The Labor Monthly
April 1968
London

Notes of the Month

GOLD CRISIS

'Capitalist production forever strives to overcome this metallic barrier, the material and phantastic barrier of wealth and its movements, in proportion as the credit system develops, but forever breaks its head on this same barrier.'

KARL MARX, *Capital*, Vol. III, p. 674 (Chapter 35, Section 1, 'The Movements of the Gold Reserve').

March 18, 1968

These Notes were written before the announcement of the decision of the central bankers of the Gold Pool meeting in Washington (United States and six associates, with France absent). This decision solves nothing and will only intensify the crisis. The 'two-tier system', which is universally recognised as a temporary compromise doomed to fail, is equivalent to a de facto *devaluation of the dollar, while trying to keep up appearances. The soothing words that this is 'only a financial crisis' and will not affect the economy of the capitalist world ominously repeats the language of October 1929, with parallel blindness to world realities. The dollar has suffered a defeat and will ferociously fight back. The battle between the rival monopolist powers and blocs will sharpen, as every device is brought into play by each contestant to force up exports and restrict imports in a shrinking world market. The battle of the peoples everywhere—in Britain specifically against the Budget offensive due to be announced tomorrow and against the new legislation to throttle wages and curb the unions with penal sanctions—and of the underdeveloped countries, which will receive the sharpest edge in the offensive of the strongest monopolist powers to solve their crisis at the expense of the weakest, now reaches a new height.*

March 17, 1968

On March 14, the eighty-fifth anniversary of the death of Marx, world capitalism celebrated the occasion by staggering into a gold crisis, centred on the citadel of capitalism in the United States and its almighty dollar, shaking still further the already sickly sterling satellite, and rocking the economies of all the capitalist countries, with such a feverish intensity and break-neck acceleration as to arouse among its startled votaries nightmare visions of the possible onset of a new 1929-31. That night, on the bidding of

Washington, after midnight the Privy Council hastily met in London to close the banks and the Stock Exchange next day, as at the onset of major war. The central bankers, who had met four days previously at Basle on March 10 to issue a solemn declaration exorcising the crisis with as much effect as an elderly spinster spitting into a hurricane, travelled anew to meet in Washington in order to devise further measures. Where now are the loudly proclaimed marvels of the 'new' 'crisis-free' 'managed' capitalism? Once again the harsh test of practice is proving the basic truth of the Marxist economic analysis of the laws of capitalism, and mercilessly exploding the latest magic panaceas of the current Keynesian and post-Keynesian witch-doctors.

Blind Fury

Ferociously they blame De Gaulle and France, without seeing that this role is the expression of the battle, not the cause. Desperately they clamour to be freed from servitude to what they describe as the 'archaic superstition', or what Keynes described as the 'barbarous relic', of gold as the final arbiter, without realising that this fetishism of gold is inseparable from the functioning of developed commodity economy and capitalism. It is necessary to examine seriously the character and prospects of the present crisis, which is reinforcing the offensive already opened in Britain by devaluation, the cuts and the prospective Budget, and which will now, whatever the temporary interim plan or solution attempted, let loose the most pitiless offensive against all the peoples of every capitalist country in the world from the raging fury of capitalism in storm.

'Domino' Theory of Capitalism

In February Notes under the title of 'The New Crisis of Capitalism' we analysed the significance of sterling devaluation as likely to prove the starting point, beginning from the weakest link or 'Sick Man of Europe', of a major world crisis of capitalism which would centre on the United States. 'This is a developing crisis, not only of capitalism in Britain, but on a world scale, and not least in the United States.'

> Britain is now a diminished power on the world scale; but the crisis of sterling and devaluation in November could send tremors through all the countries of the capitalist world, bring the domination of the dollar into question, and lead to the aggressive counter-measures of President Johnson on January 1, which can in turn sharpen the developing battle and further aggravate the disequilibrium of the capitalist world.

