

THE ECONOMICS OF NEO-CAPITALISM

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THE ten years up to 1964 will probably be regarded by historians as the heyday of neo-capitalism. In Western Europe and in Japan, capitalism has enjoyed a rate of economic growth and of prosperity which was unknown even before World War I. In the U.S.A., after the "lean years" of republican deflationary stagnation, the Kennedy administration seemed to have reversed the trend and to have pushed back the economy on to the road of growth. World trade has beaten all records (the volume of world exports of manufactured goods in 1961 was three times as large as in 1938 and more than twice as large as in 1950). Only the underdeveloped countries presented a black spot in this bright picture.

Causes of *Growth*

One does not have to be an apologist for capitalism in order to recognize the facts of life, namely, that the system has witnessed in most of the industrialized countries (the U.S.A. and Britain being the two main exceptions) an exceptionally high rate of growth during the past decade. This growth, following in the wake of a large reconstruction of physical damage wrought by the Second World War, cannot be explained essentially by reconstruction activities, even though this was still continuing in some of the countries concerned (especially in German house building, an important support of the industrial boom in that country).

From the point of view of trade cycle history, we were obviously faced with a new "Kondratieff," or long-wave movement involving several normal cycles. The theory of the long-wave movements in the history of capitalism was first developed by the Russian economist N. D. Kondratieff and Josef Schumpeter integrated it into his own explanation of the cyclical movement of capitalist production, set out in his magnum opus, *Business Cycles*. It has earned less interest in Marxist circles, though Trotsky used a similar idea in his famous report before the Third World Congress of the Communist International.

Today, it appears that, contrary to what most economists—Marxists and non-Marxists alike—were thinking in the late 'thirties and the early 'forties, after a Kondratieff wave of long-term stagnation which started in 1913 and lasted till 1939, world capitalism entered in 1940 on a new long wave of accelerated growth, which will probably last

till the second half of the 'sixties. All the main indicators point to that conclusion.

In Schumpeter's trade cycle theory, long-term waves of more rapid expansion are explained basically by a rapid succession of technological innovations, which tend to appear "in bunches." This same explanation seems sufficient to account for the long-term wave of accelerated growth which world capitalism witnessed since the beginning of World War II. We could even add that this movement of technological innovation—generally called the third industrial revolution—has *a tendency to become permanent*, which is something quite new in the history of capitalism. There is an important economic reason for this, which we shall go into later in this study. But one peculiar origin of this *stepping up of the general rate of technological innovation* should be emphasized immediately: it is the logical link between technological innovation and the permanent arms race.

Traditionally, technological *innovation* happens to arrive in bunches because it does not automatically flow from technological *discovery*; many discoveries will be allowed to lie dormant as long as current technological processes (and the fixed capital investments which they imply) have not been thoroughly exploited. But what is common capitalist procedure in the field of industry would become pure suicide in the field of armaments. The basic conflict between the capitalist powers and the Soviet bloc being what it is, capitalist countries cannot indulge in the luxury of first thoroughly using up supersonic bombers before going into rocket production. On the contrary the logic of the arms race implies that each basic technological discovery must lead as quickly as possible to innovation (that is, to large-scale production) in order that the same, or more advanced technology, does not become the monopoly of a potential antagonist. It is this which condemned the "Blue Streak" project before it was completed. As a result of the arms race, therefore, the time lag between technological discovery and technological innovations tends to shrink or even disappear altogether. Although the big monopolies will resist the automatic transfer of these innovations from the armament sector to the civilian sector of production, the interpenetration of both these sectors³ as well as the threat that competitors will use these innovations in order to improve their individual position, results in the general rate of innovations being considerably accelerated.

