My half-column letter in the March-April issue attracted two-and-one-half columns of editorial comment. I would like to make a few remarks by way of rejoinder. I do not intend at present to pursue the matter any further after this.

1. A large part of your comments was taken up with making points on which I would have thought it clear there was no difference of opinion between us. Unconditional opposition to resolving theoretical and policy differences by administrative means, and "substitutionism" in general are examples.

By making these points at great length in commenting on my letter, AS THOUGH BY WAY OF REBUTTAL, a quite misleading impression of the views represented by my letter may well have been given to some readers. At any rate you certainly made very much easier the task of anyone who wishes to misrepresent those views.

Similarly, I assumed it to be obvious that my reference to "the repression of people for their political and ideological beliefs", especially when taken in the context of the example I gave, did not mean what various passages in your comments more than merely insinuated they meant, namely, people's being subject to repression "merely because they believe in the old system, in religion or some other non-marxist system of beliefs" etc. etc. OF
COURSE, I primarily meant beliefs as expressed in actions of a sort likely to affect the basic viability of a revolutionary order. To that extent, we seem to agree again. (Nevertheless there are actions and actions. What would you say, for example, about the use of privately owned media to spread false information and inflammatory opinions in circumstances which could endanger a genuinely socialist government? Or the continued employment of major functionaries in the old state-apparatus where perhaps what is in question are not concrete actions but potential ones? The case of Chile can again furnish materials for examples.)

2. If you went on at great length about matters concerning which it is not clear that there is any difference between us, you virtually abstained from saying anything at all on what I clearly pointed to as the CENTRAL question of my letter, on which there is obvious disagreement between us. This is the matter of defending a policy by reference to “human rights” rather than from a class standpoint. Though more abstract than the issues raised above, it is also more immediate, for it is relevant to the way in which a whole range of theoretical and policy questions are posed and answered.

You continue to affirm the “humanistic” view (to give it a name which no doubt you would warmly approve of). Now Marx and the classic Marxists have always explicitly rejected this sort of advocacy. (See, to take a couple of examples from many, Marx’s position on the Irish question of his time and the American Civil War.) Of course, this itself does not automatically oblige Marxists to do likewise. But it does put the onus on them to produce a justification for not doing so.

I cannot find any such justification in either the original editorial or in your latest comments. You do observe that the concrete application of the class standpoint is often very difficult. And so on. But nothing much is going to be resolved by appealing to banalities of this sort.

Marx and the rest did not reject the “humanistic” standpoint for no reason. To begin with, it is unnecessary to use it. For example, the crimes of Stalin were not against “human rights”, but against genuine socialism, which is totally incompatible with massive deception, arbitrary arrest, nation-wide coercion, bureaucratic privilege, and so forth. (See Trotsky’s ‘Their Morals and ours’.)

But not only is it unnecessary, it is positively dangerous. Why? Briefly, because it works to blur politically crucial differences, to DISARM, whereas the class standpoint does the opposite. Let Marx have the final word here. The antithesis between private property and working class interests, he writes in ‘The German Ideology’, is absolute:

“If, then, the theoretical representatives of the proletariat wish their literary activity to have any practical effect, they must first and foremost insist that all phrases be swept aside which tend to dim the realisation of the sharpness of this opposition, all phrases tending to conceal this opposition and giving the bourgeois a chance to approach the communists for safety’s sake on the strength of their philanthropic enthusiasms... it is necessary to resist all phrases which obscure and dilute... the realisation that communism is totally opposed to the existing world order.”

(p.529)

Wal Suchting

ULSTER IN PERSPECTIVE

Ruaric Dixon’s analysis of the Northern Ireland situation is certainly useful, especially his insistence that the sense of separate identity experienced by the Ulster Protestant community has been historically determined. But, in the first place, he misjudges the historical forces which gave rise to this sense of separate identity, positing them in the specific nature of capitalist DEVELOPMENT in Northern Ireland and, secondly, his concentration on just one aspect of the situation leads on to a “blinkered” analysis of the situation as a whole. Consequently, the suggestions he makes for the realisation of socialism in Ireland are utterly unrealistic.