A favourite theory of the apologists of the American war of aggression against the people of Vietnam—and it is a significant symptom of the close intertwining of economics and politics in the modern world situation that this Vietnam war is now universally recognised as a major factor in the present crisis of the dollar and of world capitalism—has always been to propound the so-called 'domino' theory in relation to South-East Asia and the world. Since the people of Vietnam, if allowed united free elections in accordance with the Geneva Agreements, would have chosen, according to President Eisenhower's statement, by a four-fifths majority a communist regime, it seemed essential to the American rulers to use every means of violent intervention to prevent this outcome, on the grounds that, if the Vietnam people were left free to choose communism, then so would the peoples of Laos and Cambodia, then Thailand, then Malaysia, then Burma, then India, and so on to the whole world in accordance with the Dulles's nightmare vision. The soothsayers of American imperialism might be wiser to apply their 'domino' theory to the pillars of capitalism and the effects of sterling devaluation.

Gold Showdown

In the Notes of December, 1966, under the title 'Deflation, Devaluation and Damnation', we anticipated that the present stage of the developing crisis of capitalism would not necessarily repeat the forms of 1929-31, since modern capitalism, through the further fulfilment of its laws of motion already laid bare by Marx and by Lenin in terms of the specific conditions of successive preceding periods, had reached to forms going beyond the concrete conditions of those preceding periods. On the basis of the concrete conditions of world capitalism in its present phase we offered the prediction that the next stage of its developing crisis would be likely to break out in the first place on the question of gold, the attempted replacement of gold by the dollar through the artificially imposed maintenance of a low price of gold, and the consequent prospective crash of this unstable system, which would lay bare all the contradictions and once again reveal the basic role of gold in the economy of capitalism:

> There is no more vivid expression of the general crisis of capitalism in the economic sphere than the collapse of the old pre-1914 gold standard—for the present 'gold exchange standard' is a very different system, manipulated by the most powerful finance-capitalist interests, dominantly American; thinly concealing the ceaseless battle, alongside co-operation, of the currencies of the

rival imperialist blocs, of the dollar, sterling, the franc and the mark; and only revealing in the last analysis, when the chips are down, the ultimate basis still in gold as the final measure of value.

Unfortunately, all the current fashionable academic economists and financial commentators have been trained from their callow student days to turn a blind eye to the economic theories of Marxism as obviously old hat and long ago exploded, and have in consequence never taken the trouble to study these theories seriously at first hand and make the effort necessary to understand them. This is not to say that these theories provide any ready-made dogmatic formula to solve present problems, but only the elementary foundation for a scientific approach and method in order to throw light on the concrete new problems as they arise. Consequently, in view of the extraordinary confusion and incoherence handed out by these experts in dealing with the present situation, it becomes necessary to endeavour to explain as simply as possible some of the facts of life, which always at every sharp turn reduce these experts to a paroxysm of uncomprehending anger and bafflement.

The Savage Belabours His Idol

At the outset it is worth noting that these 'experts' invariably contradict one another according to which particular imperialism they are serving. Thus the current fashionable starting point of all the Anglo-American 'experts', angrily conducting their polemic against De Gaulle and the spokesmen of French imperialism, is to denounce gold as an obsolete superstition and barbarous relic which ought long ago to have been abandoned by all civilised people as a medium for economic transactions and only used for ornament or filling teeth. 'The Archaic Myth of Gold' was the three column heading of a *Times* editorial on November 28, 1967, which denounced gold as 'a most inadequate basis for the world's monetary system'. *The Times* declared that 'any rational basis for the world's monetary system' must not be 'at the mercy of the superstitions and accidents surrounding the gold supply', and looked forward to 'the total demonetisation of gold except in countries like India, the Arab sheikhdoms and France where its mystique might cling on for a few years as an archaic relic of a bygone era of economic history'. *The Observer* on January 8, 1967, devoted a whole page feature by its Business Editor under the title 'The Mad Magic of Gold', quoting with delight the dictum of Keynes: 'Dug up in South Africa, only to be buried in Fort Knox.' The American magazine *Time*, with its five million circulation, on January 15, 1968, denounced gold as 'a basically inelastic and unsatisfactory medium of exchange', and called for 'a better system, in which men can have mastery over their monetary affairs'. Wonders will never cease. The hearts of the multi-millionaires yearn for utopia. As if it were not the essence of capitalism that men do not have mastery over their economic affairs, but commodities and markets have mastery over men.