From a Marxist point of view, the *shortening of the duration of the trade-cycle* which coincides since 1940 with the new Kondratieff long wave of increased growth can be explained by this same factor of stepped-up technological innovation. For Marx, the length of the trade cycle depends essentially upon the period of renewal of fixed capital. This was traditionally an eight to ten year period. Quicker technological innovation means, of course, a quicker renewal of fixed capital, whose lifetime is considerably shortened as a result of "moral" obsolescence. We thereby get trade-cycles of four to five years duration instead of

those lasting eight to ten years. If the rate of technological innovation were to slow down again (as a result of the beginning of partial disarmament, or of the main factors of the "third industrial revolution" having spent themselves), the lifetime of fixed capital would again tend to grow, and the trade-cycle would again become longer. There is some indication—as yet insufficiently confirmed—that this has already happened in the U.S.A. since the 1960–61 recession.

The anatomy of neo-capitalist growth

The history of capitalism has always been dominated by uneven development: between countries, between regions inside each country, between groups of industries, and between industry and agriculture. Germany, Italy and Japan are the three major powers which in the past decade have shown a higher rate of industrial growth than all others, while the unevenness of regional growth, in these three economies as well as in Britain, France, Belgium, Holland and the U.S.A., is a phenomenon that has been much commented upon. It is therefore necessary to draw attention in the first place to the uneven growth of various branches of industry, which is one of the main keys for understanding the present capitalist world (and Mr. Khrushchev's speech to the Central Committee of the C.P.S.U., in December 1963, shows that this is true not only of capitalist countries).

Between 1958 and 1962, overall industrial production rose by thirty-four per cent in the six countries of the Common Market. During this same period, the output of cars rose by seventy per cent, the output of machine tools for the metal industry by 100 per cent, the output of plastics by 160 per cent and the output of synthetic fibres by 235 per cent. Further: industrial equipment and vehicles, which in 1938 represented only 32.7 per cent of Germany's exports, today represent 46.2 per cent (1962); while in France, they represented 14.5 per cent of total exports in 1938 but in 1962 this percentage was already 26.8 per cent, and it reached 30.1 per cent for Italy in the same year.

Even if we look at the U.S.A., which from many points of view went through a phase of near-stagnation during the same period, we discover that the chemical industry passed the fifty per cent increase mark over the 1958 level of output during the first half of 1963. As for electricity output, it is running at present at the monthly average of 90 billion kWh, against 66 billion kWh in 1959 and 60 billion kWh in 1958, again a fifty per cent increase. The slower overall rate of growth of the American industry is a result of the combination of stagnation in the "older" industries (like steel, coal, textiles) and fast growth in chemicals, electronics, and electricity.

It is demand generated by these quick-growing industries (to which the building industry must be added, at least in countries like Germany, Italy and Japan) which explains the generally high level of expansion in most of the imperialist countries. In the same way, it is the key-role

played by the rapid growth of certain big imperialist powers (in the first place Germany and Japan) which explains largely the growth of all other imperialist powers, since these latter are their main trade partners.

This is especially true for Western and Central Europe. The economy of this part of the world has expanded, so to speak, as a system of concentric circles, with Western Germany's growth at the centre. This growth has induced the growth of other countries whose economy is deeply integrated with that of Western Germany (Austria, Switzerland, Denmark), and it has further generated accelerated growth in all the Common Market countries. Even peripheral countries like Spain, Greece and Ireland (and in the future possibly even Portugal and Turkey, if the expansion lasts long enough, which however is rather questionable) have been drawn into the same whirlpool of capitalist expansion.

Some proof of this "anatomy of growth" can be clearly given in an industry-by-industry breakdown of expansion figures, provided by Common Market statistics. For instance: between 1953 and 1960, Germany's imports of manufactured paper rose from 252,000 tons to nearly 1.2 million tons; total imports of the six Common Market countries rose from 628,000 tons to 2.4 million tons, of which only thirty-five per cent came from Common Market partners, thus providing a huge supplementary market for countries like Austria, Sweden and Finland. From 1954 to 1961, German output in the shoe-industry rose from roughly 100 million to 150 million pairs of shoes a year; but during the same period, German imports of shoes rose by value from less than 5 million to nearly 50 million American dollars. During the same period Italy's shoe exports rose from \$20 million in 1956 to \$125 million in 1961, of which \$41 million worth went to Common Market countries. Another example is that of the wood and furniture industry. Western Germany's output doubled between 1953 and 1961, but its imports increased nearly fivefold between 1958 and 1962 (from \$4 million to \$20 million); and during the same period, Italian and Dutch exports both doubled respectively from \$5 million to \$10 million and from \$6 million to \$12 million dollars, of which in the case of Italy only thirty per cent, but in the case of Holland more than seventy-five per cent were sold to Common Market countries.†

Why was economic growth so much quicker in Western Germany, Italy and Japan than in the other capitalist countries, and why did these three countries play such a strategic role in the general economic growth of much of the Western world? Several important factors could be advanced in order to explain this phenomenon. The most important one, however, seems to have been the exceptionally high rate of capital accumulation, explained by a very high rate of profit, which in its turn depends upon a much lower level of wages compared with other

capitalist countries; and the lower wage levels are to be explained by the *much larger reserve army of labour*.

Historical factors can easily explain these distortions between the wage rates in the early 1950s of the U.S.A., Britain, Sweden, Belgium and even France on the one hand, and Western Germany, Italy and Japan on the other hand. The capitalist class in each of these three latter countries were provided with an exceptionally favourable combination of circumstances. In the first place, they each had an abundant manpower situation with large-scale unemployment, and therefore low wage-rates. In Italy it has been the underdevelopment of the *Mezzo Giorno* which made Southern Italy into a vast reservoir of labour supply for the North; in Japan it was the combination of a "modern" and an "archaic" (traditional) sector of industry, with the latter providing large reserves of labour for the former; and in Western Germany there was the influx of more than 10 million refugees. Secondly, there was an immense fund of technological knowledge and innovation developed during the previous decade in the Anglo-Saxon countries which offered many possibilities of very rapid increases in productivity. It was the existence of these two main factors which explains at one and the same time the extremely low initial levels of wages in these three countries at the beginning of their boom periods and the practicability of "buying social peace" in exchange for *regular annual wage increases of a rather broad scope* which did not cut into the high rate of profit. Given the extremely rapid rate of accumulation the industrial structure of these three countries has been transformed within the last ten years.⁸

The contradictions of neo-capitalism

Neo-capitalism itself is the new *modus operandi* of the capitalist system, whose distinctive characteristics flow from the organic needs of capital itself, as well as from the system's attempt to answer the challenge of the world wide progress of anti-capitalist forces (the Soviet bloc and the colonial revolutions). These characteristics can be summarized in the following way:

- (1) The stepped-up rate of technological innovation and the shortening of the life-span of fixed capital, impose accurate calculations of depreciation and obsolescence, and more and more precise *long-term cost planning* in general. These are made possible by the rapid progress of computer techniques and their application to *economic* calculations.
- (2) Like the two previous ones, the third industrial revolution implies again a tremendous increase in the volume of industrial production, and there is a new and sharpened contradiction between seemingly limitless productive capacities and the limits of effective demand of the "market." Increasing difficulties of realization of surplus-value lead to a *constant increase of selling costs*, and to

the development of techniques of marketing, market research, elasticity of demand calculations, together with the somewhat less sophisticated antics of publicity.

- (3) The necessity of avoiding at all costs a repetition of the 1929 type depression has become a life and death question for capitalism under the conditions of the Cold War and the rise of the anti-capitalist forces on a world scale. The techniques of **anti-cyclical** policies and the redistribution of purchasing power by each individual State are developed on an increasing scale. The State now guarantees, directly and indirectly, private profit in ways that range from concealed subsidies to the "nationalization of losses," and this aspect of contemporary capitalism now becomes one of its most notable features.
- (4) The combination of all these factors leads to a gradual introduction of "planning" techniques into the capitalist economy, which are fundamentally nothing else than integrated forecasts of demand and output by employers' associations (based upon projection into the future of current trends, corrected by rough demand elasticity calculations), and which serve to "rationalize" in a certain way capital investment.

