

**Britain's  
Finances -  
Treachery in the  
City**

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## Introduction

British capitalism has destroyed nations' economies before. It used its political and military domination to impose free trade and the 'free market' on the Indian and Irish economies, devastating them. The 'supply' of food was there but the people starved: they did not have cash to express the 'demand'. It amounted to genocide.

Today the sun is setting on the country on whose empire the sun would never set. From workshop of the world Britain is being transformed into an industrial graveyard.

Presiding over the mother of parliaments, the heartland of 'democracy' Thatcher urges on, ever swifter, the drive to fascism and war. The genocide is turning inward.

But Britain's decline is not just another trade depression. This Party warned in 1976 that this is not another slump to be followed by a new era of growth and prosperity. The decline is secular and absolute. The British ruling class is laying waste its own homeland in an attempt to suppress and destroy the organisation, resistance and morale of the British working class.

The evidence of industrial murder is there for all to see. Yet many have failed to grasp the means and motive. And failing to comprehend the new situation, they fail to respond as quickly, forcefully, and forthrightly as they should. More important they lack the direction and perspective this understanding brings.

The truth is that capitalism has never been about creating wealth, or meeting the needs of people. It has achieved these things in varying degrees and at various times, but only as a byproduct. Capitalism is about profits and profits can be made from



asset stripping, the creation of artificial shortages, from war, from speculation, plunder and extortion, as well as by creating real wealth by producing economic surpluses. To the capitalist they are all the same.

Until recently British capitalism, finance capitalism, still rested its foundations on British industry - and the British working class.

But when Thatcher came to power in 1979 (and in an ungainly rush freed the financial institutions of dividend controls and exchange controls) she was doing more than changing the policies of a previous government.

She had instituted a coup, unleashing forces which had been developing in past decades, and producing fundamental and irreversible shifts in the structure and workings of the British political economy. Finance capital was handed unrestrained political and economic supremacy within the British establishment: a carte blanche to complete its separation and desertion from the British economy. Having no further use for the troublesome British workforce - whose continued industrial organisation was now only a threat - finance capitalism was free to implement its twin policy of economic destruction and political repression.

### The Development of Two Economies

The City's treachery is a far cry from its early days, when its financial institutions provided crucial services to lubricate the cogs of burgeoning industry and commerce.

The limited liability joint stock company helped break the bounds of small scale production by pooling the riches of individuals



in the massive investment needed for the industrial revolution.

The banks provided essential credit, a secure deposit, a safe currency, the means of settling bills, and of exchanging currencies. The insurance services provided traders with the confidence they needed at a time when shipping was a very risky business. And the commodity dealers made sure that, in the end, buyers did meet sellers.

Placed on the river Thames with the warehouses, distribution centres, docking, ship-building - a myriad of skills and trades - the City was the focus of a dynamic capitalism.

In a sense the City of London was London - at the core of British industry. So it was no wonder that through the City the vast operations of imperialism were conducted - the export of capital, the import of raw materials, the financing of the trade, the reaping of the profits. The Square Mile accumulated enormous power and wealth.

Marx analysed the strengths and weaknesses of capitalism when the City was nearing its peak. His basic simple point was that all wealth, all economic surplus, is created by the labour of workers. Capitalists, in their various forms (industrial, merchant and financial) all get rich by taking this surplus, created by the workers, for themselves. Finance capitalists in particular, said Marx, had a tendency to forget this basic truth.

The stock exchange, he said, had created "a new variety of parasites in the shape of promoters, speculators and simply nominal directors." (1) Its system of buying and selling shares meant that the "gains and losses through the fluctuations in the price



of these titles of ownership...become by their nature more and more a matter of gamble, which appears to take the place of labour as the original method of acquiring capital."(2)

Banking had the same tendency. By taking deposits of money from one individual (or institution) and lending them to other, who in turn placed further deposits, bankers could create 'fictitious capital' by multiplying the money in circulation many times over. This provision of credit boosted trade, but invariably the credit was over-extended, the bubble burst, creating losses of 'confidence', runs on deposits, crashes and crises.