Invoking Marx and Lenin

Eagerly these heroic crusaders of the Anglo-American multi-millionaires against the evils of gold (of course, not to be said aloud, in the interests of the dollar and sterling or a projected Anglo-American synthetic currency) seek to enrol Marx and Lenin in their army by quoting some of the merciless remarks of these leaders of socialism about the rôle of gold—but with no more understanding of the theoretical basis of the remarks they quote than an orang-utang would have of Einstein. With glee *The Guardian* leader-writer on November 24, 1967, quoted Marx's description of gold as 'a capitalist fetish', and chortled approval: 'This is precisely what it is'—without the slightest indication of any understanding of the technical use of the term 'fetish' and the 'fetishism of commodities' in Marxist theory to describe the essential character of the system of capitalism, in which the social relations of men in production are disguised as relations of things or commodities, and in place of men having control of their economic relations (socialism) their economic relations have control of men ('fetishism' of capitalism).

Lenin Misquoted

Similarly Lenin's famous satirical remark is endlessly quoted by these scribes, suggesting the future use of gold for public lavatories. But by triumphantly citing this remark as ammunition for their offensive against the present use of gold as a measure of value and medium of circulation, they only reveal their ignorance of the context. Lenin's remark was made in the course of an article published in November 1921, that is, during the period of Nep or partial restoration of commodity relations; and its full title was 'The Importance of Gold Now and After the Complete Victory of Socialism'. Note well, '*Importance*'. His contemptuous suggestion for its future use was explicitly made only for the situation *after* the complete ending of capitalism and victory of socialism, not only in the Soviet Union, but throughout the world:

> When we are victorious on a world scale I think we shall use gold for the

> purpose of building public lavatories in the streets of some of the largest cities of the world.*

But for the present situation the whole purpose of his article was to emphasise the *importance* of gold:

> But however 'just', useful or humane it would be to utilise gold for this purpose, we nevertheless say: let us work for another decade or two with the same intensity and with the same success as in the 1917-21 period, only in a much wider field, in order to reach this stage. Meanwhile, we must save gold in the RSFSR, sell it at the highest price, buy goods with it at the lowest price. 'When you live among wolves, you must howl like a wolf.'

So long as commodity relations and capitalism remain, the indispensable function of gold continues.

Can Capitalism Do without Gold?

The Chairman of the US Federal Reserve Board, Mr. W. McChesney Martin, said in a speech in London in 1967 (*The Times*, 17.8.67):

> The price of gold . . . need no more move with the commodity price level than any other standard or unit of measure needs to move over time just because the objects to be measured get larger.

Herein is exposed with classic clarity the fundamental fallacy of the capitalist ideological or idealist approach on the question of gold, which underlies the present crisis. Gold is assumed to have been fixed as a measure of value, and its price accordingly laid down at any arbitrary level thought fit for the purpose of measuring the value or price of commodities, not because it is itself a commodity with its own value and price, but as a kind of conscious social contract or royal edict or government decision—like laying down the metre or yard as a measure of length. This completely unhistorical approach derives from the fact that the US Government in 1934 tried to fix the price of gold at $35 an ounce for all eternity, and through the International Monetary Fund after the second world war to impose this on all the currencies of the world—which is the immediate source of the present troubles. Hence the dream expounded in all the columns of the financial and general press today to 'release' world currency and exchange from being tied to the 'barbarous' metallic basis of gold, and establish some kind of new ideal super-national

* As often, the millionaires have already adopted for themselves in advance Lenin's suggestion for the future communist society:

BATHROOMS ON THE GOLD STANDARD

An aircraft load of the newest status symbols was flown from Newcastle to Paris today. Instead of cars and wide-screen television sets, smart sets are buying plug holes, bathroom taps and toilet fittings—in 24-carat gold (*The Times*, 16.9.61).

