulers and crafty bureaucrats aided by a few humbug politicians, all putting it forward as a wonderful solution of the national crisis caused by high prices and so-called shortages.

They forget history. There is nothing particularly Indian about these men or their views and solutions. We have seen these gentry not only in India but in England, America, Japan and elsewhere. They are trying to become part of the world monopoly international—now called the multi-nationals, by using deflation and inflation both, by too much goods and no money to buy or too much money and no goods to buy, whichever is suitable to them in the given line of production or the time period. The main principle behind all this is their maximum rate of profit realised by forcing the worker to yield the highest rate of surplus value. It means increasing the rate of exploitation of the workingclass and all toiling humanity.

*Hence our answer* to the Government of India's policy to fight inflation (the so-called too much money to buy too few goods) or to control prices, is that wage-freeze and even dividend freeze is no solution of the problem of our national economy and its crisis. It is only a step in protecting the big monopolists, the rich kulak landlords, the hoarders and the bureaucrats, despite the sermons of the Congress leadership.

The show of impartiality that the Government has made by freezing dividends along with wages is a ridiculous piece of hypocrisy. Everybody knows that those who pretend to live on dividends have enough of other sources of income. And secondly, already this gentry has got so many bonus shares issued to themselves that the limitation on the rate of the dividend does not frighten them nor by the longer span for the issue of more bonus shares. Moreover, it is not an anti-inflationary measure, as the money is allowed to go back to add to the already inflated liquid capital of these companies. Thus this show of impartiality does not even hide the original bourgeois birthmarks of the makers of the scheme.

We had argued above on one point—that the basic crisis of the economic of the capitalist world, in the past or today, even when expressed as inflation, that is in the monetary sphere, are not just crisis of money, wages and prices. And to think that they should be fought by freezing alone or in company with freeze on prices is just helping capitalism, not to solve the crisis but fatten itself further at the expense of the working class and the toiling people as a result of which monopoly grows stronger than before. It even foments war, if possible, to save itself from revolution and the onslaught of the exploited masses, who more and more come to the conclusion that the problem cannot be resolved except by an anti-monopoly democratic revolution, and taking the path from revolutionary democracy to socialism.

However, in our argument, we quoted the examples of all the big world crises of capitalism till the end of the Second World War. Our critics and particularly the Congressmen might say that all those world crises were *before* India became independent. Once we got our own Government, we are no longer embedded into the system of world capitalism, its crisis or monetary or economic manoeuvres. We have *our national line*, in which we have relations with the socialist world also. Our economy in fact deals with COMECON countries as much as the countries of the OECD or EEC. Therefore, the examples of the classical crisis of the world capitalist economy do not apply to independent democratic India of today.

The objection is partly valid. But it does not solve the problem because of the simple fact that our national economy itself is mainly based on capitalist relations of production. Even the public sector is a state-capitalist sector. Secondly, the Governmental power from top to bottom is in the hands of the bourgeoisie and serves its policies. Where they are forced to share it with the CPI or other truly democratic elements, in a few exceptions as in Kerala, the main levers are at the Centre, which is inevitable, and which is guided by laws of bourgeois economy, bourgeois state methods and bourgeois interests, ornamented here and there with "welfare flowers" and some socialist phrases. Even the fruits of socialist aid are allowed to be so channeled as to benefit the bourgeoisie as a class, particularly its bigger layers, though this aid strengthens the general framework of the national economy as a whole also.

It would be worthwhile, therefore, once again to review, in brief, the policies that the Government followed in the industrial and monetary sphere after independence.

During the Second World War, there was heavy deficit-financing in the country. Prices and black profits had also risen. But because of war conditions, this was considered inevitable. Even then the independence movement used these factors quite legitimately to fight the Government and defend the people and demand our freedom.

After peace and independence came, we had tremendous difficulties, like the Pakistani invasion of Kashmir, the refugee problem, the Hindu-Muslim riots, the revolt of the princes, etc.

In all this crisis, when prices rose and production was being interrupted, what did the bourgeoisie and the national Government do?

The new owners of capital, who had now got also political power, *sent the prices rocketting* despite the existence of some rationing and despite the national dfficulties. If you scan the profits and dividends of that period, you will find many industries declaring dividends of 500 per cent and more.

In order to ferret out black money, the British tried to demonetise one thousand rupee notes. The whole operation failed, as the notes went underground in the treasuries of the princes, whose areas were exempted from it.

When our own national Government came, *they did not take up the question of demonetising the war money and the black profits.* When prices rose, they asked us to stop strikes for higher D.A. and Pandit Nehru called for "an industrial truce." Morarji Desai in Bombay gave *bonus payments in the form of paper bonds*, to be redeemed some time later. But the workers revolted because this was no check on prices or on profits, which were soaring up. At last due to strikes of textile workers in Bombay, the Ordinance on bonds which had frozen not only bonus but the sale of the paper bonds also was amended and the bonds in the market the next day were all sold out. Without price control and profit control and supplies, the first act of our own Government was an attempt to freeze bonus and wages, in the name of national interests! Neither war-profits nor black money nor the inflated currency touched by the bourgeois finance ministers in Pandt Nehru's Cabinet. He only expressed his anger by saying "hang the black-marketeers". Now, after 25 years the black-marketeers are hanging us in the name of inflation. And the bonus-freeze Ordinance of Morarji Desai of 1950 is reissued in a new garb of socialism and Garibi Hatao. At that time we got it made at least negotiable and sold it out. Today we cannot do that even and we also do not want it that way.

War *money was added to by more black money after independence* came. We lost our foreign sterling because we had to buy our railways from the former British owners. We lost sterling in order to pay all the cumulative pensions of the departing British ICS and others. We said we were buying our freedom for which this loss was nothing. Let the sterling accumulations and the ICS both go. Black money and deficit finance grew.

But the Korean War came and we earned a lot of dollars by selling our jute bags and others things to the Americans who were actually fighting to drown Korean freedom and socialism. Anyway, we got a plethora of dollars and a new war boom.

## The Five Year Plans

So we planned the First Economic Plan with the idea of importing industrial equipment with this new foreign exchange balances. But the industrialists were ahead of the Government. They used this exchange and also the one under the Second Plan to make their own imports, their own luxuries and utilities and private plants. The state sector was left high and dry as Finance Minister C. D. Deshmukh admitted and had to do deficit financing. Notes and black money multiplied. Profits rose but wages were being held back; and for every rise in prices, the workers had to fight for D.A. *Price-rise came first and D.A. followed it with a big lag in between.* We the workers and their wages did not make the market or the prices. The capitalists and the Government did it. We only fought to save ourselves. Even then real wages lagged behind except in one solitary year.

With the growth of thousands of crores of plan money injected in the system, which hardly turned into real value by means of production of real goods, due to the corruption in the whole state system, inflation, black profits and black money grew by leaps and bounds.

Every project under the plan became the grazing ground of the bourgeoisie, the contractors and builders and the cousins and brothers of the Ministers, MLAs and MPs of the ruling Congress Party. Vast monopoly houses came to command almost everything in India, including virtue and vice. And as the bourgeoisie grew and spread in every layer of society, the top, the middle and lower ranks of their class in their industrial and trading sphere, it ultimately went to the peasantry and built up its own counterpart there, the kulak world of our new capitalism and taught the peasant also how to trade, how to hoard and dictate to the towns and the Government. So when mills made profit on cloth by the millions, the kulak came on the scene and demanded higher and higher price for his cotton from these gentlemen who then began to protest against the "greed" of the cotton grower. Nice to see the inner-class contradiction of the bourgeoisie recoil on itself.

*Every project under the Plan overshot its cost in money and time.* Some bridges were so faulty that they had no proper foundations even. But money had been paid. Even canals went into wrong directions to serve some powerful landlord interest. One such "mistake" once flooded whole of Delhi and the "corrupt mistake" and its source was found but talked about only in whispers. Chief Ministers and Ministers and MPs caught for corruption and denounced by official inquiry committees, went scot-free and even got elected while proceedings for "alleged corruption" were pending against them. One of them recently expired and every Congressman expressed grief for the death of such a great Chief Minister and patriot. Yes, patriot before independence and Chief of Corruption after freedom !

Thousands of crores have been lost into the blackmarket without creating even a rupee of real value. Who created that inflation, that corruption, those high prices of food hoarders, if not the FCI and the Food Ministry and those who have a hand in its thefts and black deals? The "handling charges" of FCI are high, they say, and therefore, its prices are high, some say. But what is this high "handling charge" if not the on-money that is charged by every Minister, MP or MLA and bureaucrat concerned, to move even a sack of wheat "in his territory". And you ask us to freeze our wages, so that prices can come down. Will they with such a class and such a gentry in power at the strategic points? Merely having a virtuous Prime Minister or Cabinet is not enough.

We deviated a little from our subject to show how the "capitalist chain order" works to raise prices, make black money and upset the national economy. But the punishment for it is put on the workers. Hence, we do not accept it. It is no solution.

Let me give one more reference in this story of inflaton and black money.

You may remember, after independence we tried to abolish landlordism. The Government paid them compensation of Rs. 600 crores. They were given in bonds but to be redeemed gradually in cash on a time perod. Was this not a fictitious addition to the money fund, without creating even a rupee of real value? Who added to this slow inflation in the economy to satisfy a parasitic non-creative class?

We got wheat from the Americans on PL-480 terms. It costs very high and not only that those Rs. 800 crores we had to pay in dollars added to our *inflation* and also our political troubles. The Government of India economists do not agree that this was inflation, but many prominent economists have shown how this was inflation though it was well camouflaged.

When we proposed that these loans be written off, the Government and the bourgeoisie threw up their hands in horror. How immoral, they said.

On the contrary, they obliged the World Bank by devaluing the Rupee 57 per cent and thus helping inflation and rise in prices. And while we were blackmailed, the US Government coolly announced that they were no more bound to pay gold for the dollar, and that the dollar would float and let the others adjust to this devalued dollar as they liked.

## Export of Inflation by Developed Capitalist Countries

*It is not only India but the whole capitalist world which is in the grip of inflation. And everybody is trying to find his own recipe, the common one to all being attack on wages accompanied by empty talk of holding prices.* And everyone of these developed capitalist countries is exporting its inflation to the developing countries and to us by paying less and less for our raw material exports and asking higher prices for our imports of goods from the USA, the EEC countries or Japan.

In our own country we have had the experience that in our building of factories, the European and American suppliers unload on us *defective machines at high prices and rob us not only in money but delay our construction and raise its costs.* If this shortfall in production and rise in costs leads to deficit financing or inflation, is that our fault or that of the corrupt bureaucrats and the Ministers who arrange such shady deals? I need not give you here the innumerable examples of these crimes of the ruling classes, who want to penalise the worker for their sins and thus escape their own punishment.

So the cure for inflation and high prices cannot be laid at the door of the workers. Hence we say:

"Don't begin with us. We are not the cause of the disorder in the money market, in the price mechanism or in the failure of accumulation of capital or the failure of your Five Year Plans. It is the big monopolists, their capitalist order, now helped by the kulak, it is the big bureaucrats of that order and the liveried Ministers of capitalism, who rule the roost *that have upset deliberately and planfully all the plans for building a democratic India of the people.* Making the working class and poor toiling agricultural labourer and the poor peasant the target of attack will not pay."