But meanwhile the bankers grew powerful by drawing together the wealth of the nation and becoming the representatives of capital itself. Bankers made their profits by lending out at interest. The profits in this interest came from the fact that the money was to be used to exploit workers - the rate of interest thus reflecting the general level of profitability. By only lending to those who could afford to pay this rate, the bankers ensured that continually capital flowed to the newest, most profitable sectors.

Money in the form of interest-bearing capital had, therefore, acquired a price of its own. Dealing in money had become an industry in itself. For the money-lender, Marx pointed out, the actual process of production was irrelevant. "This automatic fetish, self-expanding value, money generating money, is brought out in its pure state and in this form it no longer bears the birthmark of its origin. We see here only form without content...the primary matter, profit in the shape of profit from the enterprise, is a mere accessory and by-product."(3)



The whole life and thought of the financier created the illusion that he could make profits out of nothing. As soon as interest bearing capital is lent out, "interest on it grows, no matter whether it is awake or asleep, home or abroad, day or night. Thus it fulfills the most fervent wish of the hoarder." (4) And hoarding, as he had shown at the very beginning of his analysis of capital is the opposite of investment.

### From Primary to Secondary

Of course, the various financial institutions have retained their original functions of servicing trade and industry. But it has been this basic corruption at the heart of finance capitalism which has been developing ever since.

The stock exchange has long since almost forgotten its role of finding new capital for investment: it has reaped dividends (of around £5 billion a year) and concentrated on speculation. Over the past 20 years it has provided just 7% of British industry's investment needs: when a pension fund can report an annual paper profit of 67% from stock exchange speculation, why invest in industry with a 5% return? In 1982 the annual turnover of shares, plus commissions, was estimated at nearly £400 billion - a sum greater than the entire UK gross domestic product, three times total government spending, and 26 times Britain's colossal military spending. 3661 stockbrokers controlled these transactions. Now, in a further step away from reality, the buying and selling of government debt has overtaken share dealing as the Exchange's main activity.



At a time when 45 property development companies with minimal employment had share values in excess of the entire mechanical engineering, metals and metal forming sectors of British industry, productive industry has been starved of investment - turning to the bankers and their interest-bearing debt for cash. Other sectors, like insurance, now rely on stock market speculation for their profits, instead of making profits from the real business of underwriting premiums.

The corruption extends to every aspect of the City's work. In the commodity markets speculators attempt to control world commodity prices to their own advantage by buying up world produce, creating artificial shortages, selling for maximum profit. The volatility of world commodity prices leaves behind a trail of confusion and economic disaster for producing countries and buying companies: shortage followed by crop burning and dumping.

The futures markets, which supposedly provides security to traders by allowing them to buy future commodities today at a fixed price, have also been taken over by the dealers - the speculation is just shifted one more step into absurdity.

Likewise in insurance, where at Lloyds, the exclusive insurance club of the rich, 75% of the transactions are in 'reinsuring' risks the insurers could never afford to pay for - with the funds spirited away to tax havens in Bermuda, the Antilles and Liechtenstein, or onto the stock market.

Every aspect of the City's dealings shows the same corruption - the simultaneous attempt to make money and to deny the real sources of all wealth, labour.



## The State Moves In

The natural development of the City was to divorce itself from its base the British working class - first, by increasingly seeking its profits in this 'coupon clipping', (as Lenin called it) and second, by its role as centre of British imperialism. Increasingly its profits were generated ultimately from production in many countries, mainly in the Empire and not just in Britain.

But in the last two decades, the profile of British finance capitalism has been thrown up in the air and rearranged. Nothing could be the same again. Internally, the state moved in to build new financial monsters which exist solely because of artificial tax incentives. Externally, the banks have found a new international market and all but severed their links with Britain.

The private sector pension funds, based on tax exemption, on pension scheme contributions and dealings, collect £20 billion a year from 11 million workers and their employers and syphon it out of the real economy into financial whirlpools - stock market speculation, property dealing, buying and selling government debt, at home and abroad. Thus in 1981 total investment in British manufacturing amounted to £6 billion: the pension funds 'investments' in these financial instruments was £9 billion.

