

COMPASS

Theoretical journal of the **MUNIST LEAGUE**
(Formerly the Marxist-Leninist Organisation of Britain)

February 1986

BEHIND

WESTLAND



THE SEPARATION OF FINANCE AND INDUSTRY

LENIN, in his classic work Imperialism, the Highest Stage of Capitalism", written in 1916, pointed out that one of the features of this stage of capitalism was

" . . . the merging or coalescence of banking with industry".
(V. I. Lenin: "Imperialism, the Highest Stage of Capitalism",
in: "Selected Works", Volume 5; London; 1935; p. 42).

However, the banks are not the prime source of finance for capitalist industry. In Britain, for example, banks (mainly merchant banks) own only

" . . . 0.3%
("Stock Exchange Official Year-book: 1984-85"; London; 1985; p.
969).

of company shares.

Further, banks in Britain provide only

" . . . 6%
(G. Ingham: "Capitalism Divided?"; Basingstoke; 1984; p. 67).

of the external funding of industry in the form of loans, and these have traditionally been short-term loans to provide

" . . working (as opposed to investment) capital".
(G. Ingham: *ibid.* p;. 68).

It is for such reasons that Lenin emphasised that, in spite of the merging of bank and industrial capital which is a feature of the imperialist stage of capitalism, this stage brings about an increasing separation between industry and its main sources of financial investment, and an increasing dependence of the former upon the latter:

"Generally speaking, under capitalism . . money capital is separate from industrial or productive capital; the rentier, living entirely on income obtained from money capital, is separated from the entrepreneur. . . Imperialism, or the rule of finance capital, is that highest stage of capitalism in which this separation reaches vast proportions. The supremacy of finance capital over all other forms of capital means the rule of the rentier and of the financial oligarchy".
(V. I. Lenin: *op. cit.*; p. 53).

THE GROWTH OF PARASITISM

In the same work Lenin drew attention to

" . . the extraordinary growth of . . the category of bondholders (rentiers), people who live by clipping coupons, who take no part whatever in production, whose profession is idleness. The export of capital, one of the essential economic bases of imperialism, still more completely isolates the rentiers from production and sets the seal of parasitism on the whole country that lives by the exploitation of the labour of several overseas countries and colonies. . .

The world has become divided into a handful of money-lending states on the one side, and a vast majority of debtor states on the other. . .

The rentier state is a state of decaying capitalism".
(V. I. Lenin: *op. cit.*; p. 92-3)

He quotes approvingly the forecast of the British economist John Hobson:

"We have foreshadowed the possibility of even a larger alliance of Western states, a European federation of great powers which . . might introduce the gigantic peril of a Western parasitism, a group of advanced industrial nations, whose upper classes draw vast tribute from Asia and Africa, with which they support great tame masses of retainers, no longer engaged in the staple industries of agriculture and manufacture, but kept in the performance of personal or minor industrial services under the control of a new financial aristocracy. Let those who would scout such a theory as undeserving of consideration examine the economic and social condition of districts in Southern England today, which are already reduced to this condition".
(J. A. Hobson: cited in V. I. Lenin: *op. cit.*;p. 95)

MONETARISM versus KEYNESISM

Since Lenin wrote Imperialism seventy years ago, capitalism in Britain has reached such a stage of decay, degeneration and parasitism that it is impossible for an economic policy to further the interests of finance and at the same time to further the interests of industrial capital.

Keynesian economists hold that laissez-faire capitalism now leads to the stagnation of manufacturing industry and mass unemployment, and that a positive government policy of "reflation" - the injection of money into circulation by the state - is necessary to maintain the profitability of industry.

It is admitted that such a policy produces a degree of inflation - rising price levels and a fall in the value of the pound - and monetarist economists regard this as completely unacceptable. Indeed, it is unacceptable to financiers and financial institutions, which obtain their profit by lending or investing money in return for interest or dividends. The monetarists maintain that, as far as is politically expedient, the function of the state should be restricted to "law and order" functions and other state expenditure (including that on social services) restricted to the minimum, that economic enterprises should be private and unsubsidised, so that enterprises which are not making an adequate rate of profit should be allowed to go bankrupt irrespective of the social consequences, and that interest rates should be kept relatively high.

Both Keynesism and monetarism are concerned to try to boost the profits of capital. But the former serves the interests of industrial capital to the detriment of those of finance, while the latter serves the interests of finance to the detriment of those of industrial capital.

This conflict of capitalist economic policies is reflected in the field of capitalist politics. The Thatcher government, which bases itself on monetarist economic policies, serves the interests of finance; what are called the "wets" of the Conservative Party, along with certain of the opposition parties, represent the interests of industrial capital. The consequences of this are all too readily observable.