## Combat the Ideological Offensive of the Bourgeoisie

This long story had to be told here because the bourgeoisie and its propagandists have opened a big ideological offensive against us and the workingclass. Unless we put forward our class point of view and show how what is happening is a part of the class struggle, a part of the main question of the class economy of the monopoly bourgeoisie versus the class economy of the workingclass, which alone coincides with national interests and all peoples' interests, we will not be able to meet the offensive the Government which is following wrong prorities and will lead to harming just those very masses who stand for the nation's progress and mass wellbeing. *It is not merely a question of wages* either for the Government or for the bourgeoisie or for us. *It is a political question of the political economy of this great country, trying to go to the socialist path through democracy. And it is just that democracy that is being destroyed to be replaced by a reactionary order of things.*

In order to combat the argument that inflation is inevitable for us because we are undertaking the task of overcoming the backwardness of the country and building our economy fast, we are giving here a table to show the position in the developed capitalist countries. It will show that it is not a question of being rich or poor country. It is a question whether you are based on capitalist economy, whether developed or undeveloped, or developing. The table refers to ten countries and is taken from the London *Economist* of July 13, 1974 :

| | *All consumer prices* | | *Food prices* | | *Wages* | |
|---|---|---|---|---|---|---|
| | *Index 1970 =100* | *% age One year* | *Index 1970 =100* | *% age One year* | *Index 1970 =100* | *% age One year* |
| Germany | 125 | + 7 | 123 | + 4½ | 145 | +11½ |
| France .. .. | 131 | +12½ | 136 | +12½ | 152 | +15½ |
| Britain .. .. | 144 | +15 | 160 | +17½ | 161 | +16½ |
| Italy | 135 | +14½ | 134 | +13½ | 172 | +29 |
| Holland | 134 | + 9 | 126 | + 8½ | 158 | +17 |
| Belgium | 127 | + 9½ | 130 | + 9½ | 153 | +16 |
| Denmark | 135 | +13½ | 141 | +13 | 168 | +25 |
| Ireland | 144 | +13½ | 149 | +11½ | 168 | +20 |
| United States | 124 | +10½ | 139 | +17 | 127 | + 6½ |
| Japan | 148 | +25 | 154 | +30½ | 173 | +20 |

(London *Economist*, July 13, 1974)

*All of them rich and fully developed. But prices rising and inflation growing.*

## III

### Wage Cost and Prices

Now let us come to the question of remedies to cure the situation. We have rejected the Government's slogan of wage-freeze. That is no remedy to cure inflation or inflationary price rise.

*The first question here is how much part do wages play in the manufactures that are coming to the market as producer goods, or consumer goods?* A survey by the Reserve Bank of India, published in its Bulletin of January 1974 of the finances of 1650 selected public limited companies shows the following as regards manufacturing costs of these companies and the *remuneration of the workers, as percentage of the value of production.* Remuneration includes wages, salaries, bonus, provident fund and welfare expenses. The total shows:

| | *Manufacturing costs* | | *Remuneration of employees* | |
|---|---|---|---|---|
| | *1970-71* | *1971-72* | *1970-71* | *1971-72* |
| All companies (1650) | 62.6 | 63.1 | 15.4 | 15.3 |

So the workers' wages in the manufacturing costs actually declined from 15.4 per cent to 15.3 per cent.

Details of that survey also show that in cotton textiles, about whose high prices so much is spoken, *the wage costs have actually fallen*, while total manufacturing expenses increased. The falls in some other items are also given here.

| | *Manufacturing cost* | | *Wage cost* | |
|---|---|---|---|---|
| | *1970-71* | *1971-72* | *1970-71* | *1971-72* |
| Cotton Textile | 65.9 | 69.7 | 21.0 | 19.5 |
| Jute Textile | 63.9 | 60.7 | 23.0 | 22.4 |
| Sugar | 76.7 | 70.4 | 9.8 | 10.5 |
| Coal Mining | 57.2 | 59.6 | 22.6 | 22.6 |
| Cement | 56.8 | 57.2 | 11.8 | 11.8 |

For more items, see the table as reproduced in our *Trade Union Record* of 13th June, 1974.

These tables do not show that galloping wages are adding to the cost of manufacture and hence to high prices in these items given above. You may say these figures relate to 1971-72 but whatever rises may have taken place later, the tendency is not that the share of the wages in the total value produced has inflated the prices of the products.

On this subject, it would be better to quote a study in the *Economic Times* of 8th July, 1974 by its Research Bureau. It says :

"Looking at the trend in the industrial raw materials and manufactures, one finds that it is mainly the prices of raw materials and costs of capital equipment and machinery which have gone up. Thus it is a 'material push' or 'capital push' inflation, but not 'wage push' as is commonly understood."

And who is the guilty party for this "capital push" and "material push" infiation. Evidently, the landlord-cum-kulak aided by the RBI and other financiers of the speculation markets, the machinery import houses and the bureaucrat dalals who negotiate the machinery deals, including the DGSTD Centre, the STC etc. with foreign firms. One need not enumerate all agencies of these Gods of ill-fame, ruling in the huge state-structure of our country.

Continuing, the study says, "This fact has been brought out in Reserve Bank of India study relating to 1501 large and medium public limited companies (*RBI Bulletin* July 1972) which shows that the *wage cost* as percentage of the value of production *has gone down* from 15.1 per cent in 1965-66 to 14.5 per cent in 1969-70. While raw material component and other manufacturing expenses have gone up from 57.2 per cent to 57.9 per cent during the same period. The RBI study also indicates that the period between 1965 and 1971 has been one of "rising manufacturing costs in large manufacturing firms."

The study further quotes the National Labour Commission, which says, "Wage costs as a proportion of total costs of manufacture have registered a decline."

The study says: "Thus in the absence of wage-push influence, inflation in India cannot be controlled merely by pegging wages and salaries. The rise in wages, wherever it has taken place in a few industries, has been a consequence rather than cause of inflation."

"While the index number of *money-earnings* increased from 106 to 181, the index number of *real earnings* fell from 103 to 99 in 1971." (*Economic Times*, July 8, 1974).

The writer says: "This being the case, it is surprising how experts and policy makers can suggest that the malaise of inflation can be cured by the so-called incomes policy" (which means a policy of wage-freeze).

We need not go into more argument on this question. It is enough to note once again that organised factory employment forms hardly one per cent of the total population. With such a small workingclass in the total and earning only a small portion of the total national income, it is ridiculous to think that freezing his wages can control inflation and price rise.

So far is the part of criticism. Now the question is how do we want to control the inflation and rising prices? If not by wage-freeze, what other means can be employed?

The situation in the rise in prices is extremely serious, specially for the workingclass. As the economic journals report, the all-India consumer price index for industrial workers (1949=100) which has been showing an upward trend since February 1973 was *higher by a whopping 27.9 per cent in April 1974, over the level obtaining a year ago.* This is on the top of rise of 13.5 per cent in 1973 over the corresponding period of 1972.

| | *wholesale index* | *consumer index* |
|---|---|---|
| 1969-70 | 3.7 | 1.4 |
| 1970-71 | 5.5 | 5.1 |
| 1971-72 | 4.0 | 3.1 |
| 1972-73 | 9.9 | 7.7 |
| 1973-74 | 22.7 | 21.1 |

The answer of the Government is not to find out how this rise took place. *Their answer was not to freeze prices—but freeze wages.*

As a consequence of the steep rise in prices, the value of the rupee eroded further in 1973 to just 35 paise against 41 paise in 1972 and 44 paise in 1971. In April 1974, the rupee was worth only 29 paise compared with 37 paise a year ago. And when we get our frozen wage back, where the rupee and its value will be, we do not know.

### Reserve Bank—the Real Culprit

Before hunting for the real culprits in the Governmental circles and their policies to corner the wealth of the country in a few hands and then capture the state power for Right reaction by creating an unheard of economic crisis and mass discontent, let us see the main source of inflation, that is, money-supply and its fountainhead, the Reserve Bank of India (RBI), the handmaid of monopoly capital and their bureaucrats.

The RBI is run by the most unashamed leaders of monopoly capital. *Its credit policies feed the blackmarketeers' activities of cornering and holding commodities, creating scarcity and rise in prices.* When their lending of thousands of crores to the exploiting classes leads to an uproar, the Governor pretends to wake up and send a "sharp letter" to the commercial banks to restrict credit. After publishing such a news, the whole shady game shifts to the inner corridors of the bank, or the finance houses of black money who are guaranteed and secure credit at the next phase from the RBI itself.

*Giving big credit for hoarding, price raising and black trade is the regular business of the Boards of the RBI and the nationalisation of commercial banks has not done anything to them in this respect.* On the contrary, it has brought them more deposits and credit.

There are people who every time put the blame of inflation only on the deficit-financing of the Government of India and the States. But recently it has been found that advances to the commercial houses have been far more than to the Government, whose guilt we shall examine later. If we scan all the hypocritical letters and statements of the RBI Governor saying that he has given stern instructions to restrict credit to the commercial sector, we will find that the RBI and the commercial banks dominated by the advisers of the monopoly houses (despite the few meek nominees of the employees) are consistently and planfully using social money (bank deposits) to enrich the big bourgeoisie, the kulak groups of the Congress and their ministerial circles and bureaucrats by giving liberal finance to all of them, beginning, of course, with the the big houses. One can read the story in the financial papers also. One recent report is worth quoting:

"Indeed there is concern in New Delhi over the fact that the Reserve Bank in the name of monetary restraint *has fostered monetary inflation* to a point where bank credit to the commercial sector at Rs. 9,376 crores on May 10th exceeded net bank credit to the Government sector which stood on that date at Rs. 9,013 crores.

"The Reserve Bank boosted bank credit to the commercial sector with liberal accommodation to the banking system. This was tantamount to *deficit-financing of the private sector.*" (*Economic Times*, 1-6-1974)

What could be the result of this policy if not hoarding, rise in prices and black market?

What did the Government do? They froze not the prices that this credit helped to raise, but froze the wages. The *Government attacked the workers, instead of the bank bureaucrats* and their henchmen.

And when our AITUC and the AIBEA employee directors, who are on the boards of some banks, objected to credit being given to wellknown speculative parties, their advice was set aside. If this is workers' participation in management, it is better to kick away such a thing!

When national income is not rising, when industrial sector is not showing growth (only 0.2 in 1973 over 1972) and when Mr. Subramaniam himself admits no growth, where is this bank credit going if not to the hoarders, speculators and moneylenders?

(a) Hence our first demand on the financial front to check inflation and price rise is to *sack the board of directors of the RBI and the commercial banks* and put them under a committee formed of progressive and democratic minded economists, elected nominees of the employees and Government and one nominee of all the Chambers of Commerce in the country, with the Finance Minister as President.

(b) The list of all those gentry who form the "clean credit" roll should be abolished.

(c) The loans and advances given to any one beyond a certain sum should be published every week and not remain a "business secret."

(d) All buying and selling of shares and stocks, whose credits and debits come to bank account should be published weekly.

(e) All forward dealings and badla transactions should be banned.

(f) All transactions on the cotton, bullion, seeds exchanges must be made for spot delivery or non-transferable specific contract to the parties needing them.

This alone will stop public money being used for speculation, hoarding, shooting up prices, obstructing production and cheating the consumers and the people.

*The purpose of nationalising the banks has been foiled by the ruling bourgeoisie and its bureaucrats and agents in the ruling Congress Party.*

The above points are the first and essential steps in the direction of democracy for the masses. But will this Government act on this advice? They will not. But they will have to be pressurised by the masses. Otherwise complete ruin and Right reaction will overtake whatever is left of progress in this country.

Only thus can we stop inflation in the monetary sphere and the rise in prices. But then what of the black hoards?

The *Second Most Important Question* to be dealt with is: *How to get rid of and control black money?*

In this respect, calling for demonetisation has not received much favourable response. Moreover, the proposal has also frightened the kulaks, let alone the millionaires of the cities—though there is no reason why it should not be done. Even some ministers, MPs and MLAs and a large section of the rich bureaucracy is frightened of it.

We have in history the cases of some states having cancelled the whole of their old currency which had almost lost all value as in Germany and in China. But that was because of war, one may say. Our black money, too, is a product of war, speculation, hoarding, excessive dilution of money and credit and so on. So demonetisation is not "immoral" nor unprecedented. But then it is not accepted.

Now a respectably modified plan of getting back money out of circulation and without depriving anyone of his holdings, black or white, has been evolved by 140 wellknown economists, belonging to the Indian Economic Association. They met for days and discussed the monetary situation in the country and sent their views to the Prime Minister on 23rd of February, 1974. They named it as a "Scheme of the Economists for monetary Immobilisation through Bond Medallions and Block Assets", in short, called "semibombla".

We need not put down here the scheme as presented to the Government. It immobilises 30 per cent of the currency in circulation, to be rehabilitated after the crisis is over. It claims to bring down prices immediately by that measure, in which case wages, salaries and other incomes are all frozen for a year or two. As the scheme is available in print, we will not spend space here on it. As the authors themselves have summarised their scheme in the document, we will draw your attention to that part (in Appendix I).

It is not possible to put the "Semibombla" for discussion in the General Council, though it would be advisable for all of us to know of it. Some people consider it helpful and useful and capable of being effective in ferretting out black money, leading to fall in prices and a better monetary and price framework after that. The scheme deserves serious and sympathetic consideration, particularly from the Government and leaders of public opinion. Because the scheme is not sponsored by those prominent economists who generally side with the Congress thinking, it is no reason to cold-storage it. It has all the features of demonetisation, steep price reduction with incomes freeze for a time and no loss of money at the end to anyway beyond a thirty per cent freeze of current currency for a limited period. Government and all TU and political organisations should study it and opine on it. The two main sponsors in the 140 economists are Professors C. N. Vakil and P. Brahmanand of Bombay.