Although most of these "plans" involve some large errors in **forecasting**,⁴ and have not been able at all to prevent the appearance of excess capacity on a wide scale, it would be wrong to deny their usefulness from the point of view of the big monopolies. The French Commissariat du Plan; the Dutch Planbureau; the Belgian Bureau de Programmation and their Italian counterpart (recently imitated in Britain by N.E.D.C.) certainly help the employers to make investment decisions on a more sophisticated basis than by the old rule-of-thumb methods. Usually, this help is appreciated, and when it is not, it is more for reasons of political bias and bigotry than from any fear that this form of programming will undermine free enterprise and capitalism in general.

But if neo-capitalism's successes certainly shine bright, in view of results obtained during the past ten years, its inner **contradictions**—which superimpose themselves, so to speak, on the general contradictions of the capitalist mode of production, which have not been **eliminated** in any way whatsoever—are also coming to the forefront.

In the first place, inasmuch as neo-capitalism generates a higher rate of growth, in order to make possible a quicker amortization of fixed capital, it also tends to depress the reserve army of labour, and even to lead to nearly full employment (what the employers, of course, will call over-full employment). It thereby destroys one of the basic mechanisms which make capitalism work. For once there is no large-scale unemployment, there is no institutional factor built in to the economic system which can prevent trade unions from exploiting favourable market

conditions for winning higher wage rates. And such continuously increasing wages rates, enter, of course, into conflict with the need for a high rate of profit in order to finance the huge capital outlays which are at the very basis of neo-capitalism's growth policy.

There thus appears *a growing contradiction between the needs of neo-capitalist programming and trade union freedom of bargaining for higher wages*. The capitalists try to solve this contradiction in two ways: an economic way and a socio-political way (or a combination of both).

The *economic* solution is a change in the *nature* of investment, putting an end to "extensive" or horizontal investment (i.e. the creation of new plants and enterprises) and concentrating on "intensive" (or vertical) investment, i.e. on labour-saving devices. This explains the *massive development of automation*, the aim being the *reconstitution of the reserve army of labour* which will tend to come about when the annual growth in productivity outruns the annual growth in output. This is the economic force which helps to make technological innovation *permanent* in the present long-wave Kondra tieff cycle.

In the U.S.A., this solution has been successfully applied during the past ten years, with the result that there has been a steady growth in the volume of structural unemployment. Even during periods of rapid economic development the large pool of unemployed remains. In 1962, for example, output grew by nearly nine per cent but there were still throughout the period more than 4 million unemployed. It can be applied in an even more efficient way if it is combined with a growing export of capital towards economies with lower wage-rates, the effect of which is to exert pressures on existing wage-levels in the capital-sending country, or at least a pressure against any upward movement.

The success of this employers' policy in the U.S.A. can be measured by the slowing down in the increase of real wages during the last ten years compared with the rapid wage increases on the European continent and in Japan. It can be assessed, too, by the slow erosion of trade union strength, and the changed relationship of forces between employers and trade unions which has resulted from this new situation.

In Western Germany, as soon as the steady flow of refugees from the East started to dry up, and as the reservoir of manpower thus disappeared, money wage-rates started going up very quickly. As a result of this reversal of trends, West Germany's real wages rapidly became the highest of the big industrial powers in Western and Central Europe. And German capitalism immediately reacted in the same way as in the U.S.A., as a result of which total industrial employment actually *went down* for the first time during the first half of 1963 (from 8,037,000 to 7,976,000), after having risen since 1960 by less than four per cent, whereas industrial output, which had risen by more than twenty per cent between 1960 and 1962, again rose in the first half of 1963, although only by 1.5 per cent.⁷

The *socio-political* solution consists in bringing strong pressure to

bear upon the trade-unions, either to practise wage restraint in a voluntary manner, or to be restricted in their bargaining possibilities and in the legal right to strike (Taft-Hartley law in the U.S.A.; French anti-strike laws; big financial penalties imposed upon "wildcat strikes" in many Western European countries; attempts to impose an "anti-strike law" in Belgium).