The paper value of the funds (which according to a recent study, are controlled by 300 stockbrokers and merchant bankers) has grown sevenfold in the last ten years, and in 1983 by 35% - when the economy (including North Sea Oil) grew by 2.7%. The assets now total £120 billion, which is equal to seven times the government annual capital expenditure or enough to pay the public sector borrowing deficit fifteen times over.



Yet, for all their wealth, they have failed to guarantee decent pensions for their members. Increasingly, trade unions have used their presence on boards of trustees to demand that the funds be used to provide real investment for real jobs - and that they improve pension provisions. This has been greeted by outrage, court cases against the National Union of Mineworkers - and Thatcher's 'freedom-of-the-individual' proposals for 'personal portable pensions', designed specifically to block such collective influence over the money the financiers have 'filched'.

It is the same in housing. The modern building society exists solely because of the tax relief on mortgage interest payments. In appearance this tax relief helps the homebuyer. In reality the subsidy is passed on to the financial institutions to pay for their exorbitant interest charges. On the basis of this subsidy housing prices are inflated again and again. Meanwhile, Britain's housing problems get worse and Britain's construction industry throws more out of work.

With accumulated assets of just under £90 billion, the building societies have forgotten their origins in actually building houses, or even renovating Britain's fast decaying housing stock. In 1983 total government investment in Britain's housing amounted to £2.7 billion, building societies found £15 billion, not to invest, but to finance the transfer of title deeds from one individual to another. Now they have admitted that their sole aim is profit and have called for legislation to 'free' them to compete with the banks.

The Tory myth is that Britain is becoming



a 'property owning democracy'. The truth is that, to get a roof over their heads, millions of British workers have been forced up to their eyeballs into debt.

### From Parasite To Cancer

But the development of new parasites at home is dwarfed by the City's new international role - as the centre of what are called 'the Euromarkets'.

Right up until recent decades the long drawn out collapse of British empire and industry was mirrored in the decline of the City as the world's financial centre. The devaluation of the pound in 1967 heralded the end of a last vain attempt to maintain its position as the centre of the 'Sterling Area'.

The financiers found new profits in the growing 'Euromarkets', which had originated in the cold war, when socialist countries placed precious dollars (needed for trade) in European banks away from the administrative and political control of the United States. The markets were outside the regulatory and prudential controls (established after the banking crises of the 1930's), attracted higher interest rates, and were profitable business for the banks.

When OPEC countries deposited new found dollars in Euromarkets, the creation of 'fictitious capital' through an extended train of deposit and credit transactions, which Marx had described, received a massive new twist. The City, the least regulated banking centre in the world, became the centre of a money market of astronomical proportions: by 1982 it was estimated that the size of the Euromarkets had reached \$2,015,000,000,000: \$2 trillion. Soon, there were 657 banks placed in London, 351 of them foreign.



Eurodollar business was concentrated in two major areas: corporate and sovereign lending, and currency and interest rate dealing.

Sovereign lending (lending to 'sovereign governments'), with its promise of high profits and low risk seemed ideal to the Eurobankers. They lent without apparent consideration of the ability of the countries to pay the debts - after all who would send a country to the liquidators?

Total sovereign debt is now greater than the entire UK gross domestic product, at about £300 billion. New lending, until recently, was running at \$100 billion a year.

But the debt burden has taken its toll. In 1975 37 cents in every dollar that sovereign debtors earned in currency gained from exports was needed to pay the bankers their interest and capital. By 1983 the proportion was up to 75 cents in the dollar. In Argentina it was 154 cents in the dollar, Mexico 126 cents in the dollar, in Brazil 117 cents in the dollar. In Somalia, there was starvation as the country tried to export food, to get dollars to pay the interest. The IMF imposed 'rescue package' for Brazil (a typical one) was predicated on acceptance of 20% wage cuts for all Brazilian workers and the ending of food and cooking fuel subsidies.