## Sabotage of Production

*The Third Question to refer to is to understand that the big industrial bourgeoisie is continuing its sabotage of production* through freezing investments. We had given material on this before some two years back. Since then industrial production has gone still more stagnant. The reason for this as already pointed out before, is that the bourgeoisie wants to earn its profits on lower and lower production which becomes possible due to inflation, wages lagging behind productivity and prices. A study of 356 companies showed that *they preferred to cut back on retention of profits in business rather than appropriation for dividends.* It simply means they are not interested in sinking more capital in expansion of production. Dividend as a ratio of profits before tax moved up sharply from 30.8 per cent in 1971-72 to 34.2 per cent in 1972-73. This means profits retained in business fell from 69.2 per cent in 1971-72 to 65.8 per cent in 1972-73.

The industrialists want the workers to think of production and not harp on wages. But when his turn comes, he refuses to expand production by retaining earned profits in industrial expansion but wants to take them away in bigger dividends. That is their 'patriotism' for a sermon on the pulpit. And it is them that the Government wants to feed and breed!

*Hence it is the duty of trade union leaders on the factory floor to watch where production is sent into stagnation or cut and immediately raise the question with the managers and employers.* In this the piece-rated worker gets the scent more quickly. But it is necessary that not only he but all are made to think of the problem of cut back on production or stagnation. For this and other purposes, we must once again revive the elected works committees' functioning.

### Work in Public Sector

While on this question, we have to refer to the *work in public sector*. Way back in 1955 and onwards, when the public sector began to come up seriously in lines of production, vital to building an advanced industrial economy for India, we initiated the idea of the two pillar policy, in which the pillar of public sector industries was to be strengthened with special care. This we did because all the monopolists were bent on opposing the public sector's strategic plants and lines of production as in Bhillai, Ranchi, Hardwar, Bhopal, etc. The question was not whether it was Soviet aided or not. The question was that though this sector was not socialist, but of the character of state capitalism, yet it helped our country to grow forward, to industrialisation not dependent on imperialism, and give birth to a new workingclass. Hence private monopoly capital opposed it and we fought against that sabotage in national and class interests.

Now this task has got a new look. The monopolists no longer oppose the coming up of public sector plants, even if they are from the Soviet Union and other socialist countries. Many of them have now become established and growing giants and successful ones.

The trade unions and workers of the AITUC rendered great help in the field of actual production and industrial relations in fighting the sabotage activities of private monopolists, their agents in the management and the activities of ultra-left and anarcho-syndicalist activities of our trade union opponents. Even these gentry have now reconciled themselves to the existence of this sector.

But now some change has to take place in our work in the public sector, in this period. Having got it successfully going with and sometimes without our cooperation, the management as representatives of state-ownership, which has developed and enlarged its field, have begun to adopt the same attitude as of the private sector towards the workingclass. Moreover, the *pricing policics* of many of these units in the vital public sector have taken the road to keeping them low enough as to become subsidies by the underground way to the private sector manufacturer and trade. This has been seen in iron and steel, in coal, fertilisers, oil, aluminium, electricity, and many others.

This policy is harmful to the national economy, to the industrial sector concerned, to the national budget and to the worker and the people. Hence this policy has got to be exposed and opposed. The two pillars do retain their separate identities but they are no longer at loggerheads, on the contrary, the state sector has begun enriching the other sector. So, the former distinction to which we doggedly stuck has to be modified to an extent, so as to defend the sector and its workers in a new and more effective way. Now the emphasis must be more on the workers' rightful place and interests without looking over the shoulder, whether the private monopolist is there or not, to take advantage of our struggle. In the national economy, the two pillars have become one, unless the state changes its policy for the better. In the workers' home economy, that is his demands, etc. the two pillars have become one, though on the ideological and economic plane the significance of the two as separate entities still remains valid. How to work out this change is left to the TU leadership in the area concerned.

This is a modification in tactics and not in the basic ideological content.

The *Fourth Question* that requires attention is how to combat corruption. This is a field where the TUs can do much in making our workers conscious of this evil, which has arisen from the bourgeois system itself. But if it is not fought with *class* understanding of our outlook of class-philosophy and ethics our revolutionary content will be corroded and we will fail in our goals.

This is not just lecturing on morals and ethics, but as a part of our class make up.

The main source of corruption is the bourgeois system which wants to make fast superprofits in any way and anywhere. But in the context of India, the whole state system has become corrupt, though it does contain some honest individuals also. We are not referring to a few smuggled foreign goods like nylons and watches. This is just flee-bite compared to *gold smuggling* that is done not for individual pleasure but for hiding black profits on a largescale and so it becomes a *class* problem.

But worse than this is the organised fraud to steal *state funds* meant for construction of factories, bridges, houses, etc. under the five-year plans. The *theft of electricity* is an organised profession in which Government officials, leaders and others fully share the gains of theft and non-payment of even that part which is shown as legally consumed. The electricity arrears now amount to Rs. 144 crores. And the arrears are never paid but written off with a commission for the "authorised people" who do it.

Non-realisation of loans given to *cooperative banks* and societies is another form of corruption. Even the irrigation Minister of Maharashtra had to admit the vast amounts remaining unpaid mostly by rich kulaks. Irrigation in which the nation invest funds is charged so low a cost and that also remaining unpaid that it continuously adds to Government deficits and also leads to corruption.

Iron, steel, fertilisers, cement, etc. are supplied at low and subsidised prices to favoured groups and individuals in return for corrupt gains.

Bank credit given also draws heavy "corruption fees."

Location of factories and projects, diversion of roads and railways is done to suit vested interests. The state of workingclass housing in various cities done by the Government housing boards is another grazing ground of corruption. We need not go on listing these areas more because the vast amount of plan money poured into a capitalist economy based on exploitation and profits has made the whole country an ocean of bourgeois corruption.

The worst feature of corruption is that many leading personalities of Government and the bureaucracy are involved in this. In fact, a new bourgeoisie arising from the ruling party's ministerial circles and departmental heads has come into being through the vast moneys poured out by the five-year plans and the big monopolists. As a result, they have not got even the true bourgeois approach to productive activity but the vicious parasitic approach of the lumpens of the upper world aided by the lumpens of the under world, doing nothing beyond accumulation of land, houses, gold, jewelery, money and luxury goods.

What is the remedy? The remedy is to summarily remove and imprison the Ministers who are known to be corrupt, without any inquiry commission and long-winded proceeings. The big bureaucrats' service privileges inherited from the British or our Constitution must be set aside to deal with their affairs also in a quick and correct way. Unless the ruling Congress Party, instead of sheltering corruption, throws it out with a daring, it cannot hope to reorganise the country's life and economy on the strength of its own party. It will soon be engulfed despite heroic speeches by the leaders.

When we mention the Congress Party we do not want to exclude the other bourgeois and reactionary parties from that charge. Only where real Left and democratic parties, including democratic and progressive Congressmen took power and formed Governments, this virus of corruption could be brought under control but only partly because one or two states cannot fight it in isolation from the rest of the country and particularly the Central Governmental machinery. The evil has gone beyond merely rousing people to recognise it. General sloganising as in Gujarat or Bihar will lead nowhere. It requires attacks on definite cases of corruption, definite agencies and centres, which are not limited to legislatures or only one party; though the major blame has to go to the ruling party of the Congress. And when some of their leaders try to fight it, they are threatened with dissidence, walkovers, etc. so that in order to be in power the whole thing ends in a settlement or change of Ministers or such other deceptive measures. And the people have come to understand them as such and attack them in every manner.

We, workers in factories, offices, services and other places of work, have to evolve a method of anti-corruption strikes or other actions to save ourselves and the whole system being taken over by Right reaction, which knows how to use the discontent, and hit them and their agencies, secret and open.

## IV

## The Railway Strike

The most outstanding event since the last General Council meeting of March 1974 is the railway strike. The 20 day strike in its sweep and dimension was **unprecedented** in the hstory of the trade union movement. Never before had the railway workers embracing all categories, unions and federations, recognised and unrecognised, come to a united platform, the NCCRS and gone into a general stike. There had been strikes in the past of various categories, in different regions and workshops. But the strike this time assumed gigantic proportions involving lakhs of workers spread over the vast railway system.

Also never before had the Government directed the state repressive machinery on such a vast scale to break an industrial strike, to intimidate and terrorise the workers and their families. Thousands were arrested, imprisoned and dismissed. We need not recount here all the developments leading to the strike and how treacherous arrests by the Government in the midst of negotiations ultimately precipitated it, as they are already wellknown.

The strike in railways involving more than a million workers spread over 60 thousand kilometres of the railway system divided in innumerable categories with uneven development of organisation, consciousness and experience has to be distinguished from a strike in a factory or in any industry in a region. The railway workers fought bravely against heavy odds as long as they could. The workingclass demonstrated its solidarity by the highest form of industrial action—all India general strike on 15th May. The Government imputed political motives to the strike and on that plea arraigned its entire repressive and propaganda machinery against the strike. The Government as it were declared war against mass of the railway workers who went into strike to win their demands, and not for overthrow of the Government although some adventurist leaders of the strike might have harboured such illusory ideas.

The attitude of the Government further stiffened when the Action Committee rejected Government's offer of the three-point formula of simultaneous release, call-off of strike and resumption of negotiation. The Political Affairs Committee of the Cabinet even did not pay any heed to he sober advice given by President V. V. Giri.

As a result, in the face of the gloomy prospect of any settlement and continued mass repression of the Government, the strike began to weaken and fizzling out started by 16th except in certain industrial cities like Bombay, Calcutta and workshops. From 20th May onwards the question of orderly and organised retreat was looming large. The Action Committee by then was denued of its majority members, who had been thrown into jail. Remaining blind to the realities of the situation, the adventurist section of the Action Committee outside and the CPM were still talking of intensifying the strike which was itself coming to an end, by a general strike of the Central Governmet employees and coalminers, workers in iron and steel and such other public sector industries. We from the AITUC opposed such proposals being unreal and adventuristic.

It cannot be gain said that there were divergent trends, approaches and objectives in the leadership of the strike. Two lines were working even from the time of negotiations before the strike. One line was to underplay the possibility of a negotiated settlement, and the other for making all efforts towards a negotiated settlement, to achieve concrete gains and avert the strike, if possible.

In the course of the strike, the letter of SP leader Madhu Limaye to S. A. Dange first brought into the open the divergent approaches and tactics in conducting the strike. Limaye tried to malign the AITUC on so-called "selective" arrests and to frustrate all initiatives and efforts to end the stalemate. An appropriate reply was, of course, given to Limaye's letter.

The ultra-Lefts tried till the end to allow the strike to completely fizzle out and end in total demoralisation of the workers who had fought so bravely. The Government also was trying to force the strike to fizzle out and refused to respond to any proposal that was given from time to time to end the impasse.

We need not give here all the letters and statements issued by the AITUC in its efforts to save the situation and the workers from total rout. These are already published in the TUR. In all its statements and letters addressed to the Prime Minister and the PAC, the AITUC asked for allowing the full NCCRS, which was immobilised due to arrests, to meet and take decision, which alone being the collective body could take the decision to call off. The AITUC further stated categorically that it will not take, being part of the NCCRS, any unilateral decision of calling off the strike and which it did not do till the end. The same position was repeated in the statement of May 25, 1974 and further clarified in the course of the statement of May 27. In view of the fast fizzling out of the strike, the stiffened government attitude and immobilisation of the Action Committee which could not meet, the AITUC called upon the workers to collectively and democratically take any decision they choose to take. That was the only democratic procedure left open to the workers in the then obtaining situation, as individual fizzling out had become demoralising factor in the whole situation.

George Fernandes, as he stated before the AIRF Working Committee in its meeting held in New Delhi on June 8 and 9, 1974 had sent intimation on May 24 to the Action Committee outside advising them to call off the strike. On having no response to that, the resolution of the Action Committee members in jail calling off the strike from 6:00 hours of May 27, 1974 was sent outside. That resolution also was suppressed by the ultras in the Action Committee for full 24 hours and the strike was called off only on 28th May, 1974. When the AITUC statement was published another jail resolution also became known.

The campaign launched by the CPM against the AITUC and backed by the bourgeois press is sheer slander in which they are past masters. They wanted thereby to demoralise and divide the workers. They tried to utilise the railway strike to serve their narrow tactical political objectives in which they failed. Their eye was more on breaking the Kerala coalition government by alleging falsely that this progressive government in which the CPI participated was repressing the railway strikers. They tried with the Central Government employees to pursue an adventurist tactics in which they miserably failed. The strike of the government employees which they had called for 10th May and miserably failed was called off unceremoniously within 3 days, taking note of "the conciliatory attitude of the government" at a time when the railway workers' strike and its repression was at its peak.