But these policies, however successful they may seem in the short run, are self-defeating in the long run in terms of the goals neo-capitalism has set itself. For a huge build-up of fixed equipment, financed by a large increase in the rate of profit, cannot but lead to a considerable growth in the productive capacity of society, including its ability to produce consumer goods. And this must conflict, sooner or later, with the decline in consumer's purchasing power which will result from the relative stagnation both of wage-rates and employment.

In the same way, both the attempt to stimulate growth by mild inflation and to halt inflation by deflationary policies, must in the long run become self-defeating. Creeping inflation is one of the basic contradictions of neo-capitalism and of welfare-statism in general. It results both from organic developments of capital ("administered prices" under monopoly capitalism) and from the specific new characteristics of the epoch (huge increases in arms expenses and in unproductive outlays in general). Boom conditions normally generate price increases. In the long run, this creeping inflation erodes the purchasing power of the main currencies, disorganizes long-term investment operations, stimulates speculation of every kind, among which real estate speculation occupies a privileged position in most countries, and generally undermines the normal functioning of the system (and in the case of the U.S.A., growing capital exports are, of course, one of the causes of the deficit in the balance of payments). Any attempts to come to grips with inflation through efficient deflationary measures only throttles economic growth as such, and leads to stagnation, as Tory Britain (and in a certain sense the U.S.A. under Eisenhower) have learned to their cost: the cure is deadlier than the illness.

These contradictions of neo-capitalism are not only of theoretical importance inasmuch as they prove that the system remains fundamentally what it has always been. They also lead to the conclusion, that the present rate of growth cannot be kept up; that the Common Market countries will also witness recessions; and that the long wave of increased growth will probably come to an end sometime during the 'sixties. The fact that the economic growth of the underdeveloped countries has not kept pace at all with the growth of the industrialized countries; that trade between the industrialized countries has more and more been substituting itself for trade between the advanced and the underdeveloped world; and that therefore the underdeveloped countries can play less and less the role of a safety valve for the capitalist system as a whole, reinforce these conclusions.

Excess capacity: the "memento mori" of neo-capitalism

In my *Traité d'Economie marxiste*, I already emphasized the trend towards increasing excess capacity in capitalist industry, as one essential by-product of the reduced recessions and the smoother operation of the system during the present phase of accelerated growth. In the boom year 1956, in the U.S.A. the automobile industry worked only at seventy-two per cent of its capacity, and the radio and TV industry at sixty per cent of its capacity. The previous year, these percentages were respectively fifty-five per cent in vacuum-cleaner production, forty-six per cent in the refrigerator industry and seventy per cent in the cotton industry.*

The same phenomenon has recently spread to Western Europe. In the Common Market, excess capacity has appeared in several sectors: e.g. refrigerators, sewing machines, synthetic fibres, shipbuilding. A recent source indicates that in Western Germany, the overall rate of utilization of productive capacity in industry has fallen from 93.8 per cent in 1956 to 90.2 per cent in 1960 and eighty-four per cent in 1962.⁹ But the two most significant cases which merit more comment are those of the European steel industry and the European automobile industry.

Excess capacity in the European steel industry has existed for several years, and output has stagnated in the Common Market steel industry since 1960. However, despite stagnation, investment has continued to increase. A record investment of \$775 million in the steel industry of the Six in that year was increased by no less than forty-five per cent in 1961; and the investment level of 1962 was nearly double that of 1960.

The explanation of this investment boom in face of stagnating output is simple: a series of technological innovations (LD, Rotor and other patents, all based on massive oxygen injection) are being applied on a large scale, and these new methods will mean a substantial fall in costs. The introduction of new methods is all the more necessary as stagnation in output and under-utilization tend to raise costs and thereby cut into the rate of profit, at the same time as increased international competition sharply reduces export prices.