The political climate in Ulster was alrea-
Sectarian strife had existed in one form or another throughout the century and became particularly acute in the 1790s in the southern Ulster counties, especially Armagh. The most important cause was keen competition for tenancies, resulting from the sharp rise in population. Protestant farmers feared that they might be ousted by Roman Catholics, whose lower standard of living enabled them to outbid Protestant competitors. They organised themselves into armed bands which terrorised the local Catholic population in an attempt to make them leave the countryside. The latter reacted by setting up a counter-organisation -- the 'Defenders' -- and clashes between the two groups were frequent and often fatal. It was also at this time that the Protestants, after a victorious encounter with the Defenders, set up an 'Orange Society' to protect their own immediate interests and to perpetuate the protestant ascendancy. Moreover, when the insurrection of '98 took place, inspired by genuinely Republican principles, it was essentially a protestant affair in the North. In the South, the rising was largely confined to the County of Wexford where Father John Murphy led the rebels. This leadership gave the rising an essentially religious character; and though the rebels had the support of a few Protestant radicals, they regarded Protestants in general as their enemies, to be attacked, plundered and even slaughtered, simply for being Protestants.

There would appear then to be some grounds for the thesis that the phenomenon of Protestant sectarianism is essentially derivative, dependent for its existence on a threat from subversive Catholics, be the element of subversion the Whiteboys, the Defenders or the IRA. Reconciliation then would seem to depend on eliminating this threat. But what this thesis fails to take into account is the institutionalisation of Protestant sectarianism caused by the establishment of the state of Northern Ireland and its consequent transformation into a positive force. There can be no doubt that the institutionalisation of sectarian attitudes considerably strengthened them. With the creation of Stormont, there now existed a concrete embodiment of Protestant predominance for all to see and it was expressly recognised as such by Protestant politicians and people alike, and indeed by the native Irish.

The importance of this feedback from the specifically political and institutional has not been sufficiently stressed by Irish historians. The main effect of the Government of Ireland Act (1920) was to raise the self-esteem of the Protestant worker, who tended thereafter to conceive of himself as a fully fledged member of the ruling class. As a result of 50 odd years of Unionist domination, he has now acquired a positive Ulster identity which exists in its own right and is no longer simply reactive, i.e. dependent on the existence of a tangible Catholic threat. The creation of Stormont thus greatly diminished the chances of sectarianism simply fading away with time and with the development of a new style of capitalist enterprise. (I have in mind here the transition from the paternalist to the monopolistic managerial style of capitalism which Paul Nursey-Bray describes in his article, p.38). Considered in terms of its ultimate effects, the passing of the Government of Ireland Act was perhaps the most reactionary event in Irish political history for it effectively precluded the possibility of genuine working class solidarity emerging.

If this analysis is correct, then Nursey-Bray's estimation of the manipulatory powers of the bourgeoisie is at least exaggerated. In its origins, sectarianism (or racialism in clerical garb if you prefer) was very much a grass roots affair. Of course it has on occasion been deliberately fostered by the bourgeoisie to fragment the working class movement, but to focus unduly on this 'exploitative' aspect of sectarianism, is to run the risk of missing the real source of its strength. Un-
Fortunately this means that we can take only very cold comfort from Nursey-Bray’s assertion that

“the capitalist classes in Britain and Ireland no longer have any interest in fostering the false consciousness of sectarianism.....” (p.46).

As far as the British Government is concerned, the preservation of the status quo in Northern Ireland, however advantageous to British capital in the past, is no longer worth the expense. This fact finds concrete expression on the streets of Belfast when British army violence is directed at Protestant workers anxious to retain the existing order and not just at Catholic workers, anxious to undermine it. But the consequence of all this has been a reinforcement and refinement of Ulster Nationalist sentiment, which now exists for the first time in an undiluted form.

Dixon speaks very glibly at times as if the Northern Catholics simply weren’t there, or are so small numerically as to be politically insignificant, whereas in fact they constitute nearly 40 per cent of the population. With incredible and dangerous naivete, he suggests that:

“Recognition of the right of Ulster to exist outside the Irish context may allow Protestant fears surrounding what amounts to Ulster’s ‘national question’ to submerge.” (p.51).

But recognition by whom of what? Does he seriously think that Ulster Catholics will ever recognise the right of their Protestant overlords to impose second class citizenship on them or that the Provisional IRA will sacrifice its aim of a Gaelic Republic or that the Marxist Official IRA will conveniently cease to strive for an all-Ireland Socialist State?

The best that can be said for Dixon’s analysis is that it would have been appropriate in the early phase of the civil rights movement. The latter was a mass movement by Catholics, with some radical Protestant support but the crucial point about it was its implicit recognition of the legitimacy of the state of Northern Ireland. The catchcry was “British rights for British citizens”. Northern Ireland then was the proper context for understanding the situation at that stage.