Instead of seeing the grandeur of the great struggle fought by the railwaymen, the petty political gamblers whose gambles failed, tried to malign the AITUC and to divide the workers. They refused to see the reality of the situation at any stage of the struggle. When efforts were being made by the AITUC and some friends to find a formula to break the deadlock, some political leaders publicly repudiated it saying there could not be any "formula" excepting the acceptance of the full charter of demands. They had the blindness to say this on 24th, when the strike was almost off.

In the new phase after the strike, the main task is to get all those thousands of victimised railway workers back to their jobs, to maintain the unity and to regroup and re-organise the forces. The bureaucrats of the Railway Board and those at different levels of the Railway administration will try to use the weapon of victimisation to behead the militant leadership of the workers. The Government has been persistently refusing to negotiate with the NCCRS although it did so before the strike.

In this situation, the Action Committee and the NCCRS has correctly decided that the recognition of the AIRF and the recognized zonal unions should be utilised for representation of all cases of vctimisation and also on outstanding demands. Those who are out of jobs require relief and also legal aid for those against whom court cases are continuing.

The constituents of the NCCRS have reafirmed their resolve to preserve the united platform of railwaymen. But it will depend on the proper norm of functioning as between co-equal partners with common understanding and objective.

The main effective category unions are potent factors in the railway trade union movement and proper relationship should be cultivated and developed with them.

The AITUC railway unions and their Indian Railway Workers' Federation, with whatever strength and following they had, had fully participated in the strike and held out wherever they were till the end. They have now a great opportunity to acquire new mass bases and extend their influence and organisation. That opportunity has to be fully utilised, while fully maintaining the unity of the NCCRS.

## Other Struggles and Developments

The period since the last General Council meeting was dominated by the railway strike which overshadowed all other events. The Left parties gave a call to observe an all-India day on May 3 against high prices. The day was observed in some states by a general strike and bandhs, and in most of the places throughout the country by meetings and demonstrations. In some states, the workers had to go on a general strike twice in the month of May.

* On 9th April, the State Government employees for the first time observed one-day all-India strike in support of their demands.
* The Delhi Junior Doctors made history by going on strike for 96 days on the demands of revision of salaries and allowance. The strike ended on 6th April, 1974.
* Stalemate on the wages front is gradually becoming evident, indicating government's new line. Even before the offensive of wage-freeze was launched, the Government was taking an obstructionist attitude in making new agreements in place of the old expiring ones.

The *coal* bipartite agreement is not being finalised. The *Electricity* workers' wage guidelines committee has not met after the interim increment was announced. In *Iron and Steel* no serious negotiation on the fresh charter of demands submitted by the unions could start. In the *Banks* a new charter of demands has been submitted but no negotiations have started. In *Cement*, only the minimum wage was decided upon last year. But the Wage Committee has not proceeded further to take up other issues. In *Sugar*, no wage committee has yet been set up despite a decision at the tripartite meeting held on 6th December, 1973. The interim relief granted for a limited period already ended on 30th June, 1974. In the *Ports and Docks*, the Government has gone back on its commitment of setting up a bipartite wage negotiating committee.

Now a new situation has been created by the Ordinance impounding any wage increase. New agreements on wages, etc. are not barred by the Ordinance, though their terms in money will not take effect in cash payment according to the wage freeze Ordinance, yet the managements are misusing the new policy even to freeze negotiations and new agreements where they are already due. This attitude shown particularly by the Ministries of the Public Sector has got to be overcome.

## V

### Tasks

(1) FIGHT WAGE FREEZE: All eyes are on the TU leadership as to what they propose to do on wage-freeze. The Government spokesmen very much dislike the term wage-freeze. But when you get additional wages or D.A. in money and when that part cannot be spent, even if prices rise, what else is it if not freeze? Even if it is a compulsory deposit in a bank, and if it cannot be drawn it is freeze, until I get it back. True, *it is not outright expropriation*, but it is a freeze and in a way a period bound expropriation, capable of restoration with interest. But it certainly is *not voluntary investment* but a compulsory act. Hence, it becomes vicious by its very form and content both.

But when prices are not controlled but rise and to cover which I get my D.A., the freeze of half the DA also becomes a compulsorily imposed starvation or fall in standard of living or distress.

And this is sought to be done with a false economic claim of holding back inflation.

So we must evolve not only a struggle to fight the freeze. But we must secure an *alternative protection of our living*.

One such form of protection is to demand supply of food and other essential necessities at *controlled*, that is *frozen* prices, at the place of work. All the public sector factories or their own townships where they exist must have these stores. The Railway Minister promised these for the railwaymen. But he is more busy with victimisation than with building such stores.

We should not accept to run these stores or build coops for them. The employer should do the job of procuring the supplies as well as managing the stores.

*Frozen D.A. must be matched by stores with frozen prices. And we must start demonstrations, negotiations, etc. on this question.*

The workers have come to know of the attack, but not yet its effects, since July 10th payment was not covered by it. The tone of the worker will be properly gauged at the next payment in August paydays. And soon we shall be in the midst of the bonus movement. Intertwine the two and put the masses on the move. This is not merely a question of Congress government policies, but of policies of the capitalist system, which is supported by many reactionary parties though they are not in power.

(2) FIGHT AGAINST INDEX FRAUD AGAIN? Once again we find that looking at the galloping rise in prices and the D.A. that becomes due, the price-indices are getting doctored as happened in 1958. The TUs now have to fight it. The *Calcutta* affair of the wrong index raises the question whether *another review of all the indices* is due or not and what the TU Centres should do about it. Inflation will now encourage more index frauds than before .

(3) THE OVERALL CALAMITY—FOOD: While we shall surely be discharging these tasks, the whole system of capitalism and landlordism with its state power is attacking us with the weapon of artificial scarcity of food. Government has played with the lives of millions by surrendering to their dictates and sabotage of the big capitalist traders and their financial bankers. Food, despite being in the stocks, does not reach the market or the consumer and if it does reach, it does it at exorbitant prices. No amount of struggles for wages, DA or bonus will have any effect unless food, which is there, is brought on the market.

For this a common struggle of all has to be built up, both in the towns and the countryside by uniting all the poor of all classes and carry out a united assault on the great hoards of the rich, in the town and countryside. That will be a new unity of the hungry and the poor, alongside the unity of the worker, the agricultural labourer and poor peasant.

(4) PROTECTION OF T.U. RIGHTS: I do not want to go into a review of the strike struggles and gains and losses. A small chapter on the railway strike, however, has been placed before you and also references to other struggles. What follows from these reviews is that in the railway strike, the Government took an unjustified prejudicial and political view of it and attacked the workers with more ferocity than is usually done by it in many strikes. Hence, *a campaign for protection of TU rights is necessary.*

(5) T.U. UNITY: We have to note that in some industries all TU Centres have sat together to negotiate new agreements and have come to some united understanding. This has helped TU unity and gains of the workers, as in coal, and steel, heavy electricals, jute, etc. In fact, we have more instances of unity at the factory level or industry level than at the top level.

The top level unity fails because some people try to bring in party politics. But in industrial action, the workers themselves frighten the leaders into "political silence".

Our attempt to build some form of unity between the AITUC, INTUC and HMS has not succeeded further than what was there at the time when we were negotiating the framework of the newly proposed Industrial Relations Act. Thereafter, there have been just polite contacts. Even the problem of ILO representation has not been rediscussed despite the promises made by the Prime Minister herself. And we also have stopped bothering about it, though we do not consider as absolutely unimportant. We can see that it can only be solved by a change in the Governmental make up.

And after the INTUC attitude in the textile strike in Bombay, the jute strike in Calcutta or the Railway strike, it is difficult to find where their "sole representative" character, given to them by the Government remains, except as a fiction in Government records and the ILO.

Our relations with the CITU give no promises of unity with them beyond occasional agreement in partial struggles. Their attempt to malign us in the Bombay textile strike or the railway strike and their total adventurist fiasco in the Government employees' strike which they had called on 8th May and never succeeded, rule out any unity as such with them, except some commonly agreed actions. Even after the fiasco of their adventures, they are now trying to use the popularity of the NCCRS and its convenor to push their own politics and adventurism on to the heads of others. We certainly cannot permit this under any garb that it may come. We cannot build unity on one's particular platform or tactics, which does not serve the common interests of all together. We must not be carried away by the mere abstract and alluringly philosophical term of TU unity. *At every stage and on every occasion, its form and terms must be studied concretely and then accepted or rejected.*

(6) LINK WITH AGRICULTURAL LABOUR : The agricultural labourer has grown in strength with the development of capitalism in agriculture, whether on kulak farm or big landlord-capitalist farms. And their wage struggles are growing. Many of these workers come from the Harijan castes. And where this is prominent the kulaks use the caste element to fight the economic class struggle. Most horrible stories of such attacks are already known to all.

We ought to carry out an ideological campaign and after proper propaganda, to defend the agricultural labourer and particularly the Harijan section, with strong and really effective offensive actions against the oppressions and pay them in their own coin.

The Young Dalit Panther movement in Maharashtra is a radical political-cultural expression of the upsurge of the young Harijans. The main part of their leadership takes progressive positions on social and political questions and we should draw them in common action, in spite of their internal differences.

(7) UNITE AS CLASS : Just as the enemy of the workingclass uses caste differences to divide the workers, it also

uses the differences of *religion and language*. We have discussed this before and we need not dilate on it here again, were it not for the fact that in Tamilnadu even Governmental leaders took part in fomenting Tamil versus Malayali riots, to settle political scores between the DMK and the ADMK. It is the duty of the TU leaders to rouse class unity of the workers against the exploiters who among themselves and in their exploitation do not care for caste or religious differences much vis-a-vis the worker.

(8) TU SCHOOLS: In order to carry out the new tasks and build a united class, it is necessary to undertake education of the workers in our trade unions. A regular scheme of establishing TU school centres and producing literature for it must be taken in hand. We would like all the state TUCs to study the question and make their suggestions. Many state TUCs have already held such schools, but their experience has not been pooled, so that we can establish a central school and undertake unified activity in TU education guided by class outlook of scientific socialism and the policies as worked nationally by the AITUC and internationally by the World Federation of Trade Unions. In today's conditions, ideology has acquired crucial importance. Without it no leadership can lead nor mass actions be effective. For this quick TU schools for militants must be planned.

*In short, fight the capitalist monster, with every weapon, everywhere, putting into action every battalion of our class-forces in all fronts.*

(July 22, 1974)

## Appendix I

# SUMMARY OF THE ECONOMISTS SCHEME TO CONTAIN INFLATION

(Submitted to the Prime Minister by 140 economists on 23 February, 1974) and called SEMIBOMBLA

The following summary of our suggestions to abolish the sources of inflation must be taken in the light of this frame and *as a package*:

(i) The immediate object of policy should be to roll back prices to a lower level and to reduce significantly the incidence of 'black money'. This necessitates immobilization of say 30 per cent of money supply through partial remonetization, and issuance of 20 year fixed interest yielding but illiquid savings certificate and blocked accounts.

(ii) There should be a national ceiling of 5 per cent on the annual growth rate of money supply during the Fifth Plan.

(iii) Government borrowing from the entire banking system should be completely eschewed during the first two years of the Fifth Plan. The step-up in government expenditure contemplated in the Fifth Plan should be brought about through rationalization of expenditure and maximum dependence upon non-inflationary sources of receipts. The growth rate of credit to the industrial-commercial sector should be pruned with reference to the macro-ceiling of 5 per cent. The proportion of value of inventories financed by bank credit should be reduced to about 33-1/3 per cent.

(iv) Rationalization of government expenditure can be achieved by economising severely on non-accumulation expenditures. By economy campaigns and appropriate redesigning of projects, considerable saving in the draft on scarce commodities can be achieved. Government should progressively divest itself of revenue expenditure commitments predominantly benefitting the upper, the middle and the organised working classes.

(v) The benefit-cost tool should be used for selection and location of projects and based on a minimum shadow interest rate of 12½ per cent. All capital projects to be newly sanctioned must be examined with reference to their fiscal viability. Norms of work-standards should be laid down for all levels of employees in the government. The services of Defence personnel should be considered for deployment in programmes of construction of quick gestation period projects, and in step up of emergency production scheme particularly in food articles.

(vi) Suitable arrangements should be made to examine continuously the desirability and feasibility of granting of, or of the continuance of, subsidies of various types from the public exchequer. All subsidies to certain categories of consumers and Government and Public servants in the form of supply of goods at subsidized rates, loans at concessional interest, quarters, travel concessions etc. should be subject to periodical review.

(vii) A drastic upward revision is needed in the level of the Bank Rate, the structure of deposit rates and yield rates. The term-structure of rates should be so devised as to favour the medium-term and the long-term savers. The lending rates by banks for prime borrowers should be increased.

(viii) The instrument of taxation should be effectively used to reduce luxury consumption by individuals and firms, to siphon off excess demand on scarce commodities, to encourage exports, to promote savings in specific financial and other assets and generally to realign the pattern of private production along a product-mix enabling the speedy attainment of self-reliance. Discriminatory excise taxes, exemption of increment in savings from income-tax, tax-credit schemes based on degrees of utilisation of capacity, are all in order. Tax loopholes should be closed. The tax-revenue from agriculture should be raised to 3 per cent of net output of agriculture.

(ix) Exchange reserves should be built-up to stand normally at a level of about six months of annual imports. Export duties should be selectively and flexibly used. Through appropriate redesigning of construction, encouragement of indigenous methods of transport, greater use of public transport, promotion of organic manures and similar changes in production methods and in input-mix, the direct and indirect reprecussions of the oil crisis can be partly overcome.

(x) As shortages in household-necessities like food articles, paper, oil, electricity, transport amenities etc. are going to be with us continuously in the years ahead, it is incumbent to initiate and keep up economy campaigns as during the Second War. The system of public distribution should be expanded by increasing the number of fair price shops, using in the urban areas voluntary agencies and outlets and in rural areas recognised non-government retailers. The supply system of uniform and compulsory levy of food grains including coarse grains, edible oils, sugar, pulses and in the case of standard cloth, the effective allocation and collection of the output as between the mills and the decentralized sector. Several decentralized buffer stocks centres should be developed within each state to feed the distribution network. It may be added that unless the Government has the political will to make such a system efficient and honest, it will add to confusion and unrest as now, instead of helping the poor.

(xi) As food articles are the most crucial of the basic goods, and as their supplies are highly uncertain, it is necessary to build adequate buffer stocks through the maximum feasible economy in consumption and the maximum expansion in production each year. The various campaigns for 'Grow More Food' tried during the War and the post-War years, should be reinstated with appropriate modifications to suit the current situation. Since food prices have a pivotal role in the general price level, the programme of stockpiling may have to be supplemented by planned imports, so that food supplies may be assured in times of acute scarcity and the contingency of distressed purchases abroad obviated.

(xii) A national compaign for avoidance of waste, for practice of austerity at all levels and for the development of the austere habit to be initiated. The practice of austerity must begin from the top so that a national habit of living within means comes to be developed as social virtue.

(xiii) Public enterprises and departmental concerns are not yielding adequate surpluses to contribute to the savings pool. Some of them are not even breaking even. There is inadequate sense of social commitment on the part of most of the managerial and labour personnel. The climate of working in these concerns must be radically transformed. The Single Helmsman system should be considered for their efficient day-to-day management so that one person can be squarely held responsible for pitfalls and be given suitable credit for improvements. Unitwise five year targets for surplus should be laid down.

(xiv) Relief outlays for natural calamities should be financed from emergency surcharges, levies and .deposits. In order to avoid misuse of this facility, it is necessary to lay down principles and guide-lines for such outlays.

(xv) An industrial truce should be established. Wages, profits and dividends should be frozen at the present levels for two years. In the meantime an Incomes Differentials Commission should be set up to work out the order of differences permissible in incomes between different classes and categories of employees.

(xvi) In the fight against inflation, it is necessary that topmost priority should be given to investment allocations for maximising the short-term rate of growth of production of agricultural commodities and related necessary inputs. The annual priorities in the Plan should be keyed to this.

(xvii) An enquiry committee should examine the reasons for underutilization of industrial capacity and for sagging growth in manufacturing production. Industrial production can be considerably augmented without substantial investments in fixed capital through increasing capacity utilization, encouraging multi-shift working, rationalization, and other related efficiency-augmenting measures.

(Summary as printed in their booklet)

## Appendix II

# GENERAL COUNCIL RESOLUTION ON WAGE FREEZE ORDINANCE

The General Council of the All India Trade Union Congress vehemently condemns the Additional Emoluments (Compulsory Deposit) Ordinance promulgated on July 6, 1974 as a sinister attempt to freeze earnings of the working-class in the face of skyrocketting prices of all essential commodities. When the millionaires, the blackmarketeers, the profiteers are pounding the working people, the Government of India is impounding our additional emoluments, inevitable rise in D.A. and Bonus. The trade union movement cannot tolerate this treacherous betrayal of its interests and shall hit back with all the united strength it could muster and with the cooperation of all the well meaning socialist and democratic forces in the country and see that the black ordinance is withdrawn and the country is salvaged from the present crisis of soaring prices, created by the monopolists, the profiteers and the Government policies helping and abetting these criminal anti-social forces.

The Government ironically enough calls this measure of freezing the wages and dearness allowance as an anti-inflationary measure meant to bring down the prices, which remain uncontrolled and are soaring up.

The Government spokesmen and their theoreticians have been feeding the people through their propaganda media that every rise in the dearness allowance acts as an incentive to raise the prices. So the emoluments are frozen with the false theory that when wage money will be frozen and taken off from the hands of the worker prices will not rise.

And within 40 hours of the Ordinance the Government itself raised the price of bread in Delhi by 40 paise per loaf.

The working class and all the socialist and democratic forces in the country reject this apologia for the monopoly profiteers. The price rise is directly linked to monopoly profits and has no longer bearing on wages in the present system. The tycoons who control the whole production, circulation and the market for goods manipulate the prices—international monopolies do it in the international capitalist market and the national sharks do it in the national market, to their own advantage.

Price rise in this country has been of an order of 15.6 per cent in 1966-67, but that in 1973-74 it was 29.5 per cent. The rise in prices in the two years 1972-74 has been 47 per cent.

Wholesale prices rose by 92.3 points in the years 1961-62 to 1971-72. But they rose by 90.6 points in three years 1971-72 to 1973-74.

While the prices are going up, the real wages of the production and service workers have been going down. Wage index with 1951=100 has fallen from 124 in 1955 to 101 in 1967. Even the National Commission on Labour admitted that "wage costs as a proportion of total costs of manufacture have registered a decline." Wage cost in value of output has declined from 15.4 per cent in 1965-66 to 14.8 per cent in 1969-70 in respect of 1501 large and medium companies. Industrial profits have been rising. With 1960-61=100, the profit index of all industries shot up from 105.1 in 1961-62 to 141.0 in 1970-71.

Overall productivity of workers has risen by 98 per cent during 1951 and 1969.

Such is the picture of denial of his due to the worker, of defrauding him of his emoluments by raising the prices and now freezing his hard earned income through this Ordinance, in order to protect and fatten the monopolies and landlords still further.

The Government of India itself claims that this impounding would yield Rs. 450 crores in the ensuing year, while the tax and penalty arrears with the tycoons have accumulated to the order of over 833 crore rupees. The black money in circulation is estimated to be over Rs. 10,000 crores at present to which is added Rs. 1,400 crores every year.

Bank advances to private business sector for speculative hoarding and inventory building have been constantly soaring. It rose from 935 crore rupees in 1971-72 to Rs. 1,123 crores in 1972-73 and to Rs. 1,386 crores in 1973-74. And it is precisely during these years that the prices have gone up and the total credit to the commercial sector is amounted to an unprecedented extent.

And yet what the Government have done is to promulgate temporary Restriction of Dividend Ordinance and to call it even-handed justice. Firstly, this Ordinance merely restricts the distribution of dividends to a sum not more than 33.33 per cent of profits or 12 per cent of the face value of equity shares of the company and dividend payable on preference shares, whichever is less. The most liberal calculations yield only Rs. 50 crores on this count. The farce of it could be seen not only from the estimated amount it yields but also from the well known facts of manipulation of balancesheets and also that the money would be left with the companies and could be used by them except under the head of "dividend distribution."

The trade union movement and all the socialist and democratic forces of this country must reject all this farce of a policy as one taking the country to a catastrophe.

The course that must be adopted should be not one of attacking the producers but of attacking the profiteers.

1. Wage Freeze Ordinance should be withdrawn forthwith.
2. Vigorous measures should be taken to combat inflation and bring down the prices.
   (i) Immediate demonetisation to mop up the black unaccounted money that is playing havoc with the country's economy;
   (ii) Nationalisation of essential industries like sugar, vegetable oil and cotton textiles in order that private profiteers do not play with the production of essential commodities to mint money for themselves and inflict misery on the people;
   (iii) Public distribution of foodgrains by State take-over of wholesale foodgrains trade, compulsory procurement of marketable surplus of foodgrains with the landlords and rich producers, vigorous de-hoarding of hoarded stocks, and distribution of foodgrains,

sugar, oil, cloth, fuel and other essential commodities through shops at all industrial establishments and depots in villages under the supervision of popular committees;

(iv) The peasant producer must be guaranteed remunerative price for his produce, salvaged from the fleecing grip of the speculative trader and assured the supply of agricultural inputs;

(v) Speculative credit by banks and financing institutions should be totally prohibited;

(vi) Stopping all non-development advances to State Governments;

(vii) Realising the unpaid electricity dues of over Rs. 146 crore;

(viii) Realising from the States and the rich landlords and kulaks of bank advances, arrears of irrigation, etc. amounting to several hundred crores;

(ix) Stopping all overdrafts to State Governments which are issued for nothing but fraudulent construction schemes to benefit big money interests in the cities.

These measures alone will yield a realisation of nearly 2000 crore of rupees

These and other such steps can no more be delayed if the country is to be saved from the present crisis. The AITUC General Council calls upon all the working people and all the socialist and democratic forces to rally together to defeat the wage-freeze offensive of the Government and demand a vigorous policy to combat inflation and to launch the country on the path of crisis-free development.

The AITUC General Council calls upon all the unions to observe the fortnight from *August 7 to 21, 1974* to mobilise the working people against the black ordinance and campaign for this trade union alternative to meet the present crisis of capitalism.

The General Council of the AITUC directs its unions to send resolutions and telegrams to the Government of India demanding the withdrawal of the Ordinance and adoption of the policy enunciated above.

The General Council decides that on *August 21, 1974* demonstrations should be held in all capital cities and towns.

The General Council directs the AITUC Secretariat to take all further steps to pursue this agitation.

(July 24, 1974)

## Appendix III

## IF IT IS NOT WAGE FREEZE, WHAT IT IS?

Central point of the Additional Emoluments (Compulsory Deposit) Ordinance, 1974 (No. 8 of 1974).

"Clause 6. (1) For the purpose of this Ordinance, the deductions specified in sub-section (2) shall be made:—

(a) in the case of additional wages, for a period of one year from the appointed day, and

(b) in the case of additional dearness allowance, for a period of two year from the appointed day.

(2) On the commencement of this Ordinance—

(a) every employer, who draws or disburses, after the appointed day, wages of an employee to whom this Ordinance applies, shall, as and when wages are disbursed by him for any period, deduct from the wages so disbursed, the whole of the additional wages and one-half of the additional dearness allowance and credit the amount so deducted, in accordance with the scheme, to the Additional Wages Deposit Account and the Additional Dearness Allowance Deposit Account, respectively."

"(c) every other employer, who disburses, after the appointed day, wages to any employee to whom this Ordinance applies, shall, as and when wages are disbursed by him for any period, deduct from the wages so disbursed, the whole of the additional wages and one-half of the additional dearness allownce, and shall remit, in accordance with the scheme, the amount so deducted to such authority as may be nominated by the Central government in this behalf, and on receipt of such amount the nominated authority shall credit the amount so received to the account of the concerned employee in the Additional Wages Deposit Account and the Additional Dearness Allowance Deposit Account, respectively."

## Appendix IV

## GOLD AND ITS ROLE TODAY

*(In discussing the sources and features of the monetary and currency crisis in the capitalist world, gold and its parity with the dollar has an important bearing. Having lost parity with gold, dollar lost its supremacy and was devalued more than once. In place of gold, the universal medium of exchange, "paper gold" has been introduced. The article by* Felix Goryunov appearing in the New Times, Nos. 24 and 25 of June 1974 *discusses the whole question in a popular way which helps in understanding the dimension of the monetary crisis that has been rocking the major capitalist countries. The article is reprinted here.)*

"Like the ghost of Hamlet's murdered father, the ghost of gold now stalks the battlements of international finance. The international payments system has cut loose from gold, but the ghost still haunts negotiators."