THE DECAY OF INDUSTRY

The Select Committee of the House of Lords on Overseas Trade, in its report published in July 1985, noted the relatively high interest rates in Britain since the Thatcher government came to office:

"Government policy on interest rates . . . has not given priority to the needs of industry. . . . The CBI have more recently urged the vital importance of lower rates of interest. . . ."

(Nominal interest rates - 1960-1983)

1960-67: 6.2%
1980-83: 11.7%"

(House of Lords: Report of the Select Committee on Overseas Trade; London; 1985, p. 62, 81).

The essence of the Committee's report was the decay of British manufacturing industry:

"Manufacturing output as a percentage of GDP has declined - from 28% of GDP in 1972 to 21% in 1983 - and the trend appears still to be downward. . . Manufacturing industry has been declining for the last decade in both absolute and relative terms. . .

It is significant that only the United Kingdom has seen any sustained absolute fall. . .

Between 1978 and 1984 manufacturing output fell by 8%".
(Ibid.; p. 7-11, 42).

Value added in manufacturing industry has declined as a percentage of Gross Domestic Product as follows:

"1971:	27.4%
1979:	24.9%
1983:	21.0%"

(Ibid.; p. 12)

and

" . . the slow growth is commonly attributed to poor rates of gross investment",
(Ibid.; p. 22)

which has declined as a percentage of Gross Domestic Product as follows:

"1973:	20.1%
1978:	18.6%
1983:	16.5%"

(Ibid.; p. 23).

"By the end of the year (1985 - Ed.) . . manufacturing investment was still, almost unbelievably, 18% lower (in volume) than it was in 1979".

("The Guardian", February 3rd, 1986; p. 23)

This lack of investment in manufacturing industry sets up a vicious circle:

"The underlying lack of investment in earlier years has meant that the United Kingdom's capital is relatively older and incorporates less new technology than that of its competitors. As a result its products will tend to be less competitive and more difficult to sell. The drive to achieve competitiveness will then have to be achieved through holding down prices which in turn squeeze margins and profits. This lack of profit in turn exacerbates the lack of funds for future investment, hence an even older capital stock results and so on in a vicious circle of uncompetitiveness and low growth".

(House of Lords: op. cit.; p. 25-7).

As a result, there was

" . . greater emphasis on investment in property and less productive industries rather than in those manufacturing industries

where the major opportunities for growth tend to lie".
(Ibid.; p. 25)

Professor Wynne Godley, Director of the Department of Applied Economics at Cambridge University, has pointed out:

"Investment in manufacturing is indeed negative - scrap exceeds new investment"
(Television Channel 4, January 16th, 1986)

This has adversely affected Britain's balance of trade in manufactured goods:

"In 1983 the balance of trade in manufactures moved into deficit for the first time. The deterioration was sharp, falling from a surplus of £5.5 bn in 1980 to a deficit of nearly £4 bn in 1984".
(House of Lords: op. cit.; p. 7)

as well as its share in the world export of manufactured goods:

"1899:	33.2%
1979:	9.1%
1984:	7.6%"

(Ibid.; p. 23)

These factors lie at the root of the increasing parasitism of the British economy:

"At present about 20% of GDP is derived from manufacturing and over 60% from services".
(Ibid.; p. 42).

The picture drawn to the Select Committee by Lord Weinstock, Chief Executive of GEC, was startlingly similar to the forecast cited by Lenin seventy years earlier:

"What will the service industries be servicing when there is no hardware, when no wealth is actually being produced? We will be servicing presumably the production of wealth by others. We will supply the Changing of the Guard, we will supply the Beefeaters around the Tower of London. We will become a curiosity. I do not think that is what Britain is about; I think that is rubbish".
(Ibid.; 42-3).

The Select Committee drew the conclusion that the decay of British industry was inseparably linked with the economic policy of the Thatcher government:

"Without greater consistency of government policy towards industry and a closer identification of interest between government and industry there is, in the Committee's view, no reason to suppose that events will change their course by way of an automatic recovery. . . Many important witnesses have expressed this view (CBI, TUC, Bank of England . . .

The Committee regret that a combination of a tight monetary policy, . . . as part of the Government's anti-inflation policy, accompanied by a high exchange rate, resulted in the loss of a sig-

nificant part of Britain's manufacturing base. . .

It is essential for the Government to provide the kind of climate in which manufacturing industry will thrive. Conditions of late years have been none too good. That is why the Committee wish to see the Government adopting macro-economic policies which favour manufacturing and trade and why they would like to see Government taking a coherent view on the measures of support needed by manufacturing in general and certain sectors in particular".
(Ibid.; p. 46, 61, 63).

