



COMMUNIST REVIEW

- **Megan Dobney** Economic Crisis – the Sunset for Capitalism?
- **Martin Mayer** Strong Left Unions can – and do – Win!
- **John Foster** Superprofit, the Super-Rich and the Failure of Britain's Ruling Class
- **Sitaram Yechury** The International Communist Movement in the 21st Century
- **Kevin Donnelly** Youth Dependency and Resistance – a Marxist Perspective



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By Megan Dobney

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# editorial



By Martin Levy

DOES THE CURRENT financial and economic crisis herald the sunset for capitalism? That was one of the questions addressed at last November's Communist University of Britain by two of the contributors to this issue of *CR*, South East Region TUC Secretary Megan Dobney and CPB International Secretary John Foster.

The question, of course, was to a certain extent tongue-in-cheek – capitalism is not about to collapse of its own accord. Yet it would be unscientific to ignore the fact that the contradictions within it have sharpened significantly, and that these provide both new dangers and new opportunities.

In the past the term “general crisis of capitalism”, developed by communists to describe the era from the First World War onwards, was too often regarded deterministically, *ie* that capitalism was enmeshed in contradictions from which it would ultimately be unable to escape. Such an approach led to complacency in sections of the international movement, which certainly contributed to the overthrow of socialism in the USSR and Eastern Europe. Yet in using the expression back in the 1930s, Stalin quoting Lenin, had already cautioned against regarding the crisis as hopeless for the capitalist class.<sup>1</sup> It could find a way out, but only at the expense of working people – and that, of course is what happened most starkly in Hitler Germany, leading to the horrors of the Second World War and the Nazi Holocaust.

The German Marxist philosopher Hans Heinz Holz has argued<sup>2</sup> that the term “general crisis” signifies that the

internal contradictions of capitalism have become so irreconcilable that they threaten the very conditions of existence of humanity. That was already true in the early twentieth century; and it has become even more so now, quite apart from the Great Crash of 2008. Our era is characterised by crises not only of the economy, but of the environment, culture, societal relations, individual identity, of politics – threatening democracy – and of international relations – with hot wars having replaced the Cold War.

Capitalism, says Holz, “does not fall to pieces in the crisis; that only happens when the masses form themselves into the historical counterforce, the bearer of the struggle for a new social order.” That has to become the order of the day. The 2008 financial crash – itself a consequence of the general crisis – means that the capitalist economy can no longer afford the concessions won by the working class. Hence the offensive, aided and abetted by governments, on jobs, pay, pensions, benefits and public services. The working class must respond.

In our lead article, Megan Dobney demonstrates where we need to start, not only in terms of organisation, but also in the demands that we should put, as a direct challenge to the neoliberal orthodoxy – “speculating to accumulate”. Our strengths, she says, are “where they have always been under capitalism: in workers, in the workplace – where workers cooperate and collaborate – in political education and in mutual support.”

This is a theme taken up by Martin Mayer, chair of United Left, in his article





immediately following. Drawing on the experience of a number of recent industrial disputes, he demonstrates that “It is only unionised workers with an organisation and an access to alternative views and ideas who have the confidence to fight back in the current economic climate.” From this he goes on to stress the importance of building broad lefts in different unions, based on an organising structure bringing power back to the unorganised and poorly organised, and on a political fight-back “to win effective political representation once more for working people.”

In our third article, John Foster draws attention to the way in which economic decision-making in Britain is serving the interests of the super-rich – those with £3m or more to invest, generally in hedge funds and private equity companies clustered around the “alternative investment market” in the City of London. This tiny section of Britain’s monopoly capitalist class, probably no more than 0.2% of the adult population, is sacrificing workers’ pension funds and the investment needs of manufacturing industry to its own drive for superprofits. These people expect to see their wealth grow massively, despite the recession. However, they themselves are not even the driving force in this area: rather, it is the US investment banks and hedge

funds which dominate the City who are calling the shots.

The internationalisation of finance capital is also discussed in the article by Sitaram Yechury, International Secretary of the Communist Party of India (Marxist). He too spoke at the Communist University of Britain last November, and then again at the International Meeting of Communist and Workers’ Parties in New Delhi later that month, and his article here is a transcript from the latter. He argues that, while inter-imperialist contradictions still exist and will intensify in the future, the current phase of imperialism is characterised by the emergence of international finance capital (IFC), operating outside the strategic interests of specific nations. This IFC, he says, is enmeshed with industrial capital and has led the commonality of neoliberal attacks on working people, in order to reorder the world for profit maximisation. It is this offensive that has precipitated the current economic crisis, but – however that is resolved – a much graver systemic crisis is impending due to the indebtedness of the US economy and the impact that there will be on world trade as the US tries to reduce the deficit.

The nature of IFC, and whether it really is entwined with industrial capital

and detached from nation states, may prove to be a point of discussion in future editions of *CR*. Indeed John Foster argues here that finance has been largely parasitic on industrial capital in Britain and the USA, although now private equity in the US is starting to take control of profitable productive assets on a more long-term basis. Furthermore, there are moves within the US administration to steer investment away from finance capital and into the productive economy.

In Britain, however, not only is that not happening, but the dominant hedge funds, private equity companies and investment banks are obstructing even modest attempts to regulate the banking sector. In comparison with other major capitalist economies, Britain sticks out like a sore thumb in terms of the aggregate bank holdings and bank debts as ratios to gross domestic product. This is creating in a situation, predicted long ago by Marx, where capitalism in Britain has exhausted its ability further to develop productive forces. This, John argues, brings Britain far closer than any other major capitalist power to the point of transition to a new mode of production.

If this is indeed the case, then the stakes are particularly high, because it means that Britain has become the weak



# Economic Crisis – the Sunset

**I WANT TO SHARE A** couple of thoughts about this crisis and where we might act.

**FIRST**, one thing you can say about capitalism is that it is an immoral system – and, in a crisis, it seems that the light is fading fast on what little proper behaviour it has had.

It is immoral that this system, at this time, places the price to pay for the outcome of the actions of a small number of financial manipulators on a large number of working people.

It is immoral that this country, at this time, has nearly 4 million children living in poverty – 30% of all our children – none of them bankers, all of them blameless.

It is immoral that 1 in 6 young people aged 18-24 is unemployed – 1 in 5 in inner London and Merseyside.

Lazy thinking and opportunist speaking is immoral. Whether at ministerial level or in the High Street – but most importantly at high level, where such an approach is persuasive, sloganised and abbreviated – it creates the political environment where thought is not required, but blame is.

So the naughty bankers must wait three years for their bonuses? Slap, slap. But workers must take an immediate pay freeze, or a pay cut, or lose their jobs. They must make their contribution to the economic recovery and they must make it now.

And the moral climate deteriorates and we slide from twilight to night, disarmed by political ignorance.

**SECOND**, under cover of the night, the British National Party and others on the far right are growing and spreading. Fed by desperation amongst many people still waiting for housing and jobs, and by complacency and liberalism amongst many parts of the so-called better-educated, the BNP is now being elected by communities at every level from parish council to the European Parliament – except thus far to the House of Commons.

It would be immoral of me to speak of the threat of the BNP without speaking of Barking & Dagenham Council. The BNP is the official opposition – this level of support means that not only did

vote for it, but it is very likely that trade union members did too.

And this is not just an issue of representation. The expression of fascism and racism in people's daily lives is frightening and damaging. Recently I spoke to an officer in the London Development Agency, who is responsible for a series of road shows, taking the Mayor's new Regional Economic Strategy out to London's town centres. There we have it: a plan (we won't go into its shortcomings) that outlines Mayoral intent on housing, transport, jobs, and public space, but this LDA officer was shocked at the outspokenness of people he met: "Why bother? It's all the fault of blacks" (or immigrants, or the workshy). Like many of us, he doesn't come across this in-your-face attitude very often.

These people are the same "hard-working families" that both the government and the opposition parties are so fond of sloganising about. They are desperate people who can't see the dawn, or even the possibility of a dawn.

So where is the dawn? Where are our strengths? Or rather, where are our incipient strengths? They are where they have always been under capitalism: in workers, in the workplace – where workers cooperate and collaborate – in political education and in mutual support.

SERTUC, the South East Region of the TUC, covers three government regions – London, the South East, and Eastern. Within this area there are 20 million people, of whom 2 million are trades unionists.



# for Capitalism?



by Megan Dobney

In the period between 1998 and 2008 (the latest figures available) trade union membership nationally fell by 144,000 – but membership in the SERTUC region rose by 94,000.

Fantastic, but it would be quite immoral of me to leave you with that thought without qualification.

Trade union density in Great Britain is lowest in these three regions, at between 21.5 and 23.5%, compared with the highest region/nation, Wales, at 37.4%. This low density reflects the early changes in

manufacturing structure in the Region with a shift from production line to high value manufacturing. It does not reflect incompetence on the part of either trade unions or the TUC in the region.

Similarly, the increase in membership over the last 10 years does not reflect the superiority or efficacy of trade unions in the region, nor of SERTUC – but objective structural changes in regional workplaces.

So what is to be done? I think that the focus should be on trade union organisation and education. But we have a hell of a task. It might be illegal, but solidarity is a moral action.

Across the country, for every trade union member there are at least two more workers who are not members – and up to almost four in the South East. But getting more members is not in itself the answer. Rather than numbers, we need activists – with the confidence, and sufficient political understanding, to act.

I have always been a fan of the phrase, “Speculate to accumulate.” And at

this stage of the game it doesn’t matter whether it is in the public or private sector.

In the public sector:

- NHS cleaners – one extra cleaner significantly reduces MRSA and is estimated to save a hospital £30,000-£70,000.
- Tax officers – income tax is 29% of government income at £155bn a year. It is estimated that a total of around £50bn a year is lost in unpaid taxes – yet 18,000 jobs have gone in HM Revenue & Customs, with another 7,000 under threat.
- Royal Mail makes £1m a day – there is no argument outside of Peter Mandelson’s fevered mind for handing this over to privateers.

In the private sector:

- The London Living Wage, rather than the minimum wage, boosts local economies and reduces employment costs.
- An out-of-work skilled construction worker with a family will cost the state around

£20,000 a year in benefits. Far better to spend that on building the houses, hospitals, schools, roads, railways and runways that are needed.

Promoting these arguments, and others like them, is easy. Winning them requires focused action by those who have the power to change minds – organised workers.

So in brief, I am not optimistic about the prospect of capitalism soon sinking below the horizon.

But it is no use just bad-mouthing immorality or fascism. I am optimistic about the power of politicians – and by politicians, I mean us, not those in Parliament or the Town Hall – to win workers for the struggle, and to support them when they take on the employer. And to do that we have to be rooted in the workplace and in our unions, not carping from the sidelines.

“Educate, Agitate, Organise” remains the central slogan.

■ *Contribution to the session of the same title at the Communist University of Britain, November 2009.*

# Strong Left Unions can **and do** Win!

WE ARE FACING one of the most severe – and most sudden – economic crises in modern times. Most workers can see that the worst excesses of neo-liberal greed were to blame for the collapse, and that capitalism and its wealthy bosses are responsible. But with all three political parties still wedded to neoliberal economics, encouraged by the right-wing media and a compliant BBC, there are few convincing voices reaching working peoples' homes offering a left alternative. In fact it is only unionised workers with an organisation and an access to alternative views and ideas who have confidence to fight back in the current economic climate.

And fight back we must. Unlike in previous recessions, there is a full-blown employers' offensive going on. The bosses are taking advantage of the economic climate to demand job cuts, reductions in pay and attacks on conditions way beyond what is necessary to ride out today's bad times. This is not only bad for workers – it is a seriously divisive and unjust outcome for society as a whole. Alongside Portugal, Britain is now the most unequal society in Europe; and yet in 1979, when the Tories came to power, we were the most equal with the smallest gap between rich and poor – an example to other European nations.

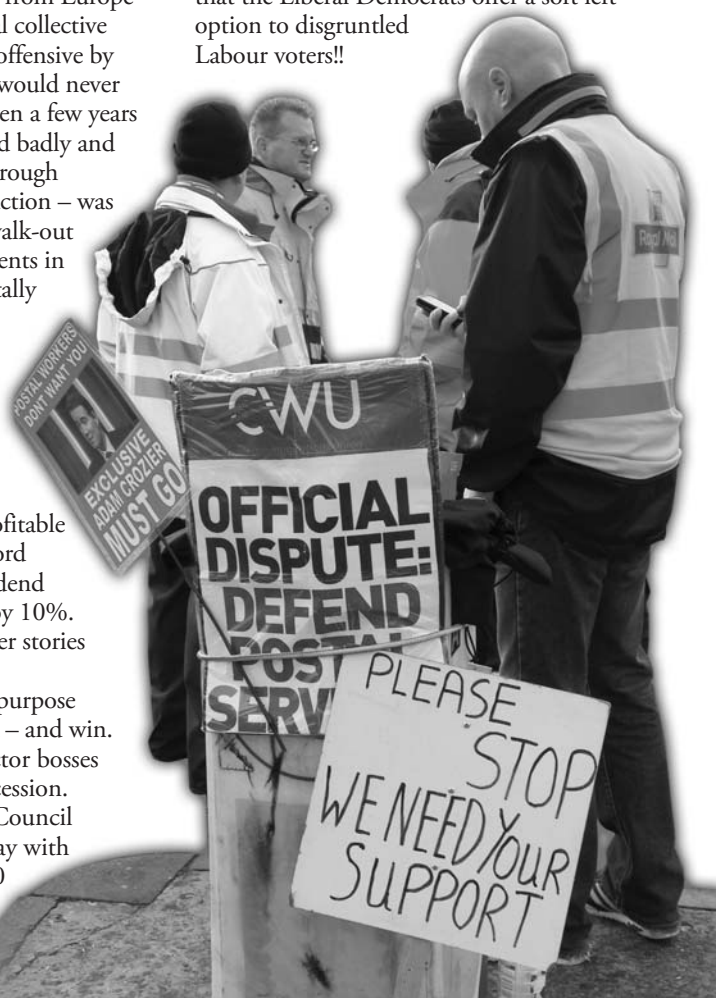
Tax cuts for the rich and other neo-liberal measures introduced by the Tories – and carried on by New Labour – are very much to blame. But fundamentally the attack on trade union rights and the effect this has had on the strength and ability of unionised workers to regulate wages is the biggest single reason for the relative decline in share of the nation's wealth allocated to working people. A quarter of a century of anti-union legislation has taken its toll, with barely 30% of workers now covered by a collective agreement, much lower than in any other West European nation. Worse still, even unionised workplaces

are hampered in their ability to restrain bad bosses because of the draconian nature of the legislation ranged against them. Employers' confidence has grown as a consequence, and during this recession we have seen daring attempts by bosses to challenge union power even in our strongest workplaces.

Take, for example, the Lindsey dispute. Twice in 2009 there were mass national walk-outs by thousands of UNITE and GMB engineering construction workers across the country, in protest against the employers' bringing in low-cost contract labour from Europe to undermine their national collective agreement. Such a daring offensive by these multinational bosses would never have been contemplated even a few years ago. But they miscalculated badly and union power – this time through unofficial solidarity strike action – was victorious. An unofficial walk-out at Linamar motor components in South Wales against the totally unjustified sacking of their UNITE convenor was similarly successful. UNITE bus workers in FirstGroup have been fighting back over a nationally imposed 0% increase, in spite of this profitable multinational boasting record returns and increasing dividend payments to shareholders by 10%. There have been many other stories too of unionised workers demonstrating strength of purpose and an ability to fight back – and win.

It is not just private sector bosses taking advantage of the recession. Leeds's Liberal Democrat Council thought they could get away with cuts in pay of up to £6,000 for refuse collectors – ostensibly to meet equal pay commitments but

actually in a drive to reduce costs and get re-elected on the back of a zero council tax increase. GMB and UNISON members fought back for 12 hard weeks – one of the longest and most bitter industrial disputes in recent history – before achieving complete victory. An identical dispute broke out in LibDem-controlled Brighton (settled in early December –*Ed.*), and Sheffield's LibDem-controlled Council is threatening council workers with the sack if they do not sign up to new contracts meaning big cuts in pay. Don't think for one minute that the Liberal Democrats offer a soft left option to disgruntled Labour voters!!







By Martin Mayer

Back in my base in Sheffield, our 750 UNITE bus drivers staged four 100% solid strike days in October against management bullying. Top of our agenda was an end to the harsh disciplinary culture and the reversal of several outrageous decisions against our members. The dispute encompassed other grievances including imposing rota changes without agreement – symptomatic of a new management culture in 21<sup>st</sup> century Britain that wants to sideline the union and implement change without negotiation. We have yet to conclude the dispute but we are achieving most of our demands in current talks, including a complete reversal of most of the disciplinary decisions we were seeking.

When we were on strike we found ourselves out on the same day as FBU South Yorkshire firefighters striking against an imposed change to their shift patterns and a threat of mass sackings if they refused to sign new contracts. South Yorkshire CWU posties had also staged a walk-out against management bullying just prior to their national ballot for strike action. At a joint rally we held outside Sheffield Fire Station a common theme ran through all of these disputes: a bullying management culture which no longer sees the need to work with the trade union and expects to get its way by imposing change and bullying and humiliating its employees into submission. In all three case strong unions fighting back forced a retreat.

This fight-back by union members can be spontaneous, but often it does not happen by chance. Workers need strong union organisation not only in the workplace but also nationally and regionally, geared up to assist them in struggle and driven by a fighting-back left agenda. This fight-back can be dampened and even destroyed by right-wing bureaucratic control and a culture of concession-bargaining amongst certain

full-time officials. A left fighting-back leadership has to be fought for and won through our democratic structures, not only at General Secretary level, but also in terms of a left executive and left direction of our national and regional lay-member committees.

That is why we need, in each of our trade unions, a vibrant broad left organisation which is firmly rooted amongst our activists and shop stewards. United Left, which was created by a merger of the T&G Broad Left and AMICUS Unity Gazette, is just such an organisation for UNITE, Britain's biggest union. Our role has been crucial in the internal decision-making process to make our merger work on sound lay-member democratic principles and to ensure that our members receive proper support and encouragement to fight back and win. That is why we voted on the Executive this year to increase dispute pay massively to £30 a day from Day 1 for all UNITE members – a massive confidence-booster to our members taking strike action.

United Left's Founding Statement has attracted wide support from activists and shop stewards who welcome our programme for progressive change both inside and outside the union. Our vision is based on:

- 1 A commitment to build effective lay-member democracy and control. We have just completed the biggest exercise in any British trade union, in creating 350 new lay-member constitutional committees nationally, regionally and locally. Now we must ensure that our lay representatives have the confidence to use this machinery effectively.
- 2 Restructuring the union to redirect resources towards branches, to help them fight back and win. That means a financial strategy which gives security to the organisation but refocuses the union and its officers towards our membership's needs.
- 3 An organising culture which can bring union power back to unorganised (and poorly organised) workers. This means a structured and well-financed organising drive targeted at key sections of the economy, backed up by a 100% drive in our existing recognised workplaces. Building sustainable lay-led branch organisation is the key, giving workers power to fight back for themselves.
- 4 A political fight-back based on a left strategy to win effective political representation once more for working people. Increasingly trade

unions are the only voice standing up against neoliberalism and calling for socialist solutions:

- no more privatisation;
- no cuts to public services;
- public investment such as a major council house building programme to build our way out of the recession;
- job protection measures including subsidies for short-time working, higher redundancy pay and disincentives to employers to cut jobs;
- reversing welfare reform and restoring dignity to low-paid and unemployed workers and their families, with adequate provision;
- reversing inequality by taxing the rich, controlling directors' bonuses and ending tax havens.

Above all United Left demands the repeal of the anti-union laws and the removal of legislative measures which discourage collective bargaining. Trade unions need the right to use solidarity action and to be free from legal challenges from employers seeking to stop industrial strikes which have been supported by a majority of members in a postal ballot. We demand also the reversal of the anti-union European Court of Justice Rulings (Viking, Laval, Ruffert and Luxembourg) which restrict the right to strike, to defend collective agreements, when employers bring in low-cost labour from other European countries. Our campaign must emphasise that the right to strike is a fundamental right, indeed a human right, without which our democratic principles are under threat and a more equal, civilised society is unattainable.

United Left also knows that our battles cannot be restricted to Britain and even Europe. Workers need to link up globally to confront and defeat an increasing number of multinationals which are driving down labour costs across continents. International solidarity and strength in our union work will play an even greater role in our union's battle for justice in the future.

The challenges are great but strong left unions with a progressive political agenda and a fighting-back industrial strategy are facing up to it. The good news is that there are many examples now of strong left unions fighting back and winning.

■ *Speech to Morning Star Northern Regional Conference, Gateshead, 28 November 2009*

# Superprofit, the Super-Rich and the Failure of Britain's Ruling Class



By John Foster

*“Never in the history of financial endeavour has so much money been owed by so few to so many. And, one might add, so far with little real reform”.*

Mervyn King, Governor of the Bank of England,  
20 October 2009<sup>1</sup>



## I. “Alternative” Investment: a Tonic for the Very Rich

The key lobbying body that emerged in 2009 to influence British government financial policy was the Alternative Investment Management Association (AIMA). It organised a series of initiatives, involving the Prime Minister, the Business Secretary, the Chancellor of the Exchequer and the Mayor of London, to modify the draft EU directive on financial regulation. It was also very active in influencing the British government ahead of the July White Paper on the regulation of the financial sector.<sup>2</sup>

Across the EU approximately £1,000bn is invested through the “alternative investment” market as against a total pension fund market of

£5,000bn (Britain’s GDP is approximately £1,400bn). The alternative investment market represents hedge funds and private equity investment companies. Of the hedge funds over three quarters are managed from London and the money is principally US-owned – benefiting from the tax haven status of the City for US citizens.<sup>3</sup> Most British money (as well as a lot of US money) is invested through similar vehicles located in the Crown Dependencies which offer tax haven status for British citizens.

The hedge funds and private equity investment companies have up till the present remained outside the regulatory framework that applies to banks and public companies. They do not have to publish accounts. They are

freed from minimum capital reserves and can borrow to an unlimited degree. Principally through such leverage, based on very high borrowing ratios of cheap short-term credit, they are able to magnify up relatively small percentage profits made in commodity and currency speculation, in company takeovers and in short-term trading in equities and real-estate securities. The average profit yield of hedge funds through the 1990s was 19%.<sup>4</sup> For the three years 2005, 2006 and 2007 London-based private equity companies had a profit yield three times that of the London stock exchange top 100 – mainly deriving from high debt leverage.<sup>5</sup>

Why doesn't everyone invest this way, then? First, because entry is limited – effectively to those possessing a large quantity of ready money. The threshold figure is currently around £3m. In September 2009 Crossbridge Capital Wealth Management conducted a survey of 800 British wealth owners with £2m minimum investment wealth which it described as “upper end customers of private banking”. Two thirds expected to increase their wealth over the next two years despite the financial crisis. A quarter expected to quadruple their wealth over the next five years.<sup>6</sup>

Writing in the *Financial Times* in September 2009 John Chapman, a former senior official of the Office for Fair Trading, supported calls for the full regulation of this sector – particularly to limit leverage. He also called for a tax on all transactions. He described the sector as “socially undesirable” and central to the financialisation of the British economy. Its intervention in the stock exchange and dominance of boardrooms had been responsible for “short-termist” policies, high dividend payments and a collapse of long-term investment. Its takeover procedures loaded

companies with debt, stripped assets and led to long-term economic decline. As a sector it was also only open to the “very wealthy”.<sup>7</sup>

This leads us to the second reason why not everyone can invest on this basis: the system would not work if they did. The very high profits of this sector depend on very low levels of interest for the great majority of salary- and wage-workers who invest their savings in pension funds or through High Street banks. It is their money that provides the bedrock capital of the public companies milked by the hedge funds. The same money provides the retail banks with much of the credit they then lend out for short-term leverage. And ordinary savers will be lucky to get 3% real interest.

If we use a threshold of £3m we can get some estimate of the proportion of the population involved. According to HM Revenue & Customs statistics, 1% of adults, *ie* 230,000 people, possessed in excess of £1m net wealth in 2003. The number possessing in excess of £3m investable wealth, that is excluding housing, is considerably less than 100,000: probably about 50,000 – little more than 0.2% of the adult population.<sup>8</sup> The amount of their wealth is almost impossible to estimate as much of it will be invested invisibly in tax havens outside Britain – for not just do the very wealthy get an excess share of profit income but they do not pay tax on most of it either. But their number, even though some of them will also be statistically invisible, is likely to be something of that order.

This is the true scandal of the current crisis. It has been the interests of this minute group, and the speculation on which their wealth depends, that, along with their US counterparts, has been largely responsible for the most serious world recession since the 1930s.<sup>9</sup> The bonuses paid to the managers of this wealth

are indeed exorbitant. These bonuses represent the reward for risk-taking near the limits of the law – and in the case of those who manage retail banks a gratuity for their collaboration. But these people are mainly managers. The real issue is the existence of this massive block of “special” capital that is able to secure superprofits at the expense of other forms of capital and of the viability of Britain's productive economy.

## 2. “The financier demands that others save for him”: superprofit and finance capital

The phenomenon of such “superprofit” capital is not itself new – only the way it has been operating over the past twenty years. One or two generations ago it was Britain's merchant banks who exercised a similar function of money management for the very wealthy – providing the short-term capital for share issues and company flotations and high interest corporate lending. A generation before that, in the 1910s and 1920s, certain big companies, such as ICI, Shell, Unilever, Anglo-Iranian Oil (BP) and Rio Tinto, possessed sufficient dominance over particular markets to be able to extract monopoly profits and in turn, through these funds, to interlock with the banking sector, a fusion which Lenin among others described as creating “finance capital”.<sup>10</sup>

Earlier still Marx himself observed the beginning of this process. He noted that the logic of capitalist development would mean that sooner or later one or two big companies would be able to dominate particular markets and therefore be to some extent immune from the “equalisation of the rate of profit”.<sup>11</sup> He saw this as introducing a critical contradiction into the capitalist economy by interfering in its central mechanism by which surplus value was distributed in rough equivalence to the living

and “stored up” labour employed. Its consequence would be the amassing of ever bigger masses of capital that would become the basis for “a superstructure of credit” interlocking with banking. The financier would then demand “that others save for him”, risking “social property, not his own”. In turn this would result in “a whole system of swindling and cheating by means of corporation promotion, stock issuance and stock speculation”.<sup>12</sup> However, at the same time the contradiction introduced by “monopoly in certain spheres” would threaten to dislocate the system's functioning and “thereby requires state interference”. In turn this intervention of the state in the functioning of the market will create “a new financial aristocracy”.

Marx, as always, chose his words carefully. What he captures here is the first stage of the process described by Lenin as the emergence of “finance capital”. Because the capitalist market is progressively distorted by monopolisation, it can no longer function automatically and the state has to intervene. It does so on the terms set by just part of the capitalist class; and finance capital increasingly extracts surplus through the state, dominates the state and becomes an “aristocracy”. In this way a division occurs *within* the capitalist class. Capitalist rule is increasingly in the interests of just one section, not the capitalist class as a whole, and the ruling class is correspondingly narrowed.

This process of integration reached a qualitatively new level during the First World War, producing what Lenin described as “state monopoly capitalism”.<sup>13</sup> Ten years later a major financial and economic crisis erupted. Marxist writers such as Varga and Dobb characterised this as the first crisis of a new and “special” type.<sup>14</sup> By this they meant that it was the first in which



the world scale of monopolisation prevented the normal process of “market-clearing”. Previously the temporary cessation of investment in a competitive capitalist market forced prices uniformly back to their labour value and economic activity automatically resumed.

On this occasion prices of non-monopolised goods declined by up to 50% while those in the monopoly sector fell scarcely at all. The result was a long-term cessation of investment by the non-monopoly sector, a corresponding cut in capacity by the monopoly sector and an unprecedented economic recession which reached its nadir in 1933 and continued through most of the 1930s.

The resulting political turmoil and threats to the capitalist order produced a series of interventions whereby, in the worst affected countries, the state took effective control of capital markets and exercised a much more central role in economic management. This form of

state monopoly capitalism intensified during the 1939-45 war and was embodied on a global scale in the 1944 Bretton Woods agreement largely on terms set by US capital. This settlement remained in place till the early 1970s.

Its mechanism was broadly Keynesian. Under the Bretton Woods agreement states operated managed currencies ultimately linked to the dollar. The supply of dollars was expanded by a small amount annually, usually 2%, to stimulate demand and to penalise unused or “hoarded” capital. This monetary stimulus was presented as having a “multiplier effect” by which the real expansion in output soaked up excess currency and prevented inflation. In reality this international Keynesianism created a growth environment in which giant US companies, controlling advanced technologies, were able to dominate markets, impose monopoly pricing and accumulate capital very fast.

In terms of its operation international Keynesianism, while maintaining relatively full employment in the advanced countries, involved an inflationary redistribution of income at the expense of all those who did not exercise such monopoly power over their terms of trade: Third World producers, small farmers, smaller businesses, savers and workers. The system depended in particular on incorporating the trade union movement into tripartite agreements with the state and business to exercise control over wage bargaining.

Eventually the system foundered as workers and others started to fight back. In the 1960s and 70s Third World producers of oil and copper, farmers in Europe and an increasingly unionised and combative trade union movement were able to place limits on the level of redistribution against themselves. The volume of surplus value was now unable to sustain profits for the massively expanded base of capital, and money supply had to be expanded at a much greater rate to maintain the super profit stimulus for big business.<sup>15</sup> Inflation rose over 10%. This then threatened a rupture with smaller savers in turn menacing the banking system, particularly in the US and Britain, the principal controllers of the Bretton Woods system.

### 3. Financialisation and the “Anglo-Saxon” Model

It was in face of this new and very acute crisis that the new “neoliberal” model was politically implemented. Conceived in the United States by the Chicago School monetarists, and initially tested on US neo-colonies such as Chile, it involved a fundamental break with the tri-partite corporate consensus to effect a “shock treatment” assault on organised labour. Ideologically, this was represented as a return to the

free market and the “shrinkage” of the state: the privatisation of all public assets and the end of all controls over capital.

In reality, it corresponded to the interests of a far more concentrated and monopolised finance capital now linking the big US monopolies and the investment banks and provided the basis for the process of “financialisation” that has marked the past thirty years. It also marked at least a temporary divergence between the type of state monopoly capitalism being innovated in the US and Britain, the “Anglo-Saxon” model, and the more corporatist version that remained in France, Germany and across most of continental Europe – where the proximity of the socialist countries and traditions of anti-fascist popular frontism made any abrupt transition politically very dangerous.

In 1979-80 the US Congress approved the Deregulation and Monetary Control Act whereby US capital markets were fully deregulated and US capital was allowed to seek tax haven status for financial operations outside the US. Virtually simultaneously the Thatcher government deregulated British capital movement and fully opened the City of London to the operations of US banks. Under the new system superprofit income was increasingly secured directly through the financial sector by way of the control exercised by investment banks *over* the productive sector. This was both through corporate lending, takeover and short-term equity transactions and more indirectly by extracting rent from the state and workers for the operation of utilities and privatised pensions, mortgage markets and health insurance. This system was also internationalised. As the US financial system sucked in investment from abroad, so similar methods were used to



North Sea oil keeping Britain afloat

extract superprofits elsewhere. By 2005, 43% of US profit income was located within the financial sector.<sup>16</sup>

In Britain the Thatcher government brought in parallel neoliberal policies. But here the consequences were far more extreme and ultimately proved highly damaging to the coherence and strategic freedom of Britain's finance capital establishment. At the time it was believed that the possession of the North Sea oil reserves would enable Britain to bargain on relatively equal terms with the US, fund a redevelopment of the City of London as a world financial centre and create a new industrial base using new technologies and excluding trade union influence.

These assumptions proved badly flawed. Both the extraction of North Sea oil and the redevelopment of the City of London were reliant on US capital. So also was Britain's wider international influence. Under the Reagan administration the US began a trade war with Germany and associated European powers, in an attempt to shift the burden of the 1980s recession away from the US. The dollar was depreciated and its supply expanded: the City of London became the European base for these euro-dollar operations. In 1986 the Thatcher government spearheaded the moves to restructure the institutions of the EU under the Single European Act – particularly with a view to opening up the European banking system to competition from London.<sup>17</sup>

The use of the pound as a banking currency devastated Britain's existing industrial base. Nothing replaced it apart from externally-owned US and Japanese branch plants targeting computing, consumer electronics and cars at the EU market. The only substantial area of expansion was in pharmaceuticals, originally dependent on the still publicly-funded NHS and

now largely US-owned. Overall manufacturing employment fell from 6.8m in 1979 to 2.6m in 2008.

Conversely, employment in finance and business services rose from 2.6m to 5.7m.

However, even the new financial employment was not primarily under British control. The previous custodians of the City's fortunes, the British merchant banks, found themselves swamped. Unable to match the funds of the US investment banks, they transformed themselves into public companies to raise capital. This opened them to takeover and, by the late 1990s, every single one was under external ownership, mainly US. By then two thirds of the capital in the City of London was in externally owned investment banks.<sup>18</sup>

Deregulated finance also changed the whole operation of the City. Previously there had existed a tight nexus of interlocking directorships between the merchant banks, the retail banks and insurance companies and the industrial monopolies. This had certainly operated to generate superprofit for the very wealthy but it had done so with some regard to the long-term strength of British big business at home and abroad. Now this nexus was severed and replaced by increasingly short-term and speculative interventions. Equity share turn-over on the London Stock Exchange trebled between 1995 and 2007.<sup>19</sup> The big money was made through takeovers, private equity buy-outs, leveraged speculation in currencies and commodities and increasingly the securitisation of real estate debt. Much of the credit came through British-based retail banks and insurance companies, and transactions in British Crown Dependencies, but the pace was increasingly set by US investment banks and hedge funds.<sup>20</sup> By 2007 banks based in the City conducted 35% of global currency transactions, 40% of

**Table 1 Bank Holdings and Debts as Percentages of GDP (International Monetary Fund Figures 2009)<sup>22</sup>**

	UK	USA	Eurozone
<b>Bank holdings</b>	<b>316</b>	<b>88</b>	<b>168</b>
<b>Aggregate bank debts to 2010</b>	<b>23</b>	<b>7</b>	<b>6</b>

the derivatives market, 50 per cent of company flotations and 70% of Eurobond lending.<sup>21</sup> By 2008 the scale of financialisation in Britain had become quite disproportionate (see Table 1).

Nonetheless, it was this "Anglo-Saxon" model that was held up as an example to the rest of Europe during the first years of this century. The financialisation of company ownership was claimed to bring efficiency by compelling a maximisation of resource use. For their part Germany and France resisted all attempts to liberalise financial markets and sought to defend their own quite different structures of industrial ownership. Across most of Europe banks, dynastic families and state and local government provided long-term ownership of dominating blocks of shares generally resulting in much more sustained investment in innovation and technological growth.<sup>23</sup>

It was this potentially very lucrative market that the London-based US investment banks wanted to break into and which, during the speculative boom of 2003-8, they had started to attack using the vast scale of leveraged capital available to them. This was why the draft EU directive on financial regulation in summer 2009, largely reflecting French and German interests, had as its central demand a cap on leveraged capital. It was also why the British government (with US support) opposed it on behalf of the Alternative Investment Management Association.

#### **4. 2007-8: A Systemic Crisis**

It is important to stress that the resulting crisis was not simply a repeat of the crises which punctuated the development of the neoliberal model in 1987, 1993, 1997 and 2000. On the contrary, these crises had been crises of expansion that served to consolidate US control over the international economy. The crisis of 2007-8 was systemic. It marked the unravelling of the contradictions inherent in the system. Currently the crisis continues and its magnitude is unprecedented.

In the first quarter of 2009 world industrial output had shrunk by over 7% compared with the same period in 2008. The credit advanced to stabilise the banking system world-wide equalled 24% of global GDP.<sup>24</sup> Not all of this credit went to make up outright losses. A significant part represented insurance cover and new working capital and credit. But, in whatever form, it represented a massive diversion of income into the banking sector. Moreover, this was not the end of it. Still in autumn 2009 IMF figures made it clear that much more money was needed if the banking system was to be fully stabilised. At that point the banks had raised less than a quarter of new capital specified to meet minimum levels of cover: another \$850bn was required. The IMF estimated that a further \$1500bn of bad debts would have to be written off by the end of 2010. These figures applied with equal force to the US and the EU.



But, as we saw earlier, it was in Britain that they were worst. Bankers, especially retail bankers, remained very apprehensive.<sup>25</sup>

What were the overall contradictions that brought this systemic crisis to a head? They were the very same forces that originally permitted a redevelopment of superprofit: the deregulation of banking to enable the speculative creation of fictitious capital (as Marx described it) and a piratical relation to the productive economy; the internationalisation of capital movements creating massive disproportions in the balance of global trade; and, as the eventual trigger for the financial crisis, the driving down of the income share of wage and salary earners, the source of the rent exacted from the privatised social provision of housing, health care, pensions and other utilities.

Initially these forces created a sharp increase in the overall rate of profit that was continued through the 1980s and early 1990s.<sup>15,26</sup> The dismantling of the Soviet Union, itself partly a consequence of the intensification of Cold War military spending by the US, opened up major new resources of exploitable labour across Eastern Europe, Asia and Africa. This in turn resulted in the growing relocation of productive capacity from the US and to a lesser extent from Western Europe.<sup>27</sup> In the longer-run, however, this new system reopened the fundamental contradictions of capitalism in its monopoly stage.

■ First, it affected the rate of profit. The short-termist and speculative ownership of company equity led, in the US and Britain, to lower levels of technological investment. This weakened factors offsetting the tendency to a falling rate of profit – notably the reduction in the labour replacement

cost of capital and subsistence goods.<sup>26</sup>

■ Second, it undermined the economic basis of the US as dominant imperial power. The geographical relocation of productive investment away from the US resulted in trading imbalances of a magnitude which threatened the reserve status of the dollar.

■ Third, the reduction in labour's income share resulted in a fundamental crisis of credit. The banking system ultimately found itself ultimately unable to draw in the funds needed for the gearing of superprofits. The decline in trade union power and the relocation of production resulted not just in a higher rate of exploitation but in an absolute fall in real income for the bottom half of US wage earners and a massive increase in levels of income inequality between all workers and the owners of capital.<sup>28</sup> Living standards had to be maintained on the basis of debt, the source of further speculative trading in securitised debt insurance.

The bursting of the resulting speculative bubble in 2007-8 was in immediate origin financial. It derived from the exposure of fictitious capital, represented by the massive scale of non-viable property insurance derivatives, and in origin had many of the characteristics of the equity bubble of 1929. It did not directly stem from pressure on the overall rate of profit which had risen somewhat since the low point of 2000 and by 2005-6 even reached the level of the mid 1990s.<sup>27</sup> The trigger was the level of bad debt. But the scale of leverage and the underlying process of financialisation did fatally interact with the rate of profit. To a much greater extent than in 1929 workers' savings for old age and health insurance made up a major segment of private sector capital.

Housing also was now overwhelmingly in the private sector and the collapse in property values further worsened debt levels.

So although the overall profit rate was not particularly low, the gearing of profit distribution meant that yields for savings by working people, particularly pensions, were indeed insufficient to meet commitments.<sup>29</sup> At the same time the loss of purchasing power by wage and salary earners made it increasingly difficult for them to lend more to the banks. The financier's requirement that "others save for him", as Marx put it, had indeed risked and lost "social property" and in doing so undermined the whole basis of the post-1979 system.

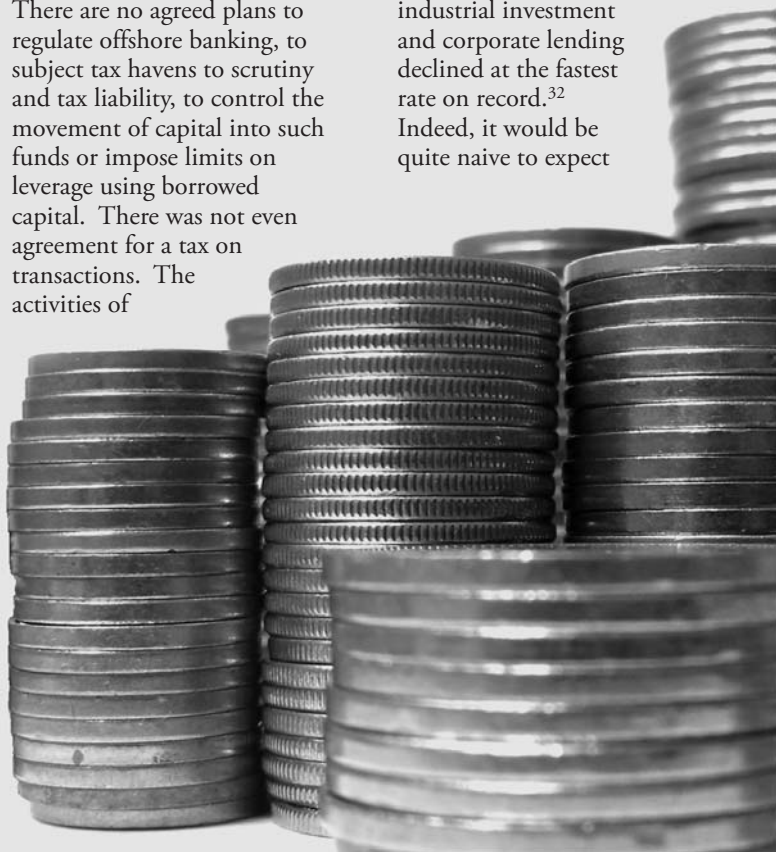
### 5. Immediate Policy Responses: Avoiding the Obvious

So far no action has been taken, either by individual states or by international agreement to reverse the process of financialisation. The only firm commitment, as ratified at the G20 summit in September 2009, was for a cap on bonuses for bank staff. This simply leaves a greater share of superprofit income for the very wealthy. There are no agreed plans to regulate offshore banking, to subject tax havens to scrutiny and tax liability, to control the movement of capital into such funds or impose limits on leverage using borrowed capital. There was not even agreement for a tax on transactions. The activities of

investment banks, hedge funds and private equity continue as before and all the opportunities for high profit speculative investment remain.<sup>30</sup>

In this context the three major policy responses so far are only likely to worsen and prolong the crisis. These three responses are: financial stimulus (US, Britain and EU), depreciation of currency (US and Britain) and preparation for a virtually immediate return to balanced budgets (EU and Britain):<sup>31</sup>

■ The first policy response, financial stimulus, *ie* the pumping of very large amounts of cheap money into the financial system, can have no effect on the real economy as long as "alternative investment" structures remain in place. Some of the new money is going into rebuilding bank reserves. But the rest has gone straight back into equity and commodity trading and renewed speculation in derivatives. Hence the bounce in stock exchange valuations and some commodity prices. In the UK, at the height of the Bank of England's quantitative easing in summer/autumn 2009, industrial investment and corporate lending declined at the fastest rate on record.<sup>32</sup> Indeed, it would be quite naive to expect



anything else. Money will be diverted by those that own and control it to wherever the immediate profits are highest.

Until this is halted by state intervention, they will put this money into leveraged speculation.

- The second major policy initiative, in both the US and the UK, has been currency depreciation – already by something over 20%.<sup>33</sup> In the US, which retains a relatively strong productive base, this will assist exports and reduce imports and lessen the cost of its massive external borrowing. But, as the US has the world's biggest import market, this will have a seriously detrimental effect on external demand. In Britain the depreciation of sterling will cut imports, reduce real purchasing power but also increase the value of external income denominated in overseas currencies. It is unlikely to do much for Britain's now very restricted manufacturing base – apart from the US- and Japanese-owned high-tech sectors targeted at the EU

market. In sum these measures will seriously reduce world demand