This observation made a year ago by editor John Cobbs of the U.S. "Business Week" could just as well be made today. For gold remains a crucial issue on the world financial arena. On how it is resolved depends the future of the world monetary system. It also has a direct bearing on the present state of the Western currencies.

### *Troubled Times*

Ghostly analogies when it comes to the role of gold may seem somewhat out of place, for the fact remains that in the general confusion reigning in the monetary Elsinore of capitalism the only stable thing is the run on gold. Inside four years the price of gold has increased five times over, and still the demand for gold coins, bullion and gold mining stock keeps growing. Yet the United States, as can be seen from official Washington pronouncements, wants to see gold dropped as an international means of payment.

Does this make sense? Some Western finance experts aver that it does. The price of gold as a commodity, a precious raw material, they say, should not be confused with the money role of gold as a means of international payments. More, the unprecedented increase in the market price of the metal, they maintain, is further proof that it can no longer serve as the universal measure of the value of currencies. Besides, they argue further, the prices not only of gold but of other raw materials and commodities in general are going up. This is the inevitable result of a general loss of confidence in paper money and of inflation in an economy based on the laws of supply and demand. According to the bourgeois economists, the price of gold is soaring because it formally retains its monetary role, for which there is no logical economic justification.

When some years ago the U.S. dollar reigned supreme in the Western world, there were no floating currencies and the market price of gold rarely exceeded the official fixed price by more than 10 per cent. Devaluations and revaluations were not as common as now, and money market panics were the exception rather than the rule. Currency perturbations, Western experts claim, will come to an end as soon as the monetary reform discussed at present by the International Monetary Fund is carried out and a new means of international payments is found to replace the dollar.

Many Western press discourses on monetary problems, the pros and cons or one or another financial expedient, are likely to strike the layman as some complex, mysterious game. As a matter of fact, bourgeois economists, on the authority of that prophet of "regulated capitalism" John M. Keynes, regard the finance policies of governments as just that—a game. If a government makes a right move (raises the bank rate in good time, cuts budget expenditures, retards the growth of money in circulation), "overheating" of the economy has been avoided, the growth of production and employment has been slowed down. On the other hand, lowering the bank rate, increasing expenditure under the budget and putting more money into circulation stimulates the economy, increases employment, but prices and the cost of living also go up.

This game, which modern capitalism cannot do without, impinges on the lives of the millions. Ever since the monopolies came to dominate the economy, unlimited "free enterprise," the blind play of market forces, has been fraught with deadly danger for the capitalist system. It became necessary willy-nilly to resort to state regulation, which primarily means the use of diverse financial levers. The object is to reconcile the irreconcilable—the monopoly drive for maximum profit and the resolve of the working people to protect their vital interests, the anarchy of private enterprise and the need to ensure the balanced development of the economy.

In the world capitalist economy the stakes have become higher and the winnings bigger. Not only private firms but also governments are out to grab as big a slice of the pie as possible by securing advantageous terms of trade and export of capital. Through intergovernmental agreements monetary regulations are laid down on which international financial relations are pivoted. The fact is, however, that these regulations are prompted not so much by the common interests of the "players" as by how much capital they dispose of, how strong they are economically—and these are transient, inconstant quantities. When they change, the rules of the game also change.

## *End of the Bretton Woods Era*

"It was becoming evident in the early 1970s that the rules and procedures governing the international monetary system agreed to at Bretton Woods were inadequate to prevent large and persistent payments imbalances," stated a report of the U.S. Council on International Economic

Policy handed over to Congress for its information by the President on February 7, 1974. "Some countries, such as West Germany and Japan, were running large trade surpluses and amassing extraordinarily large reserves, while others, including the U.S., faced trade deficits, reserve losses, and rapidly rising claims on the dollar by foreign governments. The U.S. took the first step towards reform of the system. On August 15, 1971, President Nixon, as part of this new economic policy, closed the window, a move which signalled the end of the Bretton Woods era."

To appreciate why the ending of convertibility was fatal for the Bretton Woods agreements, the rules and procedures laid down in them should be borne in mind. The principal foreign exchange reserve of the nations was to be gold and its paper proxy, the U.S. dollar. The gold content of the dollar was set at one-thirty-fifth troy ounce (0.888 grammes). In interstate payments the price of a troy ounce of gold (31.1 grammes) was set at 35 dollars. Thus, the official dollar price of gold became the measure of the exchange rate of other currencies.

The gold-dollar standard guaranteed the stability of exchange rates in interstate payments. This guarantee was backed by the convertibility of the dollar holdings of other countries into gold held by the U.S. Treasury, which after the war accumulated in its vaults two-thirds of the entire capitalist world's gold reserves.

A great deal has been written about how these seemingly satisfactory rules led to the present troubled times, how the exchange rates of all Western currencies were deprived of gold backing and began to float freely, and how the U.S. made use of the Bretton Woods era to further its own interests.

Many bourgeois economists trace the beginning of the monetary troubles to the ending of the convertibility of the dollar. It is this that allegedly caused the first crisis of the dollar which culminated in its devaluation in December 1971 and the revaluation of other Western currencies. Then came the crisis of the pound sterling (June 1972) and the Italian lira (January 1973), the second devaluation of the dollar (February 1973), and the crisis of the French franc (January 1974). In a word, it is a matter of successive crises of different currencies which, they say, can only be expected when the old rules have outlived their time and new ones have not yet been laid down.

Marxist economists, on the other hand, hold that it is not a matter of alternating crises of one or another currency, but of a sharp aggravation of the crisis of the whole system of capitalist monetary and financial relations, an aggravation inseparably bound up with the deepening of all the economic and social contradictions of capitalism. It is part of the general crisis of capitalism, the consequence of the weakening of its positions in the world economy. It is a crisis of the principles and rules of the International Monetary Fund based on the monetary division of the world according to wealth and power wielded. Lastly, it is a crisis of an international financial system that is gradually breaking its links with gold, which nevertheless still serves the world economy as an objective yardstick of parities.

And if we wish to pinpoint the beginning of the end of the Bretton Woods era, that beginning was not the termination of the convertibility of the dollar in August 1971, but the early 60s, when demonetization of gold, divesting it of its role as world money, began to crystallize as the official policy of a number of Western governments.

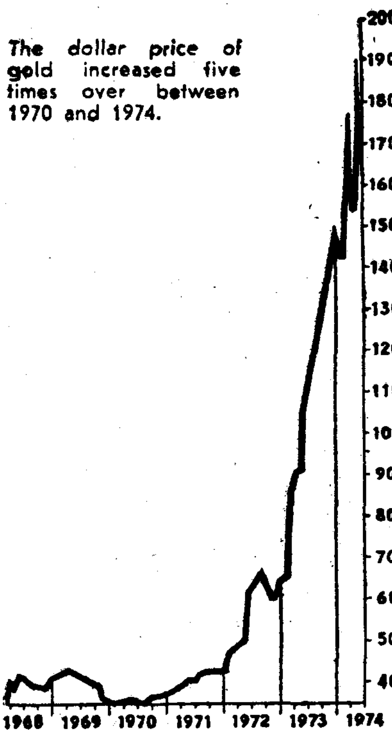
### *"The West's Monetary Original Sin"*

This is the title of a book by the French academician Jacques Rueff, published in 1971, which caused quite a sensation, and not only among finance experts. Analyzing the monetary malaise, Rueff assailed the very foundations of the Bretton Woods agreements—the gold-dollar standard —under which the dollar as the only currency convertible into gold laid claim to the role of the principal foreign exchange reserve. All currencies, Rueff maintains, should be based on gold in equal measure, otherwise "a veritable vacuum in the guise of a monetary unit is formed." The "original sin" committed in Bretton Woods, he says, has now brought capitalism to the brink of financial disaster.

One can partly agree with this thesis if only because it has been borne out by the postwar efforts to consolidate the domination of the dollar in the IMF set-up by ousting gold from the international payments system.

One of the first efforts of this order was the establishment in 1961 of the gold pool consisting of the eight Western countries with the biggest gold reserves—the U.S.A., Britain, France, West Germany, Italy, Belgium, Holland and Switzerland. On U.S. initiative, the central banks of these countries began actively to intervene in money market operations in order to strengthen the dollar. State gold reserves were sold to force down the market price of gold and prevent it from exceeding the official dollar price. But when, in the period from November 1967 to March 1968, $3,200 million worth of U.S. Treasury gold had passed into private hands, Washington was the first to sound the retreat. The gold pool ceased to exist and was succeeded by the two-tier gold market. Intergovernmental payments in gold were made at the official price while on the money markets the price began freely to fluctuate. The central banks committed themselves under the special IMF agreement to respect the "freedom" of the gold market.

The dollar price of gold increased five times over between 1970 and 1974.




The two-tier system was another step towards the demonetization of gold. The Western currencies were increasingly divorced from gold, to the joy of the advocates of the "anti-gold policy". In April 1970 the U.S. magazine "Fortune" passed on the glad tidings to its readers: "Now, as a result of a combination of events over the past two years, gold may be on its way to becoming, as silver has before it, a mere commodity, rather than an exalted medium of exchange."

Gold in the role of money was a phantom of the past, argued the anti-gold theorists; if it clung to that role, this was because of a deep-seated habit, of tradition. Moreover, they maintained, there was not enough of the natural reserves of the yellow metal to cover the increased volume of interstate payments. And since currencies had already partly broken away from gold, why not invent a new world money?

*Paper Gold*

And that is precisely what was done. There appeared the Special Drawing Rights, an IMF credit asset used since 1970 in payments between the members of the Fund. Although the SDRs are often referred to as "paper gold," they do not even have a paper form, but exist only as an accounting unit in the Fund's books. The old rules were applied to the new money: it was divided among IMF members according to their contributions to its capital. The developed countries were entitled to the lion's share, while the developing countries received a mere trickle. With gold content equated with that of the dollar, the SDRs became a new prop for the latter.

What the efforts exerted over the years to oust gold have led to is now plain to see. Like the gold pool, the two-tier price system has boomeranged on its architects. The system of interstate payments in gold is inoperative, for not a single member of the IMF (the U.S. set the example, in August 1971) is willing to part with its gold reserves to cover balance of payments deficits at the official price, which is ridiculously low as compared with the market price. (After the two devaluations of the dollar, the official price of gold is $42.2, while on the market it is now quoted at $160-170).

Gold reserves thus remain in a deep freeze despite the fact that in November 1973 the one-time members of the gold pool, with the exception of France, lifted the ban on the sale of gold from state reserves at market prices. The two-tier price system, which was introduced in order gradually to demonetize gold, has thus ceased to exist, although its abolition is presented as another step towards ousting gold. Some people even believe that the gold pool may yet be revived. But although the sale of reserve gold at market prices may bring these prices down somewhat, no one any longer expects them to come down to the official level.

How, then, are parities established today? At a time when all currencies float there clearly must be some monetary criterion even if it has no real economic foundation. Such a criterion for the participants in the IMF are the SDRs, which retain, in deference to the past, a gold exchange rate ($ 35 per ounce), now, however, purely fictitious. But it is an ill wind that blows nobody good, as the saying goes, and by a trick of monetary fate, the SDRs have evolved from a credit asset into a criterion in payments among IMF members.

We have traced the path of the monetary crisis not only to establish its causes and consequences but to lead up to the plan that has been advanced for a new monetary system. This plan too hinges on the same old anti-gold policy. The preliminary project which was discussed at the Nairobi session of the IMF in September 1973 envisages the following. The basic component of foreign exchange reserves are to be the SDRs, though the name may be changed. The role of gold will be officially restricted, but how is so far unknown. Exchange rates would be equalized (through devaluation or revaluation) more frequently than hitherto. In other words, the accent as before is on limiting the role of metallic gold and orienting on paper gold.

The monetary reformers contend that although this paper gold has an arbitrarily fixed exchange rate (inasmuch as it has broken away from the dollar and, together with it, from gold), it could well serve as world money since it has already been accepted by a number of countries as the criterion to go by in foreign exchange operations.

And if in addition some technical improvemets are introduced, say, if it is turned into something of a cocktail, a "mixture" of the exchange rates of the principal Western currencies, and if it were to be used to finance Third World development programmes, nothing better could be desired. For the principal virtue of paper gold is that it can be cast like potter's clay in any monetary mould. It would not be dependent, like the dollar, on the preponderant financial might of any country and would, besides, completely cut loose from its metallic namesake.