This analysis is confirmed in the business pages of the national press. For example, in an article entitled THE DISASTER OF THE THATCHER YEARS, The Guardian says:

"The sad truth is that since 1979 we have bought a temporary relief to inflation at the cost of long-term damage to our trading sector and economic performance. Our future, as the oil stops growing, is indeed bleak".
("The Guardian", October 17th, 1985).

And under the headline BUSINESSMEN ARE "RESTLESS", the same newspaper declares

"Pressure on the Government to change its economic policies will be intensified today after a report that nearly half of Britain's company directors are dissatisfied with its performance. . .

The CBI survey, traditionally the most authoritative insight into industrial performance, is likely to show declining business confidence, falling production and rising unemployment.

The survey, along with the IOD (Institute of Directors - Ed.) and earlier indications from the Chambers of Commerce, will combine to illustrate the widening of the gap between the Government and business community.

The Institute of Directors' survey shows that 49% of the directors questioned now declare themselves "dissatisfied or very dissatisfied" with economic performance. In addition, the proportion of directors who are optimistic about the economy has more than halved from 54% to 25% of the IOD poll during the past six months".
("The Guardian":, October 29th, 1985).

THE RELATIVE PROSPERITY OF FINANCE

In contrast to the position of manufacturing industry, finance capital has since 1979 had relative prosperity, as is shown by the dividends of typical financial companies:

Barclay's PLC:	
1979:	18.5%
1980:	18.5%
1981:	22%
1982:	22%
1983:	24%

Percy Bilton PLC:	
1979:	27.6%
1980:	27.6%
1981:	30%
1982:	38.4%

1983: 40.772%

Hambro Currency Fund Ltd.:

1979-80: 2.8%
1980-1: 3.3%
1981-2: 3.5%
1982-3: 4%

Hill Samuel Group PLC:

1978-9: 21.2792%
1979-80: 23.408%
1980-1: 28%
1981-2: 32%
1982-3: 36.4%
1983-4: 42%

Lazard Brothers Sterling Reserrve Fund Ltd.:

1979: 370%
1980: 500%
1981; 600%
1982: 700%
1983: 700%

Lloyd's Bank PLC:

1979: 14.25%
1980: 17.1%
1981: 21.375%
1982: 24.58%
1983: 28.5%

McKay Securities PLC:

1978-9: 8%
1979-80: 13.5%
1980-1: 13.5%
1981-2: 14.25%
1982-3: 17%
1983-4: 21%

Midland Bank PLC:

1979: 20%
1980: 21.5%
1981: 24%
1982: 25.5%
1983: 25.5%

National Westminster Bank PLC:

1979: 17.5%
1980: 21%
1981: 25.2%
1982: 29%
1983: 31.2%

Phoenix Assurance PLC:

1979: 13.3p.
1980: 14.9p.
1981: 16.8p.
1982: 17.5p.

1983: 19.8p.

Prudential Corporation PLC:

1979:	38%
1980:	44%
1981:	50%
1982:	60%
1983:	76%

Schroders PLC:

1980:	10.5%
1981:	13.5%
1982:	15%
1983:	16.5%

Tribune Investment Trust PLC:

1979:	9.32%
1980:	10.8%
1981:	12%
1982:	13.6%
1983:	15%

(Stock Exchange Official Year-Book: 1984-85"; London; 1985; p. 78, 96, 348, 368, 437, 448, 474, 501, 526, 573, 588, 639, 731).

And while employment in manufacturing industry declined between 1973 and 1983 by 1.4 million (from 8.0 to 6.6 million), employment in finance rose by 400,000 from 1.4 million to 1.8 million).

("Britain: 1985: Official Handbook"; London; 1985; p. 301).

THE GROWING EUROPEAN-AMERICAN ANTAGONISM

Another phenomenon to which Lenin drew attention in Imperialism was that of the increasingly uneven development of capitalism:

"Finance capital and the trusts are aggravating . . . the differences in the rate of development of the various parts of the world economy".

(V. I. Lenin: op. cit.; p. 89).

In his last work, published in 1952, Stalin applied this principle to European-American relations:

"Britain and France . . . are imperialist countries. . . Can it be assumed that they will endlessly tolerate the present situation in which . . . Americans are penetrating into the economies of Britain and France and trying to convert them into adjuncts of the United States economy . . .? Would it not be truer to say that capitalist Britain and . . . capitalist France will be compelled in the end to break from the embrace of the USA and enter into conflict with it in order to secure an independent position and, of course, high profits?"