At that stage in the development of an ongoing situation, Dixon’s analysis would have been directly pertinent. Northern Ireland was indeed the proper context for an appreciation of the problem. We could agree that recognition of the right of Ulster to exist separately might allow Protestant fears to subside, hence facilitating the emergence of real social issues. For a while, this seemed a real possibility. But circumstances have altered drastically since then. The Orange faction in the Unionist Party succeeded in ousting the reformist Prime Minister, Captain O’Neill and this ultimately brought about a resurgence of Republican extremism. To assert the right of Ulster to an independent existence now means in effect that IRA activism must be permanently smashed, and this is quite impossible. Republican extremism can never be wholly suppressed. For better or worse, the Irish dimension is now a reality.

Does the fact that most Northern Irish workers conceive of themselves as being either Irish Catholic or Ulster Protestant rather than as working class mean that they are in a state of false consciousness? Obviously, in one sense they are, since their preoccupation with the question as to whether the state should or should not exist precludes any serious focussing on social issues of common concern; yet in another sense they are not, for their concern with ‘national’ liberation, as conceived by both groups, is no less real than that of the Vietnamese peasant struggling against American imperialism, even if the socialistic content of their national aspirations is considerably less. Regrettably, we must recognise the difficulty of focussing attention on social matters of real import while the national questions remains unresolved.

If socialism is to be achieved in Ireland from what kind of perspective should the polarity in the Irish working class be viewed? We have to make a choice as to which context, the Irish or the ‘Ulster’ is more appropriate. I would argue in favour of the former. The best, indeed the only, hope for socialism lies in a dismantling of the political apparatus of Protestant sectarianism and the setting up of a United Ireland. Such a course is of course fraught with formidable difficulties, the main one being the certainty of bitter Protestant opposition, but then what course isn’t? If it took nearly 50 years for Northern Irish Catholics to begin to accept the political status quo in Ulster, we can at least hope that the Protestants might become reconciled to the new regime, if it should ever materialise, even sooner, given the fact that they would be deprived of the hope, which the Northern Catholic always had, of intervention on their behalf by a sympathetic neighbouring power. It was this hope which kept Republicanism alive in the North during fifty years of Unionist domination but it would appear that if Ireland was united politically, Britain would assuredly grasp the opportunity of extricating itself from the Irish bog once and for all, thus leaving the
Ulster Protestant community with no option but to accommodate itself, sooner or later, to the new regime. For the moment, then, it may indeed be a false analysis, as Dixon points out, to regard the Ulster Protestant workers as a sub-species of the Irish working class, but ultimately to so regard them may be the only way to achieve working class solidarity, and hence socialism, in Ireland.

-- B.T. Trainor

---

**MARXIST THEORY OF CRISIS**

In ALR (March 1974) P. Vort-Ronald discusses the marxist theory of economic crisis. She develops Marx’s view that with capitalism there is a tendency for the rate of profit to fall. For Marx, the rate of profit is the rate of return on total outlays, or --

\[
\text{Rate of Profit} = \frac{\text{Profit or Surplus}}{\text{Outlays}} \times 100
\]

for \( + \) Wages

\[
\frac{\text{capital}}{\text{equipment}} (2)
\]

In explaining the tendency, Marx assumes that profit and wages rise at the same rate but outlays for constant capital rise at a faster rate than outlays on wages, i.e. the value of capital used per worker increases.

With these assumptions, since outlays for constant capital are rising at a faster rate than outlays on wages they will also rise at a faster rate than profit -- wages and profit are seen as rising at the same rate.

From the equation above, it follows that there will be a tendency for the rate of profit to fall. There are counteracting tendencies. This is why Marx talks of a tendency for the rate of profit to fall. Since profitability (the rate of profit) is the motive force in capitalist economy, a fall in the rate of profit will lead to lower levels of output and employment and economic crisis.

The destruction of capital values during the crisis restores the rate of profit and thus the resumption of capital accumulation, another cycle of recovery, boom, crisis, recession.

In the article, problems of realisation are seen as secondary to those of production.

I have no doubt that there is a tendency for the rate of profit to fall. In this letter, I want to make two points. I will endeavour to show that problems of realisation play a key part in Marx’s explanation of economic crisis. Secondly, I will express disagreements with the analysis given of capitalism since 1945.