But while the monetary Pygmalions are hurrying with enviable optimism to complete the reform project (it is to be submitted in final form for endorsement by the next IMF session), the debate over gold, metallic and paper, goes on with renewed force.

*Questions Without Answers*

Assuming that paper gold—whether it be called SDRs or given a more attractive designation—under appropriate international monetary agreements could theoretically be used in payments between states (although we know from the Bretton Woods precedent what such agreements are worth in practical terms), how could it be adapted to serve international trade?

The point is that the exchange of goods requires not only a symbol (Rueff's "vacuum in the guise of a currency") but a money equivalent capable of measuring value, to give expression to commodity-money relations. It is common knowledge that world capitalist trade and investment are controlled by private capital, by the multinational companies. The annual sales of the foreign subsidiaries of such companies (over $ 300,000 million) account for a good deal more than half the total world exports (estimated to exceed $ 500,000 million). It is equally well known how crucial a role the multinational corporations play in the Western monetary set-up as the biggest speculators and the chief causes of tension on the money markets. Private monopoly interests more and more often come into conflict with state interests. Indeed, protection of national monetary systems against currency speculation and the import of inflation and unemployment has become one of the prime problems facing many Western governments. How the paper gold would resolve these problems is so far unclear.

Nor is it clear how it could facilitate the realization of development programmes in the Third World countries. All the more so since at the last IMF meeting the United States opposed wider use of the SDRs in the interests of the developing countries.

And, lastly, how can the projected monetary reform be considered international if it leaves out of account the growing part played in the world economy by such a substantial section of it as the socialist countries, most of whom are not associated with the IMF?

### *"The Cashless Society"*

Nowadays few think of money in terms of its original gold-coin form. We are accustomed to thinking in terms of banknotes. But the finance experts will tell us that the amount of paper money in circulation is small in comparison with the total turnover. The state issues only enough banknotes to cover cash payments for goods and services. In most transactions between economic organizations and countries cash payment does not figure.

In the developed industrial countries some 80-90 per cent of the total currency turnover does not pass through the medium of hard cash. In some Western countries the credit card is taking the place of the traditional wallet stuffed with banknotes. The holder of such a card pays for goods acquired of services enjoyed through the agency of a computer. In other words, electronic impulses do the work of money. The author of a book entitled "The Cashless Society," published in the U.S. in 1972, looks forward to a time when such a society will become the instrument of control over the world economy and provide "a way to free individuals from the need of having to make money to live."

Some go even further. Money, they say, is an unfair means of distribution of the good things of life, the cause of all the imperfections of our world. And they offer their own "prescription for survival." This indeed is the title of a pamphlet "New Times" received recently from a "technocrat" movement which emerged in the United States and Canada in 1918. As they see it, the law of value and commodity exchange in money terms should be abolished. Money, they say, "is not a physical measure of goods and services" and should be replaced with technocratic instruments. Instead of money they urge the issuing of "energy certificates" as a scientific measure of production and consumption based on functional control. This measure, it is claimed, would ensure "equal incomes for all," take account of personal requirements and provide for the volume and quality of production needed to meet them. The "energy certificates" would open the way to "social harmony" which would replace "the old concepts of revolution and class struggle." A tempting prospect for the powers that be!

But as alluring for the bourgeoisie as the technocratic prescriptions for "social harmony" are, the moneybags take a sceptical view of them, to say the least. In a review of "The Cashless Society" published in "Business Week," John Bunting, Chairman of the First Pennsylvania Bank, while appreciating the technical merits of electronic money, came down heavily on the author for giving "little if any attention... to the profit motive." He criticizes the author for assuming that this motive "is dead." If 90 per cent of all Americans would welcome a "cashless society," the fact should not be ignored, he says, that "it is the other 10 per cent who make the decisions that make our systems move. This other 10 per cent is very profit-driven and profit-oriented. It is also in charge of our business systems." If the "cashless society" were profitable, he would believe in it himself, Bunting says.

In a society whose credo is to make money, fair distribution of wealth by means of "technical" reforms is a pipe dream. The nature of social distribution is determined not by technocratic "functions" but by class interests. Whatever form money takes, it is an instrument in the hands of the ruling class. It is a Western fact of life that in the national economy money serves the interests of the capitalists of the given country, and in the world economy, the interests of the national and international state-monopoly groupings.

But what, the reader may ask, has all this to do with the gold stadard? It has a direct bearing. The ousting of gold from the system of international payments and the striving to replace it with "technically perfect" world money are nothing but camouflaged efforts to preserve the moribund system of the postwar monetary division of the world. But while the offensive against gold is being stepped up, it has become clear to many that gold has by no means lost its significance as a weighty economic factor in international monetary relations. To see whence this factor derives its weight it is worthwhile recalling also the lessons of history.

On the face of it, it might seem that gold is endowed with some supernatural, diabolical powers, since to this day it has its worshippers; that the idolatry of the yellow metal has nothing to do with economic imperatives but is a matter of preconceived notions inherited from a bygone age.

Let us see what history has to say on this score.

*The Scales of History*

"And Moses returned unto the Lord, and said, 'Oh, this people have sinned a great sin, and have made them gods of gold'" (Exodus, XXXII, 31). Archeologists have established that the sin was committed long before the Old Testament saw the light of day: not only the ancient Jews but the Egyptians, Indians and Chinese used gold coins some 1,500 years before the birth of Christ.

On the scales of history the metal always outweighed the Biblical commandments. It overturned thrones and laid waste continents. In its name Capital already in its infancy committed crimes compared with which the theft of the Golden Fleece was a mere childish prank.

"Gold is a wonderful thing," Columbus wrote. "Its owner is master of everything he desires. Gold can even enable souls to enter paradise." But the discover of the New World could not foresee that the gold plundered in America spelt not the prosperity but the decline of the country that sent him in search of fabulous wealth.

Gold brought into a focus the economic concepts of the epoch. Deification of the metal in the period of primitive capitalist accumulation gave rise to the theories of the mercantilists, who measured the wealth of a state by the number of sacks of gold ducats it possessed. Then merchant capital was succeeded by industrial capital, and next to the Bible on the night table of the bourgeois there appeared Adam Smith's "The Wealth of Nations" (Recall Pushkin's lines: "Wherein the wealth of nations lies and what it lives on and how all it needs is rude product, not gold.").

And yet it was not the "rude product" or paper money but gold that remained the capitalist's main measure of wealth. In the heyday of "free enterprise" the yellow metal was officially enthroned, and towards the end of the 18th century the gold standard was introduced in Britain, in the middle of last century in France, Germany and the Scandinavian countries, and in Russia and the United States at the end of the century. Besides ensuring the stability of internal currency circulation, the gold standard became the yardstick for external trade. Gold was the foundation on which firmly stood its symbol—paper money.

Why in the course of centuries was gold of all metals chosen as the faithful servant of commerce? Always the same, malleable, easily divided into any number of parts, it also held an esthetic appeal. These qualities were complemented by its scarcity. It is this that gave it the advantage over the second most widely current precious metal—silver. As a result of the growth of silver mining already at the time of ancient Rome one measure of gold became the equivalent of 15 measures of silver (the present price ratio is 1:45). Although sizeable amounts of silver coins are still in circulation in the various countries, silver has become a commodity like any other, while gold has remained, as Marx put it, the "natural material for money."

By virtue of the law of value governing commodity economy, gold became such a material primarily because it could serve as the universal equivalent. The quantity of labour invested in the extraction of gold was the measure which enabled it to express the values of all other commodities. At the same time the value of gold was affected by the rise or fall of its world average cost of production, regardless of the quantities held by one or another country. In this way the law of value regulated not only national but also international financial relationships. Gold was the ideal form of money, for besides representing value it was itself value.

It was not the "original sin" but economic necessity that preserved the role of gold as a universal equivalent of value, made it an expression of the very quintessence of commodity economy, of money, for it speaks in the universal language of world prices. Thus, under developed capitalism, too, which worships the "rude product" as the carrier of profit, gold has not lost its potency.

### *"Geniuses" of Financial Manipulation*

Why, then, has gold become an encumbrance for some capitalist countries today? After all, it has not lost any of its qualities. Have the financial leaders of the West, perhaps, decided, if belatedly, to share Adam Smith's preference for the "rude product"?

No, far from it. The end of the absolute rule of gold coincided by no means fortuitously with the beginning of the period in the development of capitalism when finance capital dominates the economy and imperialism holds sway in politics. Gold holdings became unprofitable for the bankers and industrialists since they do not accumulate interest and, besides, necessitate big outlays for storage. The gold standard began to restrict the freedom of action of the financial and industrial magnates and, hence, of the governments representing their interests, by limiting opportunities for the accumulation of capital within the country and its profitable export abroad.

State intervention in the economy, militarization of economic life, and pursuance of imperialist policies required enormous expenditures which the governments were unable to cover without emission of paper money unhampered by the gold standard. Flooding the channels of circulation with paper money in excess of the need for real money (gold) became an instrument for the redistribution of the national wealth in favour of the monopolies. The result was depreciation of money, chronic inflation which is the most subtly disguised form of plunder of the working people.

Early in the century the gold standard began to be replaced with gold and foreign exchange backing, with the role of world money allotted not only to gold but to the strongest of the capitalist currencies. Before World War II, the pound sterling was that strongest currency and after the war, its place was taken by the U.S. dollar.

At the same time, state gold reserves gradually became a strategic reserve in imperialist rivalry. States established control over the free sale of gold, and stopped redeeming paper money in metal. (During the economic crisis of 1929-33, 30 capitalist countries discontinued the exchange of banknotes into gold.) The U.S. dollar, for instance, ceased to be convertible into gold in internal circulation in 1933, and in 1968 Congress annulled the previous statutory 25 per cent gold backing of money in circulation.

Despite the concentration of the gold reserve in the hands of the Treasury, the dollar did not come through unscathed. It was undermined not so much by the Bretton Woods agreements on convertibility in interstate payments as by the super-accumulation of private and state capital which became possible because of U.S. dominance in the Western monetary system. Dollars unbacked by gold were used to maintain the military-political leadership of the U.S. and to finance the expansion abroad of the American multinational corporations. The unlimited export of dollars created the Eurodollar and Asian dollar markets, which are sources of inflation and hotbeds of currency speculation on an unprecedented scale. This is a continuation of the process Lenin aptly described thus in 1916. "...The development of capitalism has arrived at a stage when, although commodity production still 'reigns' and continues to be regarded as the basis of economic life, it has in reality been undermined and the bulk of the profits go to the 'geniuses' of financial manipulation."

It will thus be seen that the international payments system has not "cut loose from gold," as "Business Week" said, but has been cut loose deliberately and forcibly. The closing in August 1971 of the gold window by Washington merely marked the official completion of this operation. The anti-gold policy embodied in the measures taken to oust gold from international payments has been engendered by imperialism, dictated by the interests of the financial and industrial oligarchy and its striving by hook or by crook to preserve the supremacy of the dollar in the capitalist economy. This policy is thus a manifestation of the general crisis of the capitalist economy, its departure from the basics of commodity economy, of which gold was the universal monetary criterion. The dilemma facing the monetary policy of the United States, this citadel of the "market economy," is implicit in the fact that it is precisely the laws of the market, the steadily growing demand for gold, that dooms the attempts to demonetize gold to failure.

And this is not the only contradiction. Gold, besides amply demonstrating its economic weight on the market, steadily derives added strength from its fetishization. As in Biblical times, worship of the golden calf remains a distinguishing feature of a society built on the power of wealth.

### *"A Wonderful Thing"*

The modern history of capitalism abounds in instances showing how that "wonderful thing" Columbus said would even open the gates to paradise has become an obsession with men who have chosen the "making of money" as their calling.

However much finance theorists talk about gold having lost its former role, it remains the symbol of wealth, while paper money, convenient though it is for financial manipulations, is always liable to turn into scraps of paper. All the more so that governments guaranteeing it find themselves at times compelled to devalue their own banknotes.

The more money is depreciated by inflation—and this is now a chronic malaise in all the capitalist countries—the more bullion finds its way into the hands of private hoarders. The gold reserves of states have dwindled not only because of payment of foreign debts, but to an even greater extent because of the efforts of the ruling class to ensure themselves against monetary vicissitudes.