[However, it is always possible that these 'smart sets' are not so much concerned with a new luxury as to acquire some durable value in place of depreciating paper.]

currency which would float without material basis by the will of governments:

> The world needs to get away from any particular fetish metal whose character and availability is beyond rational control towards more suitable tailor-made instruments whose volume and use can be regulated intelligently (*The Times*, 17.8.67).
>
> A start ought to be made on 'phasing gold out' of the international payments set-up (*Financial Times*, 7.3.68).

This is the dream which has been ceaselessly floated by all the capitalist economic and financial experts and theorists since Keynes, and which has no less repeatedly, as today, stubbed its toe against the material basis of gold.

Fallacy of Comparisons With the Metre or Yard

Gold, argues the sage Mr. McChesney Martin, authorised senior voice of US finance-capital, ought no more to vary in price with changes in the commodity price level than 'any other standard or unit of measure', like the metre or the yard, needs to vary in length because the things to be measured grow longer. In this comparison is exposed the whole bankruptcy of modern post-classical bourgeois economic theory, which, after abandoning the serious classical method that was carried forward and brought to theoretical clarity by Marx, lives henceforth in respect of general theory in subjective idealist clouds, but in practice wisely confines itself to empirical market calculations. The fallacy of comparing the function of gold as a measure of value to the metre or the yard is that the metre and the yard are entirely arbitrary units laid down by a specific governmental decision. The metre was established in 1801, as part of the innovations arising from the French revolution, by the French Government to represent the distance at 0 degrees centigrade between the centres of two lines engraved on a bar of platinum-iridium in Paris. The yard was originally laid down in England, and was supposed to have represented the length of the arm of King Henry I, was established by the statute of Edward I in 1305, was embodied in a bronze bar in the eighteenth century, which was legalised in 1824, then lost in 1834, and replaced by the present highly elaborate construction of gunmetal with gold studs in well-holes maintained under uniform temperature and pressure. Thus even the metre and yard require a material basis, and are consequently confronted with all the problems of defying the corroding effects of time. Gold, on the other hand, developed historically as a measure of value, initially among a variety of alternative less convenient commodities as a measure of value, not by any governmental decision imposing it, but precisely because it was itself a commodity, with its own value, independent of governments. The attempt to impose by governmental decree an arbitrary permanent price of gold, irrespective of its value, has been the immediate factor leading to the present explosion.

Marx on Gold and Capitalism

'Gold,' said Marx in his profound and basic treatment, whose study might have saved present-day official economists and financiers many headaches, 'is now money with reference to all other commodities only because it was previously, with reference to them, itself a commodity' (*Capital*, Vol. I, p. 40). In principle any other commodity might have been similarly used, if generally acceptable, to serve as the universal equivalent or money; and many most varied commodities have been so used in different times and places; but for the reasons familiar in every elementary economic textbook gold became established, sometimes with silver as an auxiliary, as the most convenient commodity for this purpose, in view of its qualities of durability, relative lightness for transport, easy division, etc. On this basis a whole mountain of paper and credit could be built up, amounting to many times the actual basis in gold, to facilitate internal commercial transactions and also international trade—in the latter case with gold as the final means of settlement. But however astronomical the pyramid constructed on this basis, the final basis has had to remain the universally recognised commodity with a value of its own, independent of governments: gold. Whenever a storm arises in the capitalist structure the final basis reasserts itself.

> Credit in its capacity as a social form of wealth crowds money out and usurps its place. It is the faith in the social character of production which gives to the money-form of products the aspect of something disappearing and ideal. But as soon as credit is shaken—and this phase always appears of necessity in the cycles of modern industry—all the real wealth is to be actually and suddenly transformed into money, into gold and silver, a crazy demand, which, however, necessarily grows out of the system itself. And all the gold and silver, which is supposed to satisfy these enormous demands, amounts to a few millions in the cellars of the Bank.
>
> In the effect of the gold drains, then, the fact that production as a social process is not subject to social control is strikingly emphasised.
>
> (Marx, *Capital*, Vol. III, p. 673)

This analysis of the process in the classic era of nineteenth century capitalism has reached to a new height today, with the attempt to replace gold for domestic purposes by irredeemable paper money, resting on government fiat and ceaselessly shrinking in purchasing power, and for international transactions by the attempt to enforce acceptance of the dollar as the parallel partner of gold.