Marx discusses the tendency for the rate of profit to fall in Vol. 3, Chs. 13-15. If this letter encourages a reading or re-reading of these stimulating pages, then it will be worthwhile.

In discussing the falling rate of profit, Marx divides the process of production into two stages. (3) The object of the first stage, “direct production”, is the creation of surplus value. The only limit to the expansion of capital at this stage is “the productive power of society” (3) i.e. the labor and capital available. Why then does the boom always end in economic crisis? After surplus value has been produced, there comes what Marx calls “the second act of the process” (3); “The entire mass of commodities ... must be sold” (3). “If this is not done, or only partly accomplished” the production of surplus value may yield no surplus to the capitalist, or only “a portion of the produced surplus value”. (4)

Periodically, “Too many commodities are produced to permit of a realisation of the value and surplus value contained in them under the conditions of distribution and consumption peculiar to capitalist production, that is, too many to permit of the continuation of this process without ever recurring explosions”. (5)

Marx writes:

“The last cause of all real crisis always remains the poverty and restricted consumption of the masses as compared to the tendency of capitalist production to develop the productive forces in such a way, that only the absolute power of consumption of the entire society would be their limit.” (6)

We can now gather together the strands in Marx’s theory of economic crisis. In the first stage of the productive process the more rapid growth of constant capital (instruments of production) relative to variable capital is favourable to the further accumulation of capital. What is involved is measures to cut costs e.g. through more advanced technology.

At the second stage of production, the main thing is a sufficient rate of growth in demand. Measures to cut costs (e.g. real wages as a lower percentage of rising levels of output) are favourable to capital accumulation at the first stage in the process but at the
second stage they depress demand and therefore the possibility of realising of value and surplus value on the market. While investment in new projects (and income payments) and proceeding in the recovery-early boom stage the tendency to over-production is hidden. It comes to the surface when the capital goods are produced and increase productive capacity. Then the exploitative conditions under which capital is accumulated becomes a barrier to the expansion of the accumulation process.

It is valuable to compare the effects of an increase in capital goods and productive capacity in a capitalist and a fully socialist society. In a capitalist society the increase in capital goods always leads to an overproduction of capital and an overproduction of goods, overproduction not in relation to the needs of society but in relation to capitalist property relations. In a socialist society an increase in capital goods and productive capacity will result in reduced hours of work, reduced prices, and/or higher real wages and welfare provisions.

I now want to use Australian experience to test the theory that the process of capital accumulation, of investment, runs up against the barrier of consumption. The following table gives figures relevant to the four recovery-boom-crisis recession cycles since 1954:

<table>
<thead>
<tr>
<th>YEAR</th>
<th>% increase in consumption</th>
<th>% increase in gross private investment</th>
<th>% increase in employment</th>
<th>% increase in G.N.P.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1954-55</td>
<td>6.5</td>
<td>9.5</td>
<td>3.8</td>
<td>6.0</td>
</tr>
<tr>
<td>1955-56</td>
<td>3.0</td>
<td>4.9</td>
<td>3.3</td>
<td>4.9</td>
</tr>
<tr>
<td>1956-57</td>
<td>1.2</td>
<td>1.0</td>
<td>1.5</td>
<td>2.0</td>
</tr>
<tr>
<td>1957-58</td>
<td>3.3</td>
<td>5.4</td>
<td>1.2</td>
<td>2.1</td>
</tr>
<tr>
<td>1958-59</td>
<td>3.2</td>
<td>2.3</td>
<td>1.8</td>
<td>7.1</td>
</tr>
<tr>
<td>1959-60</td>
<td>6.7</td>
<td>12.1</td>
<td>3.1</td>
<td>4.2</td>
</tr>
<tr>
<td>1960-61</td>
<td>2.0</td>
<td>7.5</td>
<td>3.1</td>
<td>5.1</td>
</tr>
<tr>
<td>1961-62</td>
<td>2.3</td>
<td>-4.0</td>
<td>nil</td>
<td>0.7</td>
</tr>
<tr>
<td>1962-63</td>
<td>6.6</td>
<td>10.5</td>
<td>3.3</td>
<td>5.8</td>
</tr>
<tr>
<td>1963-64</td>
<td>5.9</td>
<td>11.9</td>
<td>3.9</td>
<td>6.6</td>
</tr>
<tr>
<td>1964-65</td>
<td>4.8</td>
<td>13.0</td>
<td>4.2</td>
<td>7.8</td>
</tr>
<tr>
<td>1965-66</td>
<td>2.1</td>
<td>4.4</td>
<td>3.4</td>
<td>1.0</td>
</tr>
<tr>
<td>1966-67</td>
<td>4.3</td>
<td>2.0</td>
<td>2.3</td>
<td>6.2</td>
</tr>
<tr>
<td>1967-68</td>
<td>5.1</td>
<td>6.1</td>
<td>2.7</td>
<td>3.4</td>
</tr>
<tr>
<td>1968-69</td>
<td>3.4</td>
<td>9.1</td>
<td>3.4</td>
<td>8.7</td>
</tr>
<tr>
<td>1969-70</td>
<td>6.0</td>
<td>5.0</td>
<td>3.5</td>
<td>5.5</td>
</tr>
<tr>
<td>1970-71</td>
<td>3.0</td>
<td>5.0</td>
<td>3.5</td>
<td>4.2</td>
</tr>
<tr>
<td>1971-72</td>
<td>3.0</td>
<td>-3.0</td>
<td>1.5</td>
<td>3.1</td>
</tr>
</tbody>
</table>