(J. V. Stalin: "Economic Problems of Socialism in the USSR"; Moscow; 1952; p. 38).'

In his report to the 8th Congress of the Party of Labour of Albania in 1981, Enver Hoxha pointed out:

"Today the political and economic power of the United States is declining in comparison with that of Western Europe. The competition from the Common Market and Japan has become very powerful and threatening. Whereas in 1950 the industrial production of the United States of America was two-thirds of world industrial production, today it is one-third of it. Whereas the USA at that time possessed 50% of the world's monetary reserves, today it has only 7% of them. . .

The European members of NATO have now organised and strengthened their economic potential within their countries and abroad, have strengthened their own military arsenal and have created their reactionary organism - the European Common Market. Its tendency is to oppose the American dictate as much as it can, to restrict the American expansion into the markets of its member countries, to compete on the American market and to extend its own markets. Each of the big states of Western Europe has begun to recreate and strengthen its own spheres of influence on an extensive scale".

(E. Hoxha: Report Submitted to the 8th Congress of the PLA; Tirana; 1981; p. 182-3)

and this picture was amplified by the Albanian journalist Genc Mlloja in 1985:

"Its (the USA's - Ed.) total national production is already smaller than that of the countries of Western Europe taken together.

This gradual change in the ratio of economic forces has brought about . . . an exacerbation of competition between American capital and the West European monopolies. . . The bourgeoisie of Western Europe, for its part, has become more determined to protect its interests and to resist American pressure".

(G. Mlloja: "The Exacerbation of the Crisis in the Inter-imperialist 'Alliance' between the USA and Western Europe", in: "Albania Today":, No. 5, 1985; p. 48).

Because of the productive backwardness and consequent uncompetiveness of British manufacturing industry, the EEC has not in recent years provided the anticipated market for British manufactured goods; rather has Britain provided a market for such goods from continental Europe. As the Select Committee on Overseas Trade pointed out:

"Imports from the EEC rose even faster than our exports to the EEC. . .

The 1984 deficit in trade in manufactures with the EEC stood at £8.4 bn".

(House of Lords: op. cit.; p. 11, 36).

In consequence, the more far-sighted British manufacturers have looked to the EEC increasingly to find partners among the more technologically-advanced monopolies of the continent - whether private or state-owned - with which to increase, at least in the initial stages of revival, their competitiveness and challenge the still powerful United States economy. This is particularly noticeable at present in the field of armaments:

"There is frequent talk today in Western Europe about more independent participation and involvement of the West European countries in the military affairs of the alliance and limitation of American influence. . .

In Western Europe . . . there is a great deal of discussion about 'Europeanising' European defence. . .

The debate about the Europeanisation of European defence and the attempts . . . in this direction not only reflect the differences in the long-term military objectives between the United States and Western Europe, but also indicate that these differences are liable to increase and bring about the gradual evolution of Western Europe into an independent political and, eventually, military entity". (G. Mlloja: op. cit.; p. 50).

Most sectors of financial capital, however, see their interests as best served by subservience to United States imperialism, the support of which is essential if the City of London is to continue to function as the world's leading financial centre despite Britain's decline in real economic power. This lies at the basis of the foreign policy of the Thatcher government. As Leader of the Opposition Neil Kinnock remarked to the House of Commons on December 6th, 1985:

"Every day . . . Mrs. Thatcher makes herself less like the Prime Minister of Britain and more like the governor of the 51st state of the Union".
("The Times", December 7th, 1985; p., 1)

ALL THE ABOVE THREADS ARE INTERWINED IN WHAT HAS COME TO BE CALLED "THE WESTLAND AFFAIR".

THE WESTLAND AFFAIR

By the summer of 1985 the helicopter firm of Westland, situated in Yeovil and employing some 5,400 workers, was in financial difficulties, and in June the Bank of England put in Sir John Cuckney as the company's Chairman. In December Cuckney told the shareholders that the company had lost £98.7 million the previous year.

In this month the Westland board signed an agreement, subject to shareholder agreement, with America's largest helicopter firm of Sikorsky (a subsidiary of the giant United Technologies), together with the Italian Fiat company, to save the company's solvency through the purchase of nearly 30% of Westland shares and the building of the Sikorsky "Black Hawk" helicopter.

But in 1978 the governments of Britain, France, Germany and Italy had signed a declaration of principle providing " . . . that each country would make every effort to meet their needs with helicopters developed jointly in Europe".