Meanwhile, the Euromarketeers play with the economies of even the largest industrial nations through their manipulation of interest rates and exchange rates, in what the Investors Chronicle calls 'the biggest floating crap game in town'.

Corporate and sovereign lending at least involved the investment of some funds in industry and agriculture, but this, the major aspect of the Euromarkets, is entirely parasitic. Only 5% of the daily volume of



the world's \$200 billion foreign exchange markets is backed by final demand from companies and governments. 95% is speculative.

The massive scale of transactions - each day's business being equal to the entire US annual war-budget deficit - means that interest rates and exchange rates (and the associated vast and instantaneous financial flows) are now out of the control of even the largest governments. Interest rates no longer reflect a general level of industrial profitability, but the 'demand' for the currency - a demand created, manipulated and controlled by these bankers: most of the demand being created by the Euromarket itself. 53% of Euromarket transactions (ie \$1 trillion) is in interbank lending - 'hot money' invested in financial whirlpools looking for the highest short-term interest rate, and the best currency deal.

Billions of dollars move in and out of currencies at seconds' notice - and countries as large as the UK have lost control of the exchange rate. The funds at its disposal in its reserves are not large enough to counterbalance the market's funds.

This was part of the coup that Thatcher brought about as soon as she entered office in 1979. By lifting exchange controls she gave full freedom to these new financial forces operating in Britain.

In the early 1970's, before the Euro - markets and pension funds were at full force the UK's net assets abroad were virtually nil. Following abolition of exchange controls they had risen to £55.6 billion, or £2,600 for every working person. But this capital outflow is only symptomatic: the role of finance capital based in the City has been transformed, irreversibly and qualitatively transforming Britain's political



economy. The City's main function is no longer to service and finance British imperialism. Its profits are no longer predicated upon the trade and investment of British industry: as an intermediary between the worlds borrowers and lenders, it can function whether British factories and merchants continue to exist or not. Its activities no longer depend on the 'real economy' of 'onshore' Britain. It has become an offshore banking centre - and could continue in the same function be it based in London, New York, the Cayman Islands or in orbit.

'Sovereignty', something which Thatcher had been prepared to murder for, has become a thing of the past. As one study puts it: "The existence of the Eurobanks in London restricts governments' freedom of action in the most fundamental sense that they are entities whose very existence precludes government intervention in their affairs".(5). The power of all future capitalist governments (be they Labour or Tory) is crucially circumscribed.

And, with 90% of its transactions conducted in dollars the City has confirmed Britain's role as poodle to the United States, banker to the dollar.

In short, British finance capitalism has turned its back on Britain and British industry. For the City, Britain has become unimportant - except in so far as its working class poses a threat: not only have we discovered the evidence and motive of industrial genocide, we have discovered the means - the manipulation of finance capital.



## The Failure of Finance Capitalism

The waves of this sea change are still reverberating around the world's financial, political and economic system.

In Britain, the destruction of industry is a natural consequence. The 'modern' manager of today recognises the new position. The Financial Times for example, welcomes the City's new role as 'internationalisation', where the British economy is subject to the 'discipline' of world financial flows.

Says David Allen, President of the Institute of Cost and Management Accountants, and Finance Director of Cadbury Typhoo, the job of management now is "to adapt to the imposed discipline of the capital markets as an internal criteria for resource allocation decisions". In other words if interest rates are high, put your money in the bank. If exchange rates are adverse, send the money abroad.

The effects on industry are well known: five million unemployed, Britain a net importer of manufactured goods. Other effects of Thatcher's first years are less well known.

- \* the profits of financial institutions caught up, overtook and doubled those of manufacturing and industry

- \* real interest rates rocketed from minus 7% (after inflation) to plus 11%. Said the CBI in pathetic submission to the Chancellor, "While real interest rates are high, firms will be encouraged to invest profits in financial rather than physical assets".



\* companies have paid out more in dividends than the wealth they have created

\* companies have become net borrowers rather than net savers

\* for every pound invested in manufacturing (in 1981) £13 was invested in financial instruments: £77 billion to £6 billion.