What Determines the Value of Gold?

Since gold, to serve as money or the universal equivalent, needs itself to be a commodity, the value of gold is necessarily determined in the same way as the value of every commodity, that is, by the average socially necessary labour for its production, in this case, for its extraction. Hence arises the peculiar dilemma of the present phase, when the attempt has been made by government action to hold down the price of gold for thirty-four years, since Roosevelt raised it in 1934, to a fixed permanent figure in terms of dollars, without regard to changes in value, at the same time as the modern official post-Keynesian economic policy of the same governments during these years has been to promote permanent gradual inflation as the supposed magic panacea for prosperity. Thus the price of all other commodities has in general trebled during this period; but the price of gold has been artificially pegged down to the same level. Then, as the disproportion has grown every year more glaring, the clamour has become ever more shrill about 'shortage of liquidity' and a demand for an alternative to gold. 'On a purely economic assessment,' admitted the *Financial Times* on March 16, 'the most sensible step which can be taken now is a sharp increase in the price of gold'. But this, the editorial continued, 'would benefit the major producers—Russia and South Africa—which the US is particularly anxious to prevent'. In practice, however, this dilemma cuts them both ways. If they increase the price, as they may possibly have to do, initially, as is widely suggested, under the cover of the 'two-tier system', it would inevitably strengthen the main socialist power, as well as the main gold-producing representative of the 'free world', South Africa. On the other hand, if they try to keep it pegged down, the price would eventually fall below value, so that it would become unprofitable in the capitalist world to mine it, and the Soviet Union would become the sole gold producer in the world. This is only one of the characteristic dilemmas which are battering at the unhappy heads of the central bankers meeting at this moment of writing in Washington.

Marx on Paper Money

Although Marx wrote before 1914 and the general crisis of capitalism had banished gold from domestic circulation in Britain, and eventually in all the developed capitalist countries, and confined gold to the settlement of international transactions, theoretical backing of currency or the illegal hoarding by desperate citizens struggling to escape from continuous robbery through irredeemable continuously depreciating paper as the only permitted form of cash, Marx dealt also with this question of 'inconvertible paper money issued by the State and having compulsory circulation' (*Capital*, Vol. I, p. 102). He showed that while 'it has its immediate origin in the metallic currency', the 'law peculiar to the circulation of paper-money can spring up only from the proportion in which that paper-money represents gold', i.e. 'the issue of paper-money must not exceed in amount the gold (or silver as the case may be) which would actually circulate if not replaced by symbols'. To the extent that it exceeds this limit, the paper-money merely depreciates in value: 'if the quantity of paper-money issued be double what it ought to be, then, as a matter of fact, £1 would be the money-name not of $\frac{1}{4}$ of an ounce, but of $\frac{1}{8}$ of an ounce of gold.' But—and this is the decisive point—this issue of irredeemable paper-money by a State, which can thus multiply the quantity issued at its whim, but only thereby depreciate its value, can only be effective over the area where the legal authority of that given State runs:

> This compulsory action of the State can take effect only within that inner sphere of circulation which is co-terminous with the territories of the community.

Beyond those boundaries only gold value rules; the varying rates of exchange between the different paper currencies are calculated in fact on the basis of their relationship to gold, even though the gold never figures in the particular transaction.

What is the £?