What happened to the gold pool is a case in point. According to "Fortune," at the same time as the eight countries of the pool sold gold to prop up the dollar, international banks and corporations stashed away in their vaults some 300 tons of the metal. All told about 3,000 tons of the pool reserves—more than the equivalent of the capitalist world's gold output over two years—passed into their hands. More, it has been estimated that of the roughly 80,000 tons produced since the 16th century, more than half has found its way into the vaults of private banks, hoarders' strongboxes or to goldsmiths. In 1954-71 alone about 21,000 tons of the precious metal were acquired by private interests.

In Western countries where private ownership of monetary gold is proscribed by law, the United States for instance, many of the moneybags have become enthusiastic coin collectors. According to an "International Herald Tribune" report of February 27, the New York firm Deak and Co., which deals in gold coins, counts among its 2,000 customers 13 Senators and 23 Congressmen.

The modern worshippers of the golden calf are not prompted by man's age-old weakness for adornment. The capitalist may of course derive pleasure from his wife's gold rings and pendants, but this is immaterial. The important thing is the vast difference between gold rings and gold coins or gold bars in a bank. If the former reflect an individual's desire to set himself apart from the crowd, the latter are an embodiment of production relations. As something that preserves, if not augments, personal wealth, gold is the material expression of the mode of production. No financial reform under capitalism, even if sanctified by international monetary agreements, can abolish this fetishism of gold.

The run on gold is of course a subjective phenomenon, the dimensions it has acquired have made it a tangible, objective economic factor. The present state of the gold market is ample proof of this.

*The "Open" Market*

The official gold trade is a perfectly respectable business conducted on a modern, large-scale footing. Its main centres are Zurich, London and Paris. It is here that the price of metallic gold is determined and flashed over the wires to banks all over the world. During runs on gold, as for instance just before the devaluation of the dollar in February 1973, anything from 75 to 100 tons of gold changes owners in the course of a day at Zurich market to the customary accompaniment of frantic telephone calls and the clacking of teleprinters. For volume of transactions London has in recent years yielded first place to Zurich, but it still remains an important international market. Paris is more of an internal market, for the French capitalists have long had the reputation of top hoarders and now have holdings of gold estimated at 5,000 tons. In France gold is sold in one-kilogramme ingots, and there is a big demand for napoleons.

Gold in small bars for the contraband trade and coins (yes, these are still being minted) which settle into the strongboxes of the small hoarders or find their way through devious channels to the East where jewellers turn them into ornaments and trinkets are to all intents and purposes removed from circulation. But what happens to the rest?

Paul Jeanty, a director of the Samuel Montagu and Co. banking house, one of the five that control the London gold market, says that the biggest buyers are investors—wealthy individuals, investment trusts, international corporations and some central banks, 10 to 40 per cent of whose assets are in gold. It is their purchases that mainly send prices up on the open market. As regards the professional speculators, the inveterate market bulls as a rule buy only to sell as soon as they feel the price curve is about to dip. The comparatively small quantity of gold that passes through the hands of this group (over 250 tons in 1972, according to estimates) is the only reserve on the open market.

In other words, the bulk of the gold sold on the open market is withdrawn from circulation in diverse ways. Consequently, this market does not perform the function of meeting the growing industrial requirements of gold for which it was set up under interstate agreements within the framework of the IMF. In recent years the demand has grown sharply in the electronics, aircraft and even textile industries.

The annual purchases of gold, exclusive of that which goes for contraband trade, are distributed as follows: The bulk goes to investors, who bought 390 tons in Western Europe alone in 1973. About 100 tons are used by industry, and just about as much by dentists. The overall annual requirements of the capitalist countries, according to data released by the Union Bank of Switzerland, amount to about 1,400 tons and are growing at an annual rate of 3-4 per cent.

So much for the demand. But what are the resources of the capitalist world's gold-mining industry?

### *Gold Hunger?*

According to the estimates of the above-mentioned Samuel Montagu banking house, the supply of gold, far from increasing, is actually declining. In 1972, for instance, it dropped 6 per cent as compared with the previous year. In South Africa, which accounts for about 80 per cent of all the newly mined gold in the capitalist world, the trend has latterly been sharply downward and has reached the lowest level since 1962. The forecasts are still more pessimistic: the Chamber of Mines of South Africa expects the quantity mined there to drop to 652 tons by 1987. And geologists say that the explored South African gold deposits will be completely exhausted by the end of the century.

The output of the U.S. gold mining industry, which once held first place in the world, also declined at one time. The relatively poor deposits of California and Alaska until recently were worked at a loss, and most of the new gold produced is the by-product of copper, lead, zinc and silver mining. There are only two purely gold deposits—one in South Dakota and the other in Nevada.

The Canadian gold-mining industry was subsidized by the state, as was the Australian Golden Mile field renowned for the gold boom of the nineties of last century.

Considering that the state reserves of the capitalist countries (about 37,000 tons, enough to meet requirements at the present rate for another 26 years) have been "frozen" by the monetary crisis, can we say that these countries are facing a "gold hunger"?

Hardly. The point is that apart from the uneven distribution of the world's natural gold resources, monetary policy has aggravated things. The official underpricing of gold at $ 35 per ounce under IMF agreements kept the Western countries on starvation rations for more than a quarter of a century. Gold mining remained profitable only in South Africa, where it is based on ruthless exploitation of the cheap labour of African workers whose wages amount to only one-twentieth of those of white miners. Besides, South African gold comes from the same deposits as uranium, the market price of which strategic ore is much higher than the official price of gold.

The decline of gold mining is the price the capitalist world has had to pay for the domination of the dollar in the IMF system.

The rise of the market price in recent years has already notably, stimulated gold mining in Canada, the U.S., Australia and a number of developing countries. Working of deposits with relatively low gold content has now become profitable. The same applies to extraction and refining from other metallic ores. The resultant influx of new investment in gold mining will no doubt help to overcome the lag in this industry, and this will increase the supply of gold on the world market, though not at once. With artificial underpricing of gold ceasing to be a brake on the development of mining, the argument that the natural scarcity of the metal militates against retaining gold as the basic international medium of payment becomes invalid.

Another substantial source for increasing international liquidity is private hoards. Stability of currencies and the relative stability of market prices could bring back into circulation the monetary gold (ingots and coins) held in private banks and strongboxes as insurance against exchange rate chaos. Experts estimate that such hoards at present run to 20,000 tons.

The currency crisis and the domination of the dollar in the capitalist monetary system have thus immobilized a total of 57,000 tons (1,800 million ounces) of the yellow metal. But even if we take only the gold reserves of the central banks of the IMF countries (37,000 tons, or 1,189 million ounces), at a market price of $ 200 per troy ounce (some Western experts expect the price to approximate this figure in the near future), this gold would be worth about $ 238,000 million.

For the sake of comparison it should be mentioned that, according to IMF figures, the gold and foreign exchange reserves of the developed capitalist and developing countries amounted at the end of 1973 to $ 136,400 million in Special Drawing Rights (at the old official gold price of $ 35 per ounce), including $ 35,800 million in gold and $ 100,600 million in foreign currencies.

The comparison, as we see, does not support the case of the proponents of an anti-gold policy.

### *Seeking a Compromise*

Nor do the latest world trade trends speak in favour of this policy. The salient trend is the growth of the share in the total turnover, in terms of value, of raw materials—oil, nonferrous metals, natural rubber, timber, and so on. The rate at which the prices of these commodities have been increasing latterly is only slightly less than that of gold.

Taught by the bitter experience of the monetary crisis which has made all Western currencies unreliable, the Third World countries prefer to exchange their natural wealth for tangible goods and services. In the opinion of Rene Larre, General Manager of the Bank for International Settlements in Basle, the oil-producing countries could demand part payment in gold for their oil exports to the West, and this would "ensure that gold retained an important place in the international currency system."

Significant, too, are the indications that the economic rivals of the U.S. are not averse to taking advantage of the present troubled times and using gold to strengthen their own monetary positions. This was the appraisal given by the Western press of the examination of mutual settlements in gold by the Common Market financial leaders at their April meeting in Zeist, Holland. As usually happens at conferences of the Nine, here too friction could not be avoided. The F.R.G. and Britain, commented the British "Economist," do not wish to quarrel with Washington and are trying to avoid "political embarrassment on gold" such as occurred on energy in February at the Washington meeting of the oil-consuming countries, where West Germany and Britain adopted a pro-American stance diametrically opposed to that of France.

It cannot be said that Paris today wholly shares the view expressed by General de Gaulle, who called for the return of the Western monetary system to gold, "which does not change in nature, which can be made either into bars, ingots or coins, which has no nationality, which is considered in all places and at all times the immutable and fiduciary value par excellence." De Gaulle's successors take a more prosaic view: gold should become a raw material used for monetary purposes.

"Gold still has a monetary role," President Valery Giscard d'Estaing, then Minister of Economics and Finance, said in an interview to "Le Monde" on March 7. "The proof of this is that the countries which state their opposition to the monetary role of gold are never prepared to relinquish their gold assets." Speaking of the future basis of the monetary system, he said: "It must be possible for settlements to be made in gold between European or non-European central banks exchanging gold as a monetary raw material." Gold should retain its monetary role also because the socialist countries are accustomed to using it in their foreign trade. This fact, in the opinion of Giscard d'Estaing, should not be ignored, nor can these countries be excluded from the overall system at a time of expanding East-West trade.

In the business world on the other side of the Atlantic, too, there appears to be a growing awareness that the anti-gold policy has little chance of success . "Lack of faith in currencies has led private investors and even central banks to doubt that gold can ever be effectively demonetized," "Business Week" commented on March 23. Compromise solutions are also being sought.

One such expedient is the agreement reached on June 11 among the IMF Group of Ten to use gold reserves "as collateral for loans at a price to be agreed between the lender and the borrower." Although the official price of gold remains unchanged, the decision, in the opinion of the U.S. press, would make monetary gold "valuable" again inasmuch as gold pledged as security will be priced substantially above the official price.

The purpose, the "New York Times" commented on June 14, is to achieve financial harmony in the world. However, a compromise that on the one hand confirms the monetary value of gold, but on the other preserves its long-unrealistic official price is hardly able to restore harmony and release the West from the grip of the monetary crisis.

### *Economic Polycentrism*

International economic relations have clearly entered an era of polycentrism. The centrifugal forces at work in the sphere of trade and monetary policy and practice are already clearly manifest in the three principal centres of the capitalist world—the United States, the Common Market countries and Japan. The proposal for a new "Atlantic Charter" advanced by Henry Kissinger in April 1973 in an attempt to halt this process aroused little enthusiasm in

Western Europe and Japan. Nor is Washington's bloc policy as regards the Western world's energy problems finding undivided support. And hardly will the situation be saved by the "monetary Atlanticism" advocated by Guillaume Guindey, former Director-General of the Basle Bank for International Settlements, in "Le Monde" on January 29. "Perhaps it is monetary Atlanticism (extended to Japan) that today has the best chance of being able to invest Kissinger's grand project with concrete content," he said.

That contradictions between the industrially developed West and the raw-material-supplying developing countries are sharpening was strikingly demonstrated at the Sixth Special Session of the U.N. General Assembly in April. Many of the Third World countries have already opted for the non-capitalist path of development, and the imperialist principles of international division of labour according to capital and power which so far have determined the rules and procedures of IMF are not acceptable to them.

Lastly, the countries of the socialist community are playing a steadily growing role in the world economy. They base their economic relations with other countries on the principles of equality, mutual benefit, and most-favoured-nation treatment in trade and monetary practice. Their ties with the developing countries are growing stronger, East-West trade is expanding, and new forms of economic ties between countries with different social systems are emerging. All this makes it imperative to search for such monetary and financial solutions as would accord with the long-term, large-scale character of international commercial intercourse.

If economic polycentrism is approached not from the positions of bloc politics but from the standpoint of promoting international co-operation, it will be seen that the time has come to go over to principles of international monetary and financial relations acceptable to all, the principles of equality and respect for the sovereignty of all countries, big and small, and renunciation of trade and monetary discrimination. The rules and procedures based on such principles could be worked by the world monetary conference the convocation of which was urged by more than 90 developing countries at the 26th U.N. General Assembly in 1971.

However, the international monetary system needs not only new principles. It needs an economically realistic currency foundation. Although the law of value operates differently in countries with different social sytems, commodity-money relations exist throughout the world economy, in the capitalist, developing and socialist countries alike. From time immemorial gold, which combines in itself the properties of a world commodity and world money, has been the universal measure of equivalent exchange in international trade.

Those who would oust gold, limit its use or declare it a "ghost" are surely in much too great a hurry.

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