Announcing her intention to run for a third term of office, Thatcher pointed to the economic 'successes' of her new 'competitive' Britain. Having floored British manufacturing, she claimed 'recovery' because some companies could sit up, lick their wounds and report a profit - provided they did not account for the costs of those they had thrown out of work.

In fact, even where her brightest hopes lie - in the new go-getter world of private sector financial services - there is failure. The core of the City, the banking sector, is now dominated by foreigners. In February 1983, British banks' assets amounted to £220.7 billion, and foreign banks had assets in Britain worth £349.4 billion. Much of Britain's invisible (service) exports, supposed to pay for Britain's manufacturing deficit when the oil runs out, accrues to these foreigners operating in Britain and, increasingly, net invisible exports fall as dividends from oil and other foreign owned assets flow out of Britain - as if it were a colony. Britain's share of world invisible trade is actually smaller than its decimated manufacturing industry; the net private sector invisible surplus has halved in real terms over the past five years; and Britain has fallen behind France in the world invisible exports league...the City is following in the footsteps of the industrial base it has done so much to destroy.



In fact, Britain's financial services cannot compete. The US government is doing its damndest to attract the Euromarkets to a new US base; £billions worth of British company shares are traded in Wall Street; the centre of world commodity dealing has moved to Chicago; and as British insurance companies lose their world market share year by year; their life assurance colleagues look over their shoulders for fear of US predators.

The 'financial revolution' currently hitting the City is the proof of its failure: a failure emphasised by Chancellor Lawson in a major speech in July 1984. The Government he said, was forcing the pace of change in three areas; to make the City's capital markets internationally competitive (ie, they are not); to ensure that they provide economical finance for companies (they do not); and to provide adequate protection to investors from fraud (there isn't).

And there is a brave face from Peter Rees, Chief Secretary to the Treasury: "the breakdown of traditional barriers between the City institutions foreshadows a stronger more competitive financial services industry". Familiar words which echo the wave of mergers, takeovers and 'rationalisation' which heralded the demise of British engineering.

As The Economist points out, "From New York, Tokyo, and the financial centres of Europe, stronger, better capitalised banks, brokers, and financial conglomerates are coming in. Within 10 years they could dominate the Square Mile". But the authorities' response is familiar. They are 'reluctant' to see the London securities market 'swamped' by overseas groups, but they 'have no objection to takeovers of UK financial companies by foreign institutions'.

The jobs of workers in the financial institutions are not secure. Since 1960 the



financial institutions have partially offset job loss elsewhere by doubling the numbers they employed to a massive 1.3 million. For some, this was evidence that British workers had an interest in the growth of coupon clipping. But now even Lawson admits that this avenue of job creation has ended. Large scale job loss will follow the introduction of new technologies and the impact of the 'financial revolution'.

Now, the final desertion from London has started. The introduction of CHAPS, the Clearing House Automatic Payments System, one of the largest, most expensive computer systems in the world, means that the bankers no longer need to be placed in the Square Mile to settle transactions. Now, same day clearance can be achieved from anywhere in the world. The exodus of financial headquarters, away from exorbitant rents (and the GLC's rates), has begun.

Having ceased to rely on the real economy of 'onshore' Britain the Square Mile is following the rest of London into physical decay.

### The Inevitability of Crisis

The financiers' antics have created a world economy constantly teetering on the edge of a crisis large enough to threaten the world's financial system and political stability.

"The usurer", Marx has said, "knows no other barrier but the capacity of those who need to pay or to resist".(6) The simple, home truth he had pointed out 100 years ago, is being proved true. Fictitious capital, confetti money, coupon clipping - whatever you call it - does not create surplus value and therefore cannot generate real profits. In the end, you cannot destroy a nation's skills and industry and get rich out of it. But you can suck an economy dry, and you can create resistance.



In 1982 the four UK clearing banks had bad debts amounting to £962 million. In 1983 the bad debts had increased to £1.25 billion, from both sovereign debtor countries facing growing revolt at home, and from British corporate customers. The banks had tried usury, and failed.