As the former Trade and Industry Secretary, Leon Brittan, told the Commons Select Committee on Defence on January 29th, this principle had been reaffirmed on November 29th, 1985 by a joint recommendation of the National Armaments Directors of the same four Western European states

" . . . that the European Governments, including Britain, should only purchase helicopters built and designed in Europe, thus precluding Sikorsky, an American company, from passing on its designs to Westland".

("The Guardian", January 30th, 1986; p. 6).

In conformity with this policy, the British firms of GEC and British Aerospace, together with Agusta of Italy, Aerospatiale of France and Messerschmitt-Bolkow-Blohm (MBB) of West Germany, formed a consortium to

rival the US "rescue bid".

Lord Gregson, President of the Defence Manufacturers' Association, declared:

"The European consortium proposals would allow collaboration projects to go forward with British companies as full partners - not just licence holders - and would preserve within Europe helicopter design".

("The Guardian", January 9th, 1986; p. 30)

and on the same day "The Guardian" commented editorially:

"There is a fundamental national interest in seeing the consortium succeed. . . Unless Europe preserves its joint ability to make helicopters, then no single nation will have the resource to make them alone".

("The Guardian", January 9th, 1986; p. 12).

The European proposals were supported by the European Parliament in a resolution, adopted on January 16th, 1985 by 180 votes to 20, with 17 abstentions, which called for

". . . increasing independence from US industrial control".

("The Guardian:", January 17th, 1986; p. 28).

and by several governments on continental Europe.

The British government, however, while pretending to adopt a policy of "leaving the decision to Westland's shareholders", in fact supported the American bid and sought to sabotage that of the European consortium.

It was in this situation that the then Defence Secretary, the astute and politically ambitious Michael Heseltine, who only at the beginning of December had signed a memorandum, to be kept secret "in perpetuity", with US Defence Secretary Caspar Weinberger which handed over British technology to a subordinate role in the Strategic Defence Initiative ("Star Wars") project, judged the time was ripe to break with the policy of the Thatcher government and make a claim for the leadership of the Conservative "wets". Writing on January 6th, Heseltine pointed out:

"A Sikorsky link could not only affect existing projects such as the EH101, but also more generally affect Westland's capability to participate in future European developments. . .

With a Sikorsky shareholding, Westland might tend to become little more than a production facility for Sikorsky and to lose its own helicopter design and development capacity. . .

The French and German Governments perceived that a Sikorsky tie-up would have the most serious implications for the long-term viability of the European helicopter industry and the Netherlands said that the link would make European cooperation in the helicopter field difficult if not impossible".

("The Guardian", January 28th, 1986; p. 2).

The efforts of the Thatcher government to defeat the pro-European lobby, the inspired leaks which formed part of these efforts, and the attempt to

cover up these manoeuvres, has already led to a government crisis involving the resignations of both Heseltine and Brittan, and has brought into serious doubt the continued position of Thatcher as leader of the Conservative Party and Prime Minister.

BUT AT THE ROOT OF THIS POLITICAL CRISIS LIE THE DECAY OF BRITISH CAPITALISM, THE ACCELERATED DECLINE OF BRITISH INDUSTRY BROUGHT ABOUT BY THE THATCHER GOVERNMENT'S MONETARIST ECONOMIC POLICIES, AND THE GROWING ANTAGONISM BETWEEN THE IMPERIALISMS OF WESTERN EUROPE AND THAT OF THE UNITED STATES.

POSTSCRIPT - BRITISH LEYLAND

Conservative MP for Selly Oak, Anthony Beaumont-Dark, walked angrily out of the House of Commons on February 3rd when the new Trade and Industry Secretary Paul Channon admitted that the government had been secretly negotiating to break up Britain's sole British-controlled vehicle manufacturer, British Leyland, and to sell Leyland Vehicles to (US) General Motors and Austin Rover to (US) Ford.

"One issue which could dent Mrs. Thatcher's credibility even more and lend force to the possibility of a rift within the cabinet was the revelation yesterday that the proposed BL disposals have not yet been put before a full meeting of ministers. . .

Mrs. Thatcher failed to provide . . . guarantees that the jobs of over 8,000 Landrover employees . . . would be protected".
("The Guardian", February 5th, 1986; p. 1, 32).

"The Guardian" commented editorially:

"First there was United Technologies, negotiating to take a stake in Westland. Then General Motors with Lotus; then a threat to take the contract for airborne radar away from GEC and lob it into the hands of Boeing. Now Ford may buy BL, all that remains of a British-owned motor industry. She (Thatcher - Ed.) wants to turn the country into a Third World assembler of multinational products".
("The Guardian", February 5th, 1986; p. 12).

COMPASS is published by:

