COMBAT

Journal of the COMMUNIST LEAGUE
(Formerly the Marxist-Leninist Organisation of Britain)

Special Issue

September 1975
2p.

THE £6 CONFIDENCE TRICK

Exhilarated by the success of the Wilson government in persuading the majority of Britain's working people to vote, against their real interests, in favour of Britain's continued membership of the EEC, Big Business has pressed that government to attempt another confidence trick which the Heath government failed to "put over": to impose, on the pretext of "fighting inflation", statutory control of wages.

The key to understanding the economics of a capitalist system is the fact that the capitalist seeks the maximum rate of profit. In doing so, he cannot fix the price of his commodity at any level. The selling price will fluctuate around the real value of the commodity in accordance with other factors, the main one being supply and demand. There is, therefore, a certain selling price at which the commodity will return the maximum rate of profit. Where the selling price is fixed too high, the higher profit on each item does not compensate for the reduction in sales; where the selling price is fixed too low, the increase in sales does not compensate for the smaller profit on each item. If, therefore, the capitalist is faced with paying higher wages, and no other factor intervenes, he cannot increase his prices without bringing about a fall in his rate of profit.

However, another factor does intervene, and it is this which is the cause of inflation. This other factor is the increase in money supply, either by the issuing of more banknotes and coin or by the granting of bank credits. Since the government controls directly the issuing of banknotes and coin and indirectly the granting of bank credit, an increase in the money supply is a matter of government policy. Inflation, interspersed with periods of relative deflation, has been the technique used since the Second World War by both Tory and Labour governments to postpone the gross crises of overproduction that had been a characteristic of capitalism in earlier periods. Now, however, capitalism internationally has reached a stage of chronic overproduction that can be solved only by ever increasing rates of inflation or by large-scale unemployment.

In other words, the rate of inflation is linked not to wage increases but to the money supply, through which the capitalist class attempts to keep up the general rate of profit. In the absence of an inflated supply of money, increased wages would lead not to increased prices but to a reduction in the general rate of profit. Capitalism, both nationally and internationally, is torn by its own contradictions. To try to ensure that it is the working class that bears the burden of the consequences of these contradictions, all the means of propaganda have lined up to deafen us with the lying clamour that wage increases are the cause of inflation.

REJECT THE £6 CONFIDENCE TRICK!

DEMAND AN IMMEDIATE RETURN TO FREE COLLECTIVE BARGAINING!

The above is available as a leaflet at 60p. per 100 post free.

Published by:
Bernard Charnley,
26, Cambridge Rd., Ilford, Essex.
For: THE COMMUNIST LEAGUE.