

British Monopoly Capital and the War

BY MARGARET HUDSON

THE "LYTTTELTON PLAN" for concentrating production in the non-war industries, named after the new President of the Board of Trade, is the latest and most publicised example of the process of growing concentration and monopoly which has been going on with increasing speed since the war. It is admitted that this new concentration is not merely a temporary war-time measure. Thus the *Financial News* (12.3.40) comments:

"The last war changed a predominantly competitive industrial structure in Britain to one in which cartels and monopolies were of great importance. In the period between the two wars (and especially after 1932) the influence of these cartels and monopolies extended fast, so that at the outbreak of the present war the structure was fairly evenly balanced between competition and association. And now the development of monopoly is pressing ahead so fast that by the end of the war it looks as though the structure is going to be predominantly monopolist."

The dangers of this development are apparent even to the capitalist writer. He continues:

"The result of present trends may well be to establish forms of organisation in these industries far removed from the public interest. . . . There will be serious danger of extreme ossification of the industrial structure, lack of enterprise and initiative, and a general tendency to restrict production in order to maintain the level of profit per unit of production. . . . Our major post war industrial problem will be to devise forms of Governmental control to prevent this corporative and fundamentally backward system from developing." [Our italics. "Corporative" is, of course, a polite word for Fascist.]

The present war confronts the British capitalist class with far more acute economic problems than did the last. Confronted with a more highly organised and extensive German Imperialism than in the last war, without a French ally to provide and feed millions of soldiers, confronted with a far more technically advanced and politically experienced Yankee Imperialism, the British monopolists seek the way out by squeezing the workers and the smaller capitalists, by reducing non-war imports and cutting consumption to the bone, by concentrating a larger share of profits in their own hands, by monopolising and trustifying industry, by setting their house in order for tougher fights after the war. The war gives them unrivalled opportunities for this.

The present Government and State machine represents, not just British capitalism in general, but those monopolist, restrictive groups in particular who have organised the drive towards concentration of production and power in recent years. The Ministry as re-organised in October 1940 has closer direct links with big business than any which have preceded it. The "new drive" behind Churchill turns out to be the old "rationalising" drive of the banks.

Key controller of war industry is Sir Andrew Duncan, former Bank of England Director and executive head of the British Iron and Steel Federation, which includes, of course, the biggest armament firms and

which in the pre-war years was built up with the aid of the banks into "one of the tightest and most restrictive monopolies this country has ever known." (*Economist*, October 5, 1940.)

The new President of the Board of Trade, in charge of developments in the non-war industries, is *Captain Oliver Lyttelton*, brought in presumably as a specialist in restricting tin production and organising monopoly (he had been chairman of the London Tin Corporation and the British Metal Corporation). At the beginning of the war he became Non-ferrous Metal Controller and his company (The British Metal Corporation) was paid a fee of £220,000 a year (its pre-war profit) for running the control (in addition it was allowed to continue its profit-making operations abroad).

With Government controls in the grip of the representatives of the monopolies, it is easy to see how "every State intervention into industry means a shift in the division of income" (Varga). The biggest firms, which were "in on" the controls, were able to learn their competitors' trade secrets and discipline them on the one hand; on the other, they were able to extract high profits from their customers (by fixing monopoly prices for their goods). As early as December 9, 1939, the *Economist* wrote:

"With a few exceptions, each controller has been selected from the trade he controls. . . . In some industries the moving spirit in one of the competing firms (often the largest in the industry) is being put into a position where he can hardly help learning his competitors' trade secrets. Apart from this inequity within the controlled industry, the system is unfair as between the industry and the community, more especially the industry and its customers. There is no need to assume any deliberate partiality; unquestionably all the controllers are deeply anxious to serve the public interest. But they have an unavoidable bias towards seeing things through the spectacles of the interest from which they come. There are a large number of instances where the controller's power has been used to enforce changes in prices or in trade practice (such as terms of contract, etc.) which, whether or not that was their purpose in the controller's mind, have undoubtedly had the effect of benefiting the section of the industry from which he comes at the expense of its customers."

Monopoly has not merely maintained its position in the war but has immensely extended its hold. Firstly, investment in productive industry is denied to all except those who have official permission. It is physically impossible to get plant, building materials, etc., except by official permission. Investment is thus almost entirely restricted to the monopoly-controlled war industries (which are thus safeguarded even in case of inflation, since they can invest their profits in "real" assets).

Orders come out from the Ministries to the biggest firms. Smaller firms can only get orders through the big firms, and thus at best come to occupy a more and more dependant position, perhaps manufacturing special lines in components for the big firm, but losing their own general trade. At worst they fail to get war orders at all, and find their supplies of raw material and labour correspondingly restricted.

So far the *growth* of monopoly since the war has been most obvious in the "non-essential" trades, i.e., in just those industries where the monopoly drive has been least successful in the pre-war years. Under the "Lyttelton plan" only "nucleus" firms will be allowed to continue production in the consumers' goods industries; the remainder are to be closed down for the duration. The industries immediately affected employ some two million

workers and include textiles, hosiery, boots and shoes, cutlery and leather goods. It is estimated that about 500,000 workers—possibly 750,000—will lose their present employment and be available for transfer to war work.