The fantastic situation to which this process has reached in the modern period of the general crisis of capitalism, when every government issues unredeemable paper currency to whatever constantly increasing amount it thinks fit, without being limited any longer by the previous automatic constraint of the objective regulator of a gold basis, so that it can practise the modern technique of continuous inflation (the best way, as Keynes used to say, of reducing real wages without a direct clash), is illustrated by the pronouncement of the original signatory of the paper pound note, Lord Bradbury, on the weighty problem of what now is a pound. The name of Lord Bradbury was so universally familiar to all as the signature on each paper pound note that a paper pound came to be called 'a Bradbury'. His judgment may accordingly be regarded as authoritative. He wrote in a letter to *The Times* on July 11, 1945:

> Since 1931 I have often been asked the question: 'What is a pound sterling?' Finding my inability to answer it rather humiliating, I have addressed the same question to almost everyone I have met who I thought might know. The best reply that I have been able to get is that it is a promise by the Chief Cashier of the Bank of England to pay at some date which Parliament may hereafter determine whatever Parliament in its wisdom may direct him to pay. This is no doubt satisfactory enough, so far as it goes, but it does not go very far.

The problem 'What is a £?' has become as baffling to the bankers of Britain as the problem 'What is a Jew?' to the High Courts of Israel.

Dreams of a New 'World Currency' Divorced From Gold

This inevitable limitation of the effectiveness of an unredeemable paper currency to the territories of the state which issues it, and its final valuation in terms of gold when it comes to international transactions (disguised during the present phase in terms of the dollar, but with the dollar valuation fixed in terms of gold), is the fatal flaw in all the dreams, originally propounded by Keynes at the Bretton Woods Conference twenty-four years ago, and now propagated with endless repetition in an identical chorus by all the Anglo-American financial organs and spokesmen, for the establishment of an ideal 'world currency', freed from the base necessity of a primitive basis in gold, or from any material basis, and so 'tailor-made' (in the words of *The Times* extract quoted earlier) to be 'regulated intelligently' to meet 'world needs'. The fulfilment of these dreams assumes the existence of a world state, which could then issue and enforce acceptance of its irredeemable paper currency. But there is no world state. There is not even a 'world state' of the existing already limited capitalist world. There is only the jungle of the rival monopolist powers. Their attempts at co-operation, either for common class aims, or to establish for convenience some order in the basic disorder generated by their competition, are invariably rent by contradictions. When the dollar attempted to establish its world domination since the second world war, with Britain and sterling as a subservient satellite, the resistance of French imperialism is defeating that attempt. Similarly the latest attempt to establish the 'special drawing rights' from the International Monetary Fund as a pale substitute for the elusive *fata Morgana* of a 'world currency' is notoriously precarious, still awaiting ratification, and dependent on the shifting relationships and battle over voting rights in the control of the IMF.

Illusions of Ultra-Imperialism

It is true, as Lenin showed, that in theory the logic of imperialism, with its ceaseless concentration, merging into larger and larger units, and devouring of the weaker by the stronger, would finally lead to 'ultra-imperialism' or a single world trust, which could then issue a single world currency. But, as Lenin equally showed, the actual contradictions and battles arising in the path of this development, the economic and political conflicts, wars, class struggles, revolutions and national liberation struggles, are so violent and ceaselessly intensifying in scale and character that imperialism will in practice have been destroyed by the peoples whom it oppresses before it reaches its logical goal of ultra-imperialism. The truth of this analysis has been demonstrated by all the events of the whole modern era of the general crisis of capitalism. And it was not least shown, in the context of this question of gold and a 'world currency', by the proceedings and outcome of the original Bretton Woods Conference in 1944 which set up the International Monetary Fund and launched what has been described as the modern 'international monetary system'. Keynes, who inspired much of the general lines of the Treaty and the plan for the establishment of the IMF, put forward at the same time his plan for an international currency or 'bancor' under the auspices and control of the IMF. But here he was defeated by the United States delegation. The United States insisted and successfully secured that the dollar should be officially inscribed in the Treaty as equivalent to gold at the price determined by the US Government, and should become the measure for all other currencies. The Keynesian dreams of a visionary ultra-imperialist 'world currency' were defeated by the reality of US imperialism and its aims to establish dollar domination of the world.

Dollar Offensive for World Domination

The key clause which established this aim of US dollar world domination and inserted it in the Bretton Woods Treaty was in Article IV:

> The par value of the currency of each member shall be expressed in terms of gold as a common denominator or in terms of the United States dollar of the weight and fineness in effect on July 1, 1944.