Start of the recession or “downturn” is underlined.

In each case, two years before the recession, i.e. in the boom, the indicators such as GNP are increasing at near or above trend rate. In the year before the recession the rate of increase in consumption declines, followed by recession. This is consistent with an analysis showing that in each of the three recessions since 1959 the turn from boom to recession has seen a build-up of excess stocks. The pattern is thus increased investment leading to an “excess” of capital and commodities, a fall in the rate of profit, followed by reduced levels of output and employment.
CAPITALISM AND ECOLOGICAL QUESTIONS

Either surplus value is reinvested on an ever-expanding scale -- or there is an economic crisis. Thus the nature of capitalist accumulation leads to depletion of scarce resources, pollution, and consumerism. The analysis shows the need for an economy based on human, rational control and needs for ecological as well as economic reasons.

P. VORT-RONALD ON POST-1939 CAPITALISM

The developing contradictions of capitalism, indicated by Marx, led to mass unemployment and the general crisis of capitalism of the 1930s. The last 30 years have seen a return to high growth rates in “developed” capitalist countries and relative to full employment. How do we explain the change? The above analysis suggests that since 1939 there must be some NEW offsetting factor or factors to the tendency of the rate of profit to fall.

The main single factor has been the increased role of government, particularly the massive increase in government spending, including spending on wars and the aftermath of wars, e.g. the cold war and the re-equipping of West German and Japanese industry after the Second World War. Discussing the way in which military spending has had the effect of ending mass unemployment, J. Robinson comments “the cure, most of us would agree, is even worse than the disease”. (9)

Between 1929 and 1969, in the US, consumption expenditure as a percentage of GNP declined by 12.9 per cent. The compensating factor was a rise of 14.5 per cent in government purchases as a percentage of GNP. (10)

P. Vort-Ronald argues against this analysis. She agrees that government spending may have a stimulating effect thus aiding certain sections of capitalists, it may provide the infrastructure, etc. But, “overall, government expenditure prevents the growth of total social capital”. “It prevents capitalist accumulation in that it uses surplus value that would otherwise have been available to capitalists for further accumulation.” Government expenditure is seen as “unproductive” because it does not produce any surplus value.

The argument suggests that if there was no government intervention, any surplus available for reinvestment would in fact be reinvested. But the earlier analysis established the fact that periodically capitalist accum-

ulation produces an excess of capital and of surplus value seeking profitable investment.

In the 1930s, this was a chronic condition. Why the change since 1939? A new offsetting factor to stagnation developed -- vast increases in government spending.

Experience shows that to the extent that it is financed by taxes on loans from capitalists, i.e. from surplus value, state expenditures “in the form of armament orders and ancillary expenditure .... play today a leading role in the functioning of modern capitalism.” (11).

I agreed with the emphasis placed in the article on government expenditures as contributing to inflation. The war in Vietnam is a case in point. But a discussion of causes of modern inflation requires some treatment of the influence of monopoly.

Summed up, I think the article is a clear explanation of what I see as one side of Marx’s explanation of economic crisis -- and it is a basis for further discussion. I do not think the article takes adequate account of problems of realisation and the new features of capitalism in this century.

– C. Silver.

FOOTNOTES:

1. This is Marx’s constant capital.
2. This is Marx’s variable capital.
4. ibid. p. 286.
5. ibid. p. 303.
10. Shapiro: Macroeconomic Analysis, p. 123, brought up to date.