These bad debts are not the last but the first. Some banks have up to 30 times their total bank equity in sovereign lending. In other words, if all the sovereign debtors defaulted in their payments, these banks would go bust 30 times over. More realistically, if just 4% defaulted they would still be facing bankruptcy. (Most of the UK banks' profits now come from the extortionate bank charges they impose through their monopoly hold over the cheque clearing system.)

The certainty of default is accompanied by growing and dangerous volatility. Over 80% of UK bank deposits for example, are not based upon British industry and sterling, but on interbank and currency deposits - in other words 'hot money', based on speculative flows.

What does this mean? A loss of confidence, and the consequent withdrawal of deposits threatens every bank. Thus, in May 1984 the Continental Illinois National Bank - the 8th largest bank in the United States - crashed. "Out of the blue", says the Financial Times, "the markets" (based in London) heard "rumours". In just four days the money markets withdrew £4.3 billion in deposits (about two thirds of the UK annual public sector borrowing deficit) and the bank could not pay its creditors.



The US government did all it could to restore 'confidence' (with an influx of taxpayers' money). But when there are \$1,000,000,000,000 caught up in short-term inter-bank deposits flowing around the world, even the US government does not have enough funds to shore up its banks in a full scale crisis. Says the bankers' banker, the Bank of International Settlements, we have "a debt-ridden world fraught with financial fragility" - a fragility which extends to all aspects of the world financial system.

Is it surprising then, that a growing number of countries are withdrawing from the financier dominated world trade system? In 1983 they were returning to the most primitive forms: 30% of world trade was conducted by barter.

### Conclusion

Finance capitalism, based in the City, has become a cancer to the British economy - separate from the body it is killing off. In 1983 the Square Mile handled cheques issued by British citizens worth an average of £2,000 million a day. But its own separate, internal, Euromarket based transactions were worth ten times that amount - £20 billion. £582 billion of assets (twice the UK domestic product) was under their control, directed through financial whirlpools - and killing the British economy.

Yet this vast wealth and power is based on the biggest speculative bubble in the history of commercial lending - now stretched to bursting point.

The British people can have no satisfaction if finance capitalism is faltering, weak, and threatened by crisis. It now dictates the political and economic direction of Britain and its policy is simple: scorched earth and make the working class pay.



In that respect Thatcher's 1984 budget was a milestone, ending decades of official support for British industry to provide (mainly) financiers with a tax boost: incentives for profit-taking and asset stripping coupled with disincentives to invest. Feather bed the financier - attack the very existence of the working class.

But every aspect of her political and 'economic' policy has revealed the same intent. The 'fight against inflation' made money lending the most profitable activity in Britain. 'Setting the people free', gave free rein to the financiers to play with currencies and interest rates - while telling workers that Britain could 'no longer afford' even half-civilised welfare provisions. The 'free market' and 'competitiveness' opened the way for allcomers to destroy British industry with imports, while 'the resolute approach' was reserved for suppressing working class resistance.

She told us we had to be prepared to kill to defend British sovereignty. And she handed it over - financially to the bankers to the dollar, politically and industrially, to the EEC the economic arm of NATO, and militarily to the United States.

The political message was clear, working class morals, organisation, traditions and aspirations were nothing but an anachronistic burden - to be wiped away by the new forces of 'freed' finance capital. Be a go-getter and stab your brother in the back!

It is a counter-revolution affecting every aspect of British life from morality, family life to the very workings of our political institutions. But most important it is an industrial counter-revolution, aimed at the working class organisation and dignity.



As one miner made it clear to print workers during the miners' strike to save their industry, the working class is engaged in a struggle for the future soul and shape of Britain: "Thatcher wants to make Britain into the Isle of Wight of Europe, with tourists patting us on the head and giving us sugar lumps, while the City passes money from bank account to bank account."

That is Thatcher's vision. But what about ours? The British people want real jobs, producing real wealth, real wages and sound money: services, dignity, independence and peace. These aspirations strike at the core of modern capitalism.

For decades it seemed that the struggle between the two lines in the labour movement, between reform and revolution, capitalism and socialism had been answered by social democracy.

For decades workers thought that they could leave revolution off the agenda. The problem had been solved. The Labour Party, and its social democratic ideology offered progress without revolution, progress within capitalism.

Such a strategy did have its successes. But it could not, and did not clip the wings of finance capital. Indeed, its projects, from municipal socialism, through to council housing and nationalisation have all been achieved through borrowing from the financiers: enhancing their position within capitalism.

Even before Thatcher, Labour governments were threatened with dire consequences of investment strikes and crashes in confidence when the City disapproved of their actions. Thatcher and the financiers have now closed the doors of progress, turning reformist illusions into an irrelevancy.



As she embarks upon the abolition of democratic elections and the banning of trade unions it must now be clear for all to see. Real political power does not lie in constitutional, parliamentary procedures but in the tower blocks of the City, the armouries of the capitalist state; and where workers are organised and strong - the workplace. Progress will not come through dreams of a future Labour Government, but through workers seizing the future of the nation in their fight for jobs and peace - a fight based in the workplace, on trade union organisation, and the political line of this Party.

The working class response to the counter-revolution Thatcher represents can only be revolution.

**Thatcher Out Now!**

### The Profitability Illusion: Accounting for Decline

A company's annual report, its financial statement - is a political document. It looks at the performance of a concern from one - and only one - point of view: that of the Stock Exchange.

The terms it uses (the most important being 'profit' and 'loss') do not describe the economic performance of the enterprise - its wealth creation - but only whether a tiny group of parasites (the shareholders) have managed to enrich themselves further through it.

\* A company can report 'profits' while reducing its wealth creation: by not re-investing, or by asset stripping.



\* A company can report 'losses' because the workers have been too efficient and too productive, producing more goods than the boss can sell - viz the coal industry.

\* A company can report 'losses' even when it has a vital economic role to play - merely because the wealth it has created has not gone to the shareholders but to somebody else.

Yet it is on this basis of accounting profits and losses that the future of whole industries and communities are decided. This is not because the authorities do not understand what they are doing but because naked class interest is at work.

Take the British Steel Corporation, for example. This foundation stone of the British economy has sacked 60% of its workforce and slashed its productive capacity - because it was a 'lossmaker'.

In 1981/82 this reported loss was £358 million. But, accounting for its performance from another angle shows a different picture: See Table A Page 23

Thus if British Steel were shut down on the grounds that it was 'making a loss', all the real wealth created distributed to workers, government and financiers would disappear. The economic contribution of suppliers would fall away. And, on top of that, the community would have to find extra money for the unemployment benefits, social security etc of those without work.

But the accounting terminology implies that it would be more profitable to do nothing - if you do nothing how can you 'lose' money? This mirror image of the financiers' view of life is how Thatcher uses accounting terminology to justify economic genocide.



Table A

British Steel Corporation - Alternative  
Accounts 1981/82

	<u>£million</u>
Revenue from sales	3,443
Costs of bought in materials etc	2,289
Value added (ie wealth created by workers)	<u>1,154</u>
<u>Distribution of wealth created (£million)</u>	
To workers: wages	585
pensions	99
To government: National Ins	213
PAYE Income Tax	200
Rates	64
To Financiers: Interest payment	104
Other: depreciation, investment	247
Total wealth distributed	<u>1,512</u>
'Loss'	<u>(358)</u>
Added value	1,154



## Bringing the Financiers Under Control

One of the first acts of a socialist revolution would be to tame the power of finance capital by expropriating the wealth of the City institutions. An example of how it would transform the finances of the government:

	£bn income per annum
Repudiate national debt (of £100bn)	14
Nationalise publicly quoted companies (value £160bn)	5
Nationalise pension funds, life assurance,	28
Abolish tax relief on pensions, life assurance	5
Abolish other subsidies of rich (company cars)	<u>3</u>
Total new income	<u>55</u>
Less current public sector deficit	<u>(7)</u>
New Surplus	<u>48</u>

This is enough to abolish income tax at a stroke, and still (allowing for some double counting) have billions left over to take on the added obligations to the citizens of Britain.



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