This meant that the dollar was enshrined in the Treaty as an international currency equal to gold. In place of the former 'gold reserves' the participating states now kept 'gold and dollar reserves'. Not only that, but the price of gold was written into the treaty in terms of the dollar, and at a fixed unchangeable rate perpetuating the figure of $35 an ounce originally laid down by Roosevelt in 1934, although the general level of prices had increased all round since then. This ensured that, the more prices rose, the more the gold stock at that artificially pegged low price would be found insufficient as a basis for international currency requirements, and the more all the participating states would find themselves compelled to be dependent on the dollar as the main basis for their currency ('gold and dollar reserves') and for international transactions. This technique was ideally calculated to bring the economy of all the capitalist states increasingly into the grip of the dollar. It was a technique for the dollar penetration of the economy of every non-socialist country, parallel to the political strategy of the State Department, with its proliferation of entangling treaties over every region of the capitalist world, and the military strategy of the Pentagon, which has now extended over one and a half million armed soldiers, sailors and airmen all over the globe outside the United States. The more the United States, with sterling as a subservient satellite, piled up deficits, the greater the penetration into the economy of the satellite countries.

Cracking of the Dollar Offensive for World Domination

The present gold crisis means that this dollar offensive for world domination has now begun to crack. The resistance in this recent period has been led by France. Hence the peculiar venom of every reference nowadays by the American press and the satellite British press to De Gaulle and France. The heavy deficits caused by the simultaneous wildly ambitious expansionist financial and capital exports strategy and parallel overseas military adventures, stationing of troops and rising expenditure, primarily of American imperialism, but at an even more costly rate in relation to its more slender economic and manpower resources of the weaker British imperialism, has brought an intolerable strain on the whole structure and made its stability increasingly precarious. Sterling was the first to crack. But the fall of sterling inevitably brought into question the unstable position of the dollar, with the astronomically rising costs of the Vietnam war, military expenditure now approaching the highest levels of the second world war, vast paper plans for domestic social expenditure to buy off the revolt of the most oppressed sections of the home population, and simultaneous resistance of Congress to voting the increases in taxation proposed. Once the queries were aroused, the rush to take refuge in gold from sterling and the dollar became an avalanche. All the gold in Fort Knox could not meet the accumulated dollar liabilities. The London gold market was closed on orders from Washington. Whatever the outcome of the meeting of the central bankers now, at the moment of writing, taking place in Washington, it is evident that the artificial pegged low price of gold in terms of the dollar—the key to the strategy of the dollar offensive for world domination—can no longer be maintained, however ingenious the face-saving attempts that may be made to put a decent ceremonial cover over its burial. Devaluation of the dollar draws in view.

The Battle is Open

What is the prospect arising from this situation? There is no room for illusions. The battle of the monsters of the capitalist jungle is open. If the dollar is devalued, with the consequent effect on all other currencies, the supposed 'advantages' of sterling devaluation are swallowed up. Every monopoly outfit fights for its own hand, and the technical methods of state action in the present era of state monopoly capitalism are limitless. Every type of export subsidy and import restriction will be brought into play in the battle for the market. But the main offensive of each monopoly capitalism will be directed against its own workers ('Back Britain!' 'Back France!' 'Back the German Federal Republic!' 'Back the United States!' 'Accept sacrifices to meet the desperate economic situation!'), and against the most heavily oppressed and exploited sections of all, the peoples suffering from the colonial economy of the under-developed countries, who have already been most heavily hit during these recent years by the operations of the advanced monopoly capitalist powers (the Indian people have had to suffer a ruinous one-third devaluation imposed by American orders). Only the peoples of the socialist world, whose problems are always only problems of growth, will be able to continue to go forward, as they did in 1929-32, in face of the economic blizzard of the capitalist world. For the rest of us who still have to suffer for not having yet ended the capitalist social order the watchword needs to be unity to fight the offensive which capitalism has let loose in order to solve its crisis at the expense of the working people. In Britain this offensive makes itself felt by all, with the Budget, devaluation and the cuts programme, the wages policy to cut real wages, and legislation directed against the unions. The battle is open.

R.P.D.