The capitalist press does not seriously attempt to disguise the fact that the concentration means increasing permanent trustification of the industries, and is far more than a wartime measure. As the City Editor of the *News Chronicle* put it, “the eggs cannot be unscrambled after the war.”

It is generally agreed, too, that the main “nucleus” firms will certainly be those already associated with the banks and the monopoly drive. Thus the *Economist* (March 15, 1941) points out that as far as cotton is concerned, the Lancashire Cotton Corporation “has already established itself as a nucleus firm par excellence”, and the investor with shares in the big combines “can even reflect on the ultimate benefits which elimination of the smaller firms would bring.” For the big men in these industries, limitation of supply will have been well worth while if it gives them the monopoly status they have been seeking for years. Indeed, the big distributive interests, led by Lewis’ (Lord Woolton’s firm), are now asking for concentration measures to be applied in their trade.

These new measures are already causing grave anxiety among those workers who will be first affected. Whatever may be said about “reinstatement after the war”, the workers’ experience tells them that the monopolists have no intention of allowing the works they close now to re-open after the war. The whole policy of the Lancashire Cotton Corporation and the Spindles Board has been to scrap cotton-spinning machinery. Is it any wonder, with this experience behind them, if Lancashire people take promises about “post-war re-opening” with a pinch of salt?

Just as the smaller units in productive industry are going, the smaller financial businesses are being squeezed out too (one bank, Goschen & Cunliffe, has already succumbed). The Stock Exchange and purely stock-broking and merchant firms have far less business to handle, and as monopoly develops their function too is slipping from them.

Thus more and more profits are concentrated in the hands of leading groups. More and more power is going to the biggest banking and finance interests; to the direct war monopolies (steel, arms, motor and aircraft); to those supplying war materials (nickel, copper, tin, rubber, chemicals); and to a lesser extent, to the associated monopolies in consumer goods (cotton, rayon, sugar, fats—Lancashire Cotton, Courtaulds, Tate & Lyle, Unilever).

The published profits,* which show a modest increase (9%) before tax, and a modest decrease (4%) after tax and depreciation, are quite consistent with the major trends perceived. The monopolies are certainly making more profits than before the war, but they are more adept at hiding them. For example, Douglas Jay, City Editor of the *Herald*, recently calculated that the Clearing Banks *must* have made increased profits of £5,000,000 through creating credit for the Government; but, as he prophesied, none of this appeared in their accounts. For the trusts, published profits bear little relation to actual profits.

It would be a mistake to underestimate the enormous difficulties en-

**Economist* sample of 2,260 companies reporting in 1940.

countered by the dominant monopoly group in "organising" British industry. The proportion of old, small-scale plant and obsolete production methods is so enormous in cotton and wool, for example, the "middlemen" and shopkeepers are so numerous, that immense *political* risks attend any effort to get rid of them. The task can at least be attempted in wartime with some show of confidence, because small businessmen may accept out of patriotism sacrifices which in peacetime would be clearly seen to benefit competitors and no one else.

The development of monopoly will not solve the economic problems of the British capitalist class either in war or peace, but must make them more acute than ever in the long run. The development of powerful monopolies in the lighter industries, which are beginning to break into the charmed circle round the Bank of England and the Government, will mean a growing scramble between them and the heavy industry for monopoly profits, with the advantage on the side of heavy industry.

The consumers' monopolies (notably tobacco, rayon, margarine, soap, flour, meat and sugar) have always been relatively much more powerful in Britain than, for example, in Germany (largely because the parasitic wealth of Britain, derived from imperialist super-profit, gives them a bigger market, and also because they share directly in the exploitation of cheap colonial raw materials). Their drive to maintain their profits is likely to come into conflict sooner or later with the drive of heavy industry to cut the cost of the workers' subsistence.

As monopoly extends, "redundancy" extends also; the number of unemployed rises, the market diminishes. For the present, in wartime, this is the great advantage to the capitalist class of speeding up the growth of monopoly, since it gives them at once a bigger army and an industrial reserve army, and reduces their need to buy from America. But in the long run it must mean more acute crisis. Moreover, the great disadvantage of monopoly capitalist control in wartime is that it is in many ways even more inefficient, more wasteful of, productive forces than smaller-scale capitalism.

The *Economist* (March 8, 1941) declares: "The vista of restriction of monopoly profits, of the discouragement of enterprise and the support of inefficiency thus opened up is frightening in the extreme." Similarly the *Financial News* looks forward to a position where "the large units dominate the industries" and "the restriction of output to maintain profit per unit of output" becomes more and more general. It begins to look as though Mr. Arthur Greenwood's estimate of seven million unemployed after the war is quite a sober one. The position of British capitalism is becoming more and more difficult; the material basis for manoeuvres and concessions to the workers is fast disappearing.

The T.U.C. is, however, throwing its weight behind the plans for concentration of industry and transfer of workers, though the union leaders cannot help knowing that for many of these workers there will be no jobs in their own industry to go back to after the war. This growth of "rationalisation" and monopoly is not supported by the leaders solely

because the war requires it—any more than the big firms support it wholly for that reason. “Rationalisation” and monopoly is itself part of the reformist programme of peaceful socialism.

Support for monopoly capital in its rationalisation and concentration drive has long been the policy of the dominant T.U.C. leadership, which prefers dealing with the *monopolist* employers, the big-business men, the capitalists with super-profits to spend, as opposed to the small. This line runs right back to the fight of the present leadership after the General Strike to establish “Mondism,” or collaboration with monopoly, as the official policy of the Labour movement. Bevin took his stand clearly at the 1928 T.U.C.

“I do welcome nationalisation. I make no apology for so doing. This hybrid state of the small employee and the combine fighting each other over a long period . . . is causing penury and trouble among the whole of our people. I would rather see a real organised attempt by nationalisation than I would see a long-drawn weary road from the small employer to the big.”

Firms which make high profits can pay their workers better wages (so runs the argument); therefore let us ensure high profits. But only monopoly can ensure high profits under modern conditions; therefore let us assist monopoly. The collapse of American “Fordism” into the worst crisis in history, the fascist development of monopoly in Germany, the creation of distressed areas in England, the growth of heavy unemployment which lowered wage standards in every capitalist country, these economic facts of the last twenty years have still taught the Labour leaders nothing about the real consequences of monopoly capitalism for the working class.

They still believe, or effect to believe, that “after the war” monopoly will lead to “planning”, to “social security” and not to the familiar tale of poverty in the midst of plenty, international rivalries and new wars, and, above all, to the development in Britain of Fascist methods, of the open dictatorship of a highly organised and unified big capitalist class.

The development of concentration and monopoly is ranging the workers in large-scale organisation against capitalism united on an all-Britain scale, backed by the State. To tackle the employers without tackling the State is becoming impossible. In this situation the trade union leaders are trying to find a place for trade unions as “conciliators” in a corporate State. For Bevin, factory managers “are like trade union officials, something to love and something to swear at”; they are “your allies in the new methods” of industrial control. But the class struggle, intensified by monopoly, cannot be abolished by a phrase.

There can be no return to the old forms of capitalism, the palmy days of the British ruling class, which fostered the faith of reformists in the saving power of big business. To-day the acute difficulties of the monopolists are driving them to adopt more and more openly the fascist, dictatorial technique of Government by repression. There can be only one alternative—the fight of the workers for a People’s Government which will take over the banks and the key industries and run them in the interests of the people.

Socialist Prosperity in the U.S.S.R.

BY R. PAGE ARNOT

THE PEOPLE of Britain are suffering from a double blockade, both of body and mind. Imports are restricted, cargoes are sunk, families are rationed and rations are shortened. At the same time no news is imported beyond what is considered necessary for the Government's war purposes. Information about other countries is, as it were, strictly rationed. The population of Britain are being taught to go without, and this induced blockade mentality is being extended to things of the spirit.

But realities cannot be thus conjured away. Not only do other countries such as India exist—and in a manner very different from that rationed out in “the news”—but the reality of the one Socialist country is of the utmost importance to the peoples of all other countries. Whoever looks upon the U.S.S.R. only as a news item in the Foreign Affairs of British Imperialism is losing grasp of reality.

When in August 1914 the leaders of the Labour and Socialist parties of Europe forsook the Socialist standpoint, the joy of the ruling class was well expressed by the *Times*, which spoke of the haunting fear of class-war as a *nightmare* now dispelled in the rosy dawn of national unity. One part alone of that old International carried out to the end the policy of Socialism—the Russian Social Democratic Labour Party. It overthrew the classmen of the capitalists, defeated the forces of intervention, built up the U.S.S.R. as a Socialist State of workers and peasants. The leaders of the other Labour and Socialist parties of Western Europe by their betrayal of Socialism bear responsibility for the continuance of capitalism with its crises and wars. This is the first significance of the U.S.S.R., that it is the triumph of the one revolutionary Socialist party that remained true to Socialism, true to the teachings of Marx.

With the third Five Year Plan, begun in 1938, the U.S.S.R. entered a new period of development, “the era of the completion of the building of classless, socialist society, and of the gradual transition from Socialism to Communism.” All that was bad or backward in the heritage of the past was now to be overcome. Accordingly in the resolution of the 18th Party Congress held March, 1939, it was said:

“Now we can and must squarely face and carry out in actual practice the fundamental economic task of the U.S.S.R.: *to overtake and surpass the most advanced capitalist countries of Europe and also the U.S.A., economically as well.*”

For although two years ago industry in the U.S.S.R. had made a *ninefold* increase in the quarter century since the level of before the last war (while most of the big capitalist countries had not come near doubling that level) the previous extreme backwardness of the Tsarist regime meant that *economically*, measured in production per head of the population, the U.S.S.S.R., had