This is a good example of the limits of neo-capitalist programming; and the attempt of each individual firm to arrive at maximum income under the conditions of a relative stagnation of demand leads to a mad scramble for cutting production costs. This results in a considerable increase in total productive capacity in the industry, the outcome of which can only be redundancy in the future.

The facts are striking. While the global output of the steel industry of the Six has been stagnating for four consecutive years around 73 million tons a year, productive capacity for 1965 is expected to rise to around 95 million tons (some sources even quote 100 million tons). Similarly, the output of hot rolling mills for 1965 is expected to be in the neighbourhood of 1.8-to 1.9 million tons, while productive capacity in that year

would increase up to 35 million tons, if all current investment programmes are fulfilled.¹⁰

The case of the Western European automobile industry is as significant as that of the steel industry. But whereas the steel industry illustrates the development of excess capacity under conditions of *relatively stagnating markets* (under the pressure of price reductions), the car industry illustrates the development of excess capacity under the pressure of *rapidly growing markets* (and the feverish attempts of each firm to conquer the biggest possible share of that "bonanza" market, which is rightly considered to be of relatively short duration).

Total annual output of private cars (i.e. excluding lorries) has risen from nearly 1 million in 1953 to 3.7 million in 1961 in the six Common Market countries. By adding British output, this makes a total output of 1.5 million cars in 1953 and 4.7 million cars in 1961 in Western Europe. The total number of all types of vehicles in the Common Market countries has risen during this same period from 5 to 15.7 million, in the Six plus Britain from 7.8 to 22 million cars.

Projecting current demand in the future and using certain co-efficients in order to predict prices, income and demand elasticity on this basis, possible sales inside the Common Market of 3.5 million private cars in 1965 and of 6 million private cars in 1970 have been foretold. But current investment leads to a productive capacity of 6.5 to 7 million private cars in 1965 in these six countries, and their projection towards 1970 even mentions the figure of 10 million. It is obvious that the excess capacity already existing today is going to be greatly increased during the next years, and that this in turn will encourage many firms to increase investment in order to cut costs.¹¹

Socialists and neo-capitalism

Socialists should view neo-capitalism as an essentially organic development of monopoly capitalism. This means that they can neither see their task as the hastening of neo-capitalist reforms, nor in defending more backward capitalists, who try to obstruct neo-capitalist reforms because they cannot keep up with the pace of investment and competition. The approach must be the same as the one socialists took traditionally towards capitalist concentration and monopolies, neither "promoting" concentration in the name of efficiency, nor "defending" technically backward firms in the name of economic freedom, but of considering concentration as inevitable *within the framework of capitalism*, while using the progress of concentration as a most powerful argument *in favour of introducing socialism*.

Neo-capitalist "planning" is planning neither in favour of harmonious growth nor "in the interests of the nation," but planning in favour of rationalizing the oligopolies' investments *in defence of private profit*. Everything is geared, in the long run, towards this central goal: the protection, defence and guarantee of private profit in the strategically

central areas of monopoly capital (and the sectional interests of other bourgeois groups are likely to be quite ruthlessly sacrificed in the process).

Socialists should neither oppose to these planning techniques the reactionary ideal of laissez-faire nor support them as a "step forward," but insist upon the reality of socialist planning which does not imply only technical differences (such as a greatly increased volume of direct State investment and an enlarged public sector which will make possible a centrally planned direction of the economy) but which involves social priorities quite different from those which obtain today. A series of production priorities, established by democratic discussion, will begin to make possible the creation of a genuine equality of opportunity for all. These new economic and social objectives will not only provide free medicine, free education, decent housing and the possibilities of creative leisure, but **they** will also permit the working class of the West to make a necessary contribution towards the final emancipation of the colonial peoples, not only from foreign oppression and exploitation, but also from the consequences of underdevelopment.

