

mayday manifesto

Bulletin No.16 | 17 Sept | Oct 69

2 | 6d

2(a) DOCUMENTS PRESENTED AT THE QUARTERLY CONFERENCE, LEEDS,
19-20TH JULY 1969

(1) PERSPECTIVES FOR THE MAY DAY MANIFESTO

1. It is nearly three years since the May Day Manifesto was initiated. These three years have been devoted primarily to carrying out two commitments made early on: the writing of a Manifesto, and the subsequent convening of a National Convention of the Left. Both were seen as immediate tasks, the beginning of a concerted movement. The movement was intended to stand in direct contrast to the mechanistic and bureaucratic politics of the modern labour party, to the political and social elitism which is so strong a feature of the Fabian tradition. It was aimed, too, at the transformation of the capitalist mode of production into a socialist one, at the redistribution of power in our society which the Labour Government has served to concentrate even more fully in the hands of domestic and foreign corporations and their subsidiary state bodies. This was the longer perspective and it still holds. Given our experience of the last few years, and the developments of the objective forces, our task is to translate the longer term perspective into a political strategy.

2. The Manifesto has from the first shared a double concern: first the need for a common understanding of the form and structure of capitalism, of the programme necessary for its transformation and of the types of political action which hold most promise for a united socialist opposition to the system; second a concern about our legitimacy to speak, to call for a particular strategy and a common front. Of course we can speak, as socialists and activists in the labour movement. The response to the Manifesto itself was evidence of the mood which we ourselves shared, of disillusion, and a demand for clarification. The Manifesto was offered in this context. But it is one thing to write such an analysis, and quite another to call for a common front in action. Many people in the labour movement, in trade unions, trade councils and local labour parties who responded warmly to the analysis of the Manifesto were reluctant to commit themselves to its strategy of action. In a sense they demanded credentials quite other than the ability to analyse and string a line together.

3. The activity of the Manifesto in the last three years has been geared to, and strengthened these concerns. In terms of the development of a socialist analysis the need is still only too evident, perhaps above all on the issue of socialist strategy in a neo-capitalist society. The experience of the Manifesto bulletin, the pamphlet series and the publications of local groups emphasise that the written word is also one of the central unifiers of a disparate left. The precise nature of the publications, and of other forms of heuristic communication like conferences and meetings depends on an assessment of the nature of the current crisis and its likely development. On this too will depend much of what has to be said on the question of what we have called 'political credentials'.

4. There are two dominant interpretations of the current crisis in Britain: for a number of the British Trotskyist group it is 'a crisis of disintegration'. For the Labour government and its Fabian ideologists it is a 'crisis of modernisations'. Clearly these interpretations suggest very different strategies. The Manifesto has based its thinking on a third interpretation, that of a 'crisis of incorporation'.

5. In the post-war period British capitalism has been under siege

both in her domestic economy and in a formerly insulated imperial back-garden. The challenge has come primarily from the United States, in the form of private capital backed up with a coalition of diplomatic, military and financial power. But this is now being supplemented by pressure from Japan and a Europe which has already considerably re-organised itself in the face of the same American drive. At home the Americans have challenged British capitalism primarily in the high growth sectors and those using the most advanced technology. Abroad Britain has found her traditional markets eroded, and her neo-imperial hegemony resting on an ever-less substantial economic base.

6. In the face of this British capital has responded first by a massive restructuring through mergers and take-overs; second by turning to the state for privileged markets, mercantilist international policies, and, centrally, an attack on wage labour; and third by internationalising its capitalist activities in part by overseas investment, but more generally by merging with, or being taken over by, already international American companies. Thus at the time that British capital is gaining a more specific identity through the wave of concentrations, it is simultaneously losing its identity as a national capital.

7. The crisis is mirrored in the Balance of Payments accounts: the relative decline in the return flows of neo-imperial capital, in the earnings from the complementary services of shipping, banking and insurance, in the increased outflow of dividends fees and royalties, and in the unstable trade positions. One sign of a dominated economy is its dependence on exports and capital inflows for balance of payments equilibrium, and the consequent priority given to these two items in national policy. Britain conforms to this model, alongside Ireland, India, Brazil and so on. But what is important to notice about this economic characteristic is that the national policies dictated by such structural domination serve only to increase the national dependence. Foreign private capital is welcomed for its short term balance of payments effects in spite of its consequent transfiguration of the economy to accord with an international division of labour determined by a foreign controlled international company. IMF credits are sought in spite of the fact that the quid pro quo is a permanent squeeze, keeping home demand damped, unit costs high, thus further weakening the resistance of specifically British capital. British capital is being incorporated into an international operating capitalist system whose nodes of power lie outside this country.

8. Parallel effects can be seen in Europe, most notably France whose economy has quite suddenly over the last decade been massively opened up to international trade and investment. The nature of the crisis in France is strikingly similar to that in Britain; waves of redundancies following takeovers and mergers, pressure on real wages, the sacrifice of the public sector, mercantilist economic policies, the emanation of nationalism amongst a threatened but still national bourgeoisie and petit bourgeoisie.

9. Indeed both countries show the central contradiction of the present crisis: that while there is an expansion, an internationalising of national capitalisms - there is at the same time a backlash of mercantilist policy by the national states whose effect is both to increase the process of internationalisation, and to increase the instability of that same internationalising capitalist system. This point is quite crucial to the perspective of the next decade. In spite of the attempts by quasi-international bodies to regulate the international economy - the IMF, OECD, the monthly meeting of the central bankers and so on - there is still residual power with the nation states. The French have been the most prominent resisters to a new international monetary system, but recently

Strauss has shown a Gallic aloofness to economism by strengthening German national economic power at the expense of international monetary stability. Nor is there anything yet strong enough to prevent developed countries raising tariffs, surcharges, or exchange controls in the event of an international recession. The international economy might aptly be described as 'regulated anarchy'.

10. If states are still able and willing to bite, their teeth are nevertheless blunt. One consequence of the growth of the international firm is the diminishing effectiveness of national economic policies. The financial resources and international orientation weakens state fiscal and monetary policies. The Eurodollar market and its links with the international corporations, quite apart from its operations through international banks, has shown the difficulties of even the US implementing effective restrictions on overseas investment or domestic monetary stringency. Further the high proportion of intrafirm transactions in developed country trade, and the international division of production amongst international firms blunts the traditional instruments for righting balance of payments disequilibria. The weak effects of British devaluation on the balance of payments which has surprised most economists can be linked to this. Thus to the international economic anarchy of the nation states, can be added the anarchy of an illregulated international capitalist production.

11. The British crisis can now be seen in a double light. On the one hand there is the continuing crisis of incorporation, centering on the contradiction between the internationalising of the material base and the responding government policies. This manifests itself most clearly in high unemployment, repeated redundancies, and the persistent pressure of a new Taylorism in productivity bargaining, measured day work and so on. Yet the strength of the unions and the ability of corporations to pass on wage rises through higher prices ensures that the full force of the crisis may not be centred on money wages and the dole. Rather it reveals itself in terms of rising prices. It cuts at those dependent on welfare payments, consumers of welfare goods, at white collar workers, and students. It underlies, too, the centralisation in politics, in capital, and in the official trade union movement.

12. Superimposed on this continuing process, are periodic crises caused by the anarchic conditions of the international economy. These are the crises led off by currency speculation, followed by domestic deflations and/or trade and exchange restrictions. They are currently of increasing regularity and severity. They threaten a major world-wide recession. But it seems unlikely that the recession will parallel that of the inter-war period. International Keynesianism is waiting in the wings. What prevents the restructuring of the international liquidity situation is not a lack of plans, but the fact that the cost to a number of states of agreeing with a restructured international monetary arrangement which preserves the balance of power currently operative in the IMF is greater than the cost of disagreeing. Yet the policies of national states is closely bound up with the interests of their largest firms, and as these firms are increasingly internationalised in their economic activity so does the pressure grow on national governments to work for international regulations of the world economy. What is happening is the erosion of the power base for independent national economic postures by the very process of the incorporation of those economies into a wider system.

13. What is argued is that the most pressing contradictions of the international capitalist system do not in any obvious way promise the disintegration of that system. Rather they promise, in Britain at least, a continuing pressure on those who have always been the whipping

horses of capitalism - the unskilled labourer, the redundant, the permanently unemployed, as well as on those whose presence is relatively peripheral to the productive system, pensioners, widows, the marginal arts student, the ill and disabled. The pressure is on those least organised, and/or on those whose withdrawal of labour or consent would have least effect on the continuing functioning of the system. This is the first constituency of opposition.

14. The second constituency is the employed working class, unskilled, skilled and white collar workers. Here the main effects will be in the market place for consumption and in the 'rationalisation' of production and trade unionism. It will be less in terms of mass unemployment on the scale of the thirties.

15. Lastly, there is the constituency of professionals, those working in the media, in the liberal professions, in education. These groups have been squeezed in terms of working conditions and the illiberalisation of the crisis. Though not necessarily progressive as a class, they contain elements who are both conscious and militant socialists.

16. It is against this perspective that the Manifesto should discuss a socialist strategy. It is a perspective which does not suggest massive economic dislocation. It does suggest a widespread latent opposition to the system, one which is often experienced privately, which is fragmented and numbed with a sense of hopelessness. It is a perspective which suggests an urgency for socialists not merely in terms of building an effective socialist challenge to the system, but also because of the already major challenge from the right. One of the characteristics of the crisis of incorporation throughout the world is that it leads to strong right wing movements, led by the challenged bourgeoisie or feudal aristocracy, appealing to the prejudice of petit bourgeoisie and working class. In Europe alone it is not merely a question of resurgent fascism, but of Strauss, aspects of Gaullism, and in Britain Powell and Paisley.

17. In this situation first consideration should be given to the further development of political awareness, analysis and strategy. As mentioned above, elucidation is important in itself and as a precondition for unity. It should not stop with the Manifesto. We should develop it in new ways and at a number of levels. The following proposals have all been thought over and should be understood in this light:

- (i) A journal. We propose that the Manifesto should commit itself to founding a journal to appear monthly. Its aim would be above all to link issues through analysis and comment: discussing productivity bargaining, science or technical college education side by side with imperialism and the theory of socialism. It should aim to be the journal of a movement. The Bulletin should continue until the launching of the journal.
- (ii) The continuation of the pamphlet series.
- (iii) The initiation of a series of short books written for the reader not the writer. They would aim at clear explanation on basic subjects for socialists: capitalism, liberalism, race, Ireland, technology, advertising, communications. They would aim to be 25-30,000 words in length.
- (iv) The arranging of conferences on the lines of those already held on 'Education' and 'Communications': these to be often in conjunction with other groups working in the field, and geared both to analysis and political action.

- (v) Study schools. A study school is planned jointly with the Haslemere group on Imperialism for next Easter.

18. The second part of our activity concerns the building of a socialist organisation. Our previous strategy was centred on building a grid based on local groups. Issues fought by local groups were to be paralleled from town to town and co-ordinated nationally. Local action based on extra-constitutional activity would gain meaning both in terms of the contrast to traditional forms of local political activity and as part of a wider movement. As we wrote a year ago, 'our aim should be to establish a sufficiently widespread, proved base by 1971 so that given the decimation of the Labour Party, a socialist reaction to the Tories could gather round such a movement as we are in the process of forming.'

19. This was an ambitious programme, as it had to be, and it has met with only very limited success. Part of the difficulties of implementation have come from the structure of local group organisation, part from the structure of the Manifesto committee and its failure to provide a satisfactory national co-ordination. Certain local groups, however, have been remarkably successful in spite of the absence of a strong national context. They have shown that inter-denominational co-operation is possible and powerful. Moreover one of the striking things which emerged as the result of the production of the Newsletter was how many local groupings existed doing parallel work, and how generally encouraged it was for all of us to know that such activity was taking place. After a year's experience it seems to some of us at least that it was not the strategy itself which was misconceived but rather the ability of those involved with the Manifesto to carry it through as ambitiously as we had at first envisaged.

20. One of the most immediate things which follows from this experience is the need for a more extended discussion on the strategy of local group activity, drawing on current and historical experience. But equally urgent is the necessity for some greater cohesion in the Manifesto as a whole. If the proposal for publications and conferences are realised this will go part of the way. The drawing up of a political programme is also necessary. The crucial question remains, however, as to whether we should set up an independent party.

21. The Manifesto committee has no one view on this. Some feel that we should work towards the development of a new party. Others that a new party is not the operational question at the moment. Subsidiary to this are a number of further questions on which there is as yet no common agreement:

- (i) The degree to which the Labour Party is structurally doomed in late neo-capitalism.
- (ii) The extent to which separation from the Labour Party cuts off a dialogue and working relationship with those who would clearly play a crucial role in the development of a socialist movement.
- (iii) The desirability of founding a new party initially geared to the coming election rather than letting it emerge from a critical extra-parliamentary struggle.
- (iv) The viability of the Manifesto given its present distribution of strengths and weaknesses in calling for the formation of a new party.

The acceptance of a common position on the above issues is obviously one of the main tasks of the conference.

22. Lastly the Manifesto initiated, and still plays a part in the Convention of the Left. The logic of the Convention and the Manifesto's role in it is elaborated in another paper. It is sufficient to note that we are committed first to the development of a socialist movement not to the necessary preservation of the Manifesto's identity. Our participation in the Convention should be seen in this light.

(2) THE NATIONAL CONVENTION OF THE LEFT

[This paper is a very slightly modified version of Mike Rustin's article in MDM Bulletin 14/15, and is not therefore printed]

(3) A STATEMENT BY THE LEEDS NEW LEFT/MANIFESTO GROUP

I The Socialist Party

1. We propose that the central objective of socialist work in Britain over the next few years should be the formation of the Socialist Party. We base this proposition upon a historical analysis of the political forms hitherto taken by the working class, and the concrete capacities of these forms in their changing situation within the whole of British society.

2. The British working class has attained only one fundamental form: the trade union. Like all economico-corporative forms of class organisation, the trade union organises the class in its subordination, protecting and advancing its economic interests within a totality not of its making. This limitation of trade unionism, though integral to it as a class form, has not always been equally definite. In Marx's lifetime these limits were relatively elastic. In an economy prone to convulsive crises, and in conditions which everyday defined the working class as an antagonistic class, an uninterrupted and relatively rapid movement could be supposed from the partial to the global, from economic conflict to revolutionary struggle; though even then, in Britain, Marx was disappointed in this expectation. It was, however, in its trade union organisation, though with socialist stimuli, that the British working class ascended to a higher stage of class elaboration: the stage (defined by Gramsci) of politico-legal equality, sharing in legislation and administration, but inside the fundamental existing framework. The agency for the exercise of its politico-legal equality by the British working class, still organised in the trade union form, was the Labour Party. It is this specific class formation, that of the trade union party or Labourism, which is currently in crisis.

3. We discover, at this point in the whole movement from early to late capitalist conditions, the exhaustion of Labourism as a political form of the working class.

3.

COMMUNICATIONS(a) THE ROLE OF THE STATE IN THE NEW IMPERIALISM: THE CASE OF AID

Aid has been generally regarded by socialists and by Central Bankers, as a form of unsolicited gift from developed to underdeveloped countries. Aid giving agencies like A.I.D. in the US or the Ministry of Overseas Development are cast in the role of International Lady Bountifuls, and as such their aid programmes are among the first categories of overseas expenditure to come under pressure in any programme to right a balance of payments deficit. If there is self-interest on the part of the donors it is thought to be only of the most general kind, akin to the enlightened self-interest of some Liberal welfare-statism.

Raymond Mikesell, one of the leading US aid academicians, regards any argument for aid as a promoter of national economic interests as 'not only spurious but cheap and deplorable since it does not reflect the national interests but rather sectional and industrial interests promoted at the expense of the taxpayer.' He continues, 'If there are any national economic benefits accruing to aid donors (other than from export credits) they are largely indirect, highly tenuous, and of such a long term nature that their discounted value will almost surely be exceeded by their present cost.' (The Economics of Foreign Aid, 1968, p.11) Britain's own aid authority, Ian Little, a noted utilitarian after his time, goes further and excludes from his definition of aid any capital transfer which does not involve an economic sacrifice on the part of the donor. Instead he argues that 'aid for economic development should be a bargain by which the recipient has certain obligations: the donor should, in effect, be buying economic development and, as the purchaser, have certain (non-political) rights.' (International Aid, 1965).

In contrast to this prevalent view of government-government bounty, I want to suggest that a significant proportion of aid can only be understood in the context of the development of international corporations. More specifically I want to outline how the development of an increasingly integrated international economy, most notably in the form of international firms, has created a demand by these firms for the provision in the underdeveloped countries of the necessary conditions for profitable corporate activity. These conditions are neither being supplied by the private sector nor by the governments of the under-developed countries. Rather they are increasingly being supplied by the governments of the particular foreign investor, or by the international institutions funded and directed by developed country governments. The economic role of the state within national economies is in effect being internationalised in response to the internationalisation of private capital.

We can distinguish three functions which the state has come to perform in national economies: first it provides infrastructure, the means of communications, energy, water, housing, education, health, and political security; second, it manages the macro economy, intervening on both supply and demand in the real and monetary sectors, as well as supervising the nation's international economic relations. Recently, the emphasis in macro-management has shifted away from the control of short-term fluctuations to that of encouraging medium if not long-term growth. This has led to a concern with the supply side of the economy, with factor management (income policy, retraining, SET, investment incentives, state financed research) and sectoral intervention (industrial re-organisation, the little Neddies, the nationalisation of steel). Furthermore, in this double role of provider of infrastructure and macro-manager, the state has come to perform a third function, that

of a large, stable market through its necessary purchasing. These points hold though in varying degrees, for all the advanced capitalist economies. Galbraith puts it thus: 'the government fixes prices and wages, regulates demand, supplies the decisive factor of production which is trained manpower, underwrites the technology and the markets for products of technical sophistication.'

In the underdeveloped countries during the colonial period, the role of the colonial government was less extensive. The international firms which did operate, mainly in primary production and extraction, might be financed by international portfolio investment. Self-provision was the tendency not only in roads, railways, houses, hospitals and schools, but also in terms of security. The East India Co. had its own army. Rhodesian police still wear the initials BSAC dating from the period of Company rule. Parts of the Congo as late as 1964 were being policed solely by company security forces. Even in South Africa RTZ has to provide its own compound police to aid the national force in defending company employees' property in the town.

Macro-management was less of a problem. The monetary domestic sectors of the economies were small, and the monetary system based on overseas branches of metropolitan banks had a consistent deflationary bent.

In the post-colonial period, and in Latin America and Southern Europe, conditions were somewhat different. First an independent government, however closely bound to the former metropolitan power, still had the latitude to disrupt a foreign company's operations in a way quite distinct from actions by a colonial administration. In this situation, the minimisation of risk capital by foreign direct investors became a central concern, and the divestiture of the responsibility for infrastructural provision an obvious way to economise. For, to a firm, the infrastructure is not directly productive: it can be controlled by others without prejudice to the firm: as an investment it has long maturity, and offers rates of return which are relatively inferior to those enjoyed by most extractive firms. Certainly if the extractive operation and the infrastructure necessary for the operation are indivisible complements then it may still be profitable for the firm to invest - the oil companies provide many examples. But in most underdeveloped countries the public provision of infrastructure is not only favoured by most companies who would have otherwise undertaken them for the sake of their specific operations, but also by companies who would have otherwise not found it worthwhile to invest.

Other factors are involved as well: while hospitals, and houses may be tied to the job, labour can less easily be. Thus a firm's investment in training may be nullified by the worker's switching of jobs even migration: this has been a complaint of foreign investors in the underdeveloped west of Ireland, for example. Often, too, though there may be political reasons for providing infrastructure as a sign of contributing to a country's general development, there are cases where political factors point the other way: security and policing is the clearest instance.

These specific considerations of an international firm have tended to coincide with the wishes of underdeveloped country governments for general infrastructure for development, as well as with the political-economic concerns of the international firm's domestic government in the post-war period of national rivalries in what were previously highly protected and isolated economies.

This is the background to a modest but significant portion of aid

flows, those aimed at providing infrastructure for already specified projects. If instead of analysing aid flows through public accounts, one approaches them through specific foreign direct investments, one finds hardly a case where a foreign investor who has found an otherwise economically worthwhile project in an underdeveloped country, has failed to arrange for a public aid flow to assist with the infrastructure. It is true of the Sashi development in Botswana (World Bank funds for diamonds and copper by Anglo and RST respectively), of the Volta scheme in Ghana, of bauxite development in Guinea, of copper in Mauretania, and so on. It is difficult to derive global figures for this form of aid from the public aid accounts. Much though not all would come under the heading of project aid, though clearly projects have been of many other different types to those we are discussing. Nevertheless, in the US at least, parts of the business community look at aid in this specifically infrastructural way. As the US Chamber of Commerce put it in 1967, 'Government-to-government programmes are needed initially to build the infrastructure for participation by United States and foreign private sectors in developing foreign economies.'

One of the functions of infrastructural aid has been to minimise the capital at risk to the international firm. The most usual form for this flow is government-to-government loans: but considerable amounts of aid have been given in the form of direct loans to, or equity participation in the operation itself. The Export-Import Bank in the US, which over the period 1945-63 disbursed \$9.1 b. of funds, was instrumental in outflows of US private capital abroad of roughly \$2.8 b., a significant proportion of which went to underdeveloped countries. The CDC in Britain and the Kreditanstalt für Wiederaufbau in Germany perform similar functions, both in terms of loans and equity shareholding. The LAMCO iron ore project in Liberia is an interesting example of all three of the above-mentioned institutions providing loans to this joint venture. It is interesting that one of the criticisms made by the US business community of the World Bank was its requirement of a government guarantee for any loan not made directly to a member government. The International Finance Corporation was set up as a World Bank subsidiary in part to meet these criticisms, and currently follows a policy of taking up equity shares.

In relation to specific cash provision, British and US aid programmes have made a point of providing domestic currency as well as foreign exchange. The Cooley loans arising from the Food Programme PL 480 are perhaps the clearest example. These local currency counterpart funds are provided almost entirely to US owned or affiliated firms, and in the period June 1958 - December 1963 an estimated total of \$186 m. was committed by A.I.D. in this form linked with roughly twice the amount of private US capital (\$366.8 m.).

In 1966, the total commitment had risen to \$42.6 m. Taking the use of funds in Turkey as an example, \$3½ m. were lent to Ideal Standard Sanayi for plumbing supplies, and \$1.9 m. went to Comag Continental Magnezite Ltd to finance mining facilities and magnezite ore. Of aid designed to allow foreign exchange for necessary imports to already established overseas companies, Britain's so-called Kipping aid is an instance, though loans under this scheme are limited.

Perhaps the most important form of risk minimisation provided by aid programmes to foreign investment has been in the form of insurance and politico-legal guarantees. The insurance schemes exemplified by the AID Investment Guarantee Programme have been supplementary not competitive to private insurance schemes. The AID IGP was an extension of previous schemes, most importantly extending eligibility to wholly-

owned chartered subsidiaries of US corporations - an extension which had been long pressed for by US international forms. The specific risk part of the programme had a coverage in 1966 of \$3.9 b. with a further \$1.2 b. estimated for 1967. The guarantees covered inconvertibility of earnings, expropriation, war, revolution and insurrection. The programme had a ceiling of \$7 b. in 1966 which AID were trying to raise to \$9 b. The ceiling for the extended risk programme (covering 75% of a projects investment risks) in the same year was \$375 m., though in fact the coverage between 1961-66 was only \$54.5 m. This programme is assuming ever-increasing importance. It is notable that whereas there is a similar scheme operating in Germany, there is little comparable in Britain.

The provision of politico-legal guarantees has been equally effective if less direct. The US now has foreign investment agreements with 73 countries, and as a general rule no US aid can be given to countries who have not entered into such an agreement. The Mickenlooper amendment, suspending aid to countries who transgress the foreign investment codes are well-known particularly because of the recent case of Esso in Peru. The amendment has been implemented in Ceylon, but for the most part in Mickenlooper's words in 1966, 'its great value is its non-use rather than its use; that is, its value is in its presence, and the fact that it can be used deters a great many countries from doing what they otherwise might do or not do.'

This is an important point. Although the actual flow involved in the guarantees is small, they are central to the acceptability in the US of the whole aid programme. For aid flows, for whatever purpose, can be used as an important preserver of the necessary politico-legal environment for international firms in underdeveloped areas, just as they can be used to create an economic climate suitable for foreign enterprise (the World Bank's activities in India in 1956-7 onwards are an interesting example of this).

We have discussed three aspects of the provision of the necessary conditions for private investment through aid programmes: the financing of specific infrastructure; the supply of funds; and the programme for investment guarantees and agreements. We should add to this, without elaboration at this point, the creation of a financial infrastructure through development banks, credit unions and co-operatives: the macro-management notably in the World Bank and IMF histories, as well as certain parts of the military assistance budgets directed at internal order which, as we have noted above, is a most necessary condition from the point of view of business abroad.

What we have called the internationalisation of national state economic functions has importance not only for international firms investing in underdeveloped countries, but also for firms who benefit directly from aid, for whom aid constitutes a demand. One of the most interesting of these groups are the contracting industry who construct many of the infrastructural projects financed by government-to-government loans. In 1968 the top 400 construction contractors had a turnover of \$28.6 b., \$3.5 b. of which was abroad. The total industry, including construction services, engineering and consultants, and taking in associated ancillary and by-product industries, employs one out of seven people in the US, and accounts for some 15% of US GNP. By 1964, AID financed projects going to the construction and engineering industry in the US totalled \$4 b., this in spite of the lack of an 'employ US constructors' clause in the Foreign Assistance Acts.

The Shipping industry, who do benefit under 'Ship American' provisions, had earned \$80 m. from transporting AID goods abroad by 1964.

20.

The Housing industry benefit from an AID-financed Housing Guarantee programme, which in 1966 stood at \$125 m. General management and consulting contracts, some of which may overlap with the construction industry, totalled \$41 m. in December 1966 with AID alone. If we also include (i) military manufacturers, who had a total world sales of \$5.4 b. in 1967, and whose finance accounted for some 36% of the Export-Import Bank loans, (ii) the grain industry, $\frac{1}{3}$ of whose total sales were financed under the PL 480 aid in 1965, as well as (iii) the general markets created by the rest of tied aid, or supported by export credits, then quite apart from the international firms who have direct investments abroad, there is a strong section of the US economy which gains considerably from the aid programme. Black's estimate for tied aid in AID's commitment is 85%, Gaud of AID quotes 90% in 1967, providing a market of \$1.1 b. for US goods p.a., and over half a million jobs.

In one sense this aspect of aid expenditure parallels that of a national state's expenditure in providing a market. But the provision of suppliers' credits, for example, is much more a form of international hire purchase. When coupled with the extensive insurance schemes we have discussed above, it appears that the national governments of developed countries are developing the functions of international financial intermediaries: functions usually provided by the private sector in industrialised countries.

To sum up, I have suggested that significant proportion of aid flows can be helpfully understood in relation to the growth of international firms, re-inforced by not necessarily international supplier firms. This is not to say (a) that a significant proportion of aid is not directly linked in this way, or (b) that the developed country governments do not also see the types of aid flow we have discussed as in their interests qua governments. Rather, if we look at aid flows in terms of a relationship between three units, the donor country, a donor-based company, and a recipient country, it is rare to find flows which transgress the specific or general interests of the important sections of the donor's private sector. Indeed, many of the features of the aid flows, particularly those from the US, Germany, Italy and Japan, have been initiated by the private sector: the extension of investment guarantees, the move towards tying, the pattern of grants of suppliers credits, or the interesting cases where aid is granted to compensate a donor's expropriated firms (see BSAC and UK aid to Zambia, or the compensation to UK settlers in Kenya). In almost all cases, aid has been essentially complementary rather than substitutive to the interests of the private sector in the donor country.

It is in this sense that aid can be understood as first and foremost as aid to international firms. Certain classes and regions in underdeveloped countries do undoubtedly benefit, but it is a benefit principally on the terms of the interests of the donor countries overseas corporations. Its effect on the development and underdevelopment of the Third World must therefore be seen as one part of the effect of capitalist penetration of underdeveloped economies. It cannot be judged in isolation.

ROBIN MURRAY
