Capitalist Headaches and Remedies

Migraine headaches and economic headaches are classified as different diseases in different areas, but they have much in common. They are both a source of discomfort, pain, and misery until removed or relieved. According to the current vital statistics migraine headaches, despite all the applied remedies from tranquility pills to psychoanalysis, are still on the increase. Social statistics, on the other hand, convey the information that economic headaches among capitalist nations were never so frequent or severe as they are today.

Both British and American capitalists have been groaning frantically of late. They are being shoved out on a limb and the limb itself is shaky. Britain is Wall Street's chief political ally, as well as one of its preferred customers and, ironically enough, one of its more feared competitors. They are so closely allied that when the U. S. gorges, Britain belches, and when London coughs, Washington spits. They are stuck with each other.

Things have been going badly for British capitalism in recent months. After several years of phony prosperity, in which Britain lived by figuratively consuming herself, the economic impasse is clearly seen. It has been much like the case of the small grocer who, anticipating bankruptcy, thrives for a season by himself consuming his stock of edibles and potables until the dismal appearance of empty shelves indicates that a new orientation is imperative if survival is to be the outcome.

Britain's Day of Reckoning

In the aftermath of the superficial boom years British capitalists find themselves in a perilous squeeze. Their resources are not equal to the load imposed upon them. Since controls were lifted on buying and imports in 1958, a circulating flurry has been under way. Businessmen took advantage of the release to build new plants and modernize equipment. Unemployment dwindled and small wage increases left bigger pay-checks that were soon translated into terms of food, cars, houses, appliances, etc. But this frenzied splurge of buying activity was destined to play out. It did. The production and resources to meet the demands were not present. Britain has to import almost all of its raw material, and close to half of her food supply. British imports from the United States increased by 60% in 1960, while the increase in exports amounted to only half of the increase in imports. In the past 10 years what is called, in economic parlance, the British share of the world's market, has fallen from 23 to 16%. Her gold and other reserves have been decreased. Her pound sterling has been assailed. Her income from shipping, dividends, and profits from oil interests have reached an uncomfortable low.

In 1960 the differential between what Britain received from exports and spent on imports amounted to more than a billion dollars, and this unpleasant trend is still in evidence. All this was ample proof that Britain was in no position to continue competing with the aggressive group of European nations assembled in the Common Market. There may not always be an England but, so long as we have capitalism there will always be capitalists in one form or another, and they are not going to sit on their hands and watch the parade go by. Steps must be taken to stay the detrimental push of economic forces.

Britain Attacks Its Crisis

Thus, British capitalists were jerked out of their temporary complacency and compelled to do something to improve a desperate situation. This had to be engineered through political channels. The Administration had a well-filled quiver of reform weapons to make an attack on the sanguinary crisis and these were placed in the front line economic trenches. Restraints on labor were in order — the "pay pause" — prices and dividends were controlled while Government spending at home and abroad was curtailed. British manufacturers must now be forced to concentrate on export production so that a more equitable balance could be attained between what comes in and goes out.

All the suggested weapons have been tried out in rapid order. The pivotal bank rate has been raised to the point where borrowing is discouraged. Big increases in sales and excise taxes are imposed to dampen the buying activity of the population. A warning was issued to labor and management — particularly labor — to cease all efforts to raise wages and prices or the Government would step in to assert authority. The rejection of teachers' demands for salary increases is proof that the warning was not a playful gesture. Cutbacks were ordered on government spending in domestic and overseas programs. A billion dollar loan was arranged with the International Monetary Fund to strengthen the pound against obvious attacks.

But despite these corrective measures, the British capitalists found themselves helpless and were forced to forsake their long cherished independence and aloofness and apply for membership to the European Common Market, where they hoped that by getting access to the consumer markets of the western nations, the protection of stronger financial resources, and the opportunity to compete on an equal basis with the others of their kind they might still be able to survive in capitalist fashion. It would mean the painful transition of Britain to a new position among grasping and hungry capitalist nations.

A New Factor in Europe

The U. S. capitalists are fully conscious of what is going on in Europe. Even a couple of years ago they were cognizant of the fact that six nations, forced to organize in order to survive, would have to eliminate tariff barriers among themselves. But when these six, with a population of 170,000,000, develops into a group of 19 nations, with a population of more than 300,000,000, making it the largest bloc of production - for - sale entities on the planet, then, something has to be done.

Britain openly clamors for admission to the Common Market and if there are no black beans on the application tray, the request will be granted.* The U. S. furtively essays the same objective, although being inside as a member, or outside with a member's privileges, amounts to essentially the same thing.

America Reacts

While Britain gropes and fumbles, American capitalists are not asleep. They see that the austerity program, and other economic shenanigans of their closest ally and treasured customer are certain to make an impact on the erstwhile relationship. For while Britain stumbles along through the distressing process of shrinking herself economically to find out if she can live within her means or not, the effects of her maneuvers must react unfavorably on U. S. capital. In the interests of long - term policy, of course, U. S. capitalists must sanction the new British policy. The most painful immediate headache of the American ruling class results from the moves of the Soviet bloc. To assist them in the struggle they must have support in Europe. They see that Britain is in trouble with a jittery currency, incompetent producers, and a badly mangled economy to contend with, and no easy method of evading a lengthy tenure of this condition. A weak, anemic ally is not what the rules call for. A strong, healthy partner is needed to cope with the ruthless tactics of the Soviet competitors.

But a tough reduction program in buying, coupled with an aggressive attitude to promote selling, is not the pose any nation would be anxious to see in a favorite customer, even in an ally. It is not possible to overlook the fact that the short-term course of less buying and more selling is

* Since this was written, Britain's "historic ally," France, administered the coup de grace, postponing indefinitely Britain's entry.