Around these priorities, a series of production objectives will then automatically organize themselves, and provide us with a pattern of production for needs as opposed to the production for profit of today, which has aptly been described as involving

"the purposive creation of dissatisfaction: the stimulus to status-seeking through conspicuous consumption; the incitement to **create** social differences working on the knowledge which modern psychology has unearthed; the playing on the sense of insecurity to encourage the desire of people to identify themselves with groups, which are outwardly full of goodwill but fiercely competitive in reality; the use of human frailty for profit-making purposes when concentrated educational and psycho-therapeutical drives would be needed to mitigate them." (Thomas Balogh: *Planning for Progress*, pp. 46-7, *Fabian Tract* 346).

Socialists should not accept the neo-capitalist myth about the welfare state and the mass consumer's society. They should oppose their own values of consumption to those of the system geared to the **maximization** of private profit for a few monopolies, They should challenge further the inability of neo-capitalism to change in any way the autocratic structure of business, which is the basis of the alienation of labour in contemporary industry.

For that reason and also because it is the necessary answer to any campaign in favour of an "incomes policy" (everybody knows the wages bill, but since there are innumerable ways of hiding profits, in order to avoid tax payments, why should we believe any statement of profits from the employers?) the demand for workers' control is today the strategically central demand of socialists and of the Labour movements in general.

Workers' control is a first and essential step towards socialist **demo-**

cratic planning—the only efficient answer to neo-capitalist-programming. It is the first step towards workers' management of a socialised economy and towards industrial democracy (and as long as the economy is capitalistic, workers should refuse all co-responsibility in management). The demand for it is the means of drawing the working class into the great debate around the aggregate volumes of wages and profits (surplus-value) which the discussion around an "incomes policy" will inevitably lead to. And it will give the essentially defensive strategy of the trade-union movement (against wage-restraint, and for freedom of bargaining) the necessary militant and positive character, without which the workers will be fighting a losing battle against the technocrats and their employers.

NOTES

1. Fully developed in: "Die langen Wellen der Konjunktur"—*Archiv für Sozialwissenschaft und Sozialpolitik* (Tübingen), vol. LVI, no. 3, December 1926, pp. 573–609.
2. *The First Five Years of the Communist International*, Pioneer Publishers, New York, vol. I, pp. 201, 205–6.
3. The "boom" of the civilian electronics industry has been mainly sustained by military orders, e.g. in the U.S.A.
4. *Statistiques Industrielles*, publiées par l'Office Statistique des Communautés Européennes, nos. 3 et 4 de 1963.
5. One should add that the change in the structure of popular demand, with the proportion of the family budget devoted to buying food declining rapidly, is an additional explanation of some aspects of the boom (for instance, the greatly increased demand for durable consumer goods). Of course this has been compensated by a permanent crisis in agriculture.
6. Some striking examples of wrong forecasts: the Belgian ministry of Economic Affairs, under the influence of the Suez crisis, thought that coal output would have to be increased from 30 to 40 million tons; it was, in fact, reduced from 30 to 21 million tons within a few years' time. The 4th French "plan" foresaw a big increase in refrigerator output and it discounted foreign competition; in fact, Italian imports have cut French output by nearly twenty-five per cent.
7. Other examples from Western Germany: the precision industry just kept its output from 1961 to 1962; but employment fell by 2.3 per cent. The iron and steel industry increased its output by 7.9 per cent between 1960 and 1962 but reduced total employment by 2.8 per cent; the musical instruments and sports equipment industry increased its output by 22.7 per cent between 1956 and 1962, but employment fell by 6.3 per cent. All these employment figures are global, i.e. they apply to the sum total of manual workers, white-collar workers, and technicians. The fall in production workers' employment is of course much greater.
8. U.S. *News & World Report*, 25 May 1956 and 11 March 1955.
9. *Automation und technischer Fortschritt in Deutschland und den U.S.A.* (Europäische Verlagsanstalt, Frankfurt a/M 1963), p. 127.
10. *XI^e Rapport général sur l'activité de la Communauté de la CECA, passim.*
11. Agence *Europe—Documents*, no. 179, 4 janvier 1963: "Les problèmes de l'industrie automobile européenne en 1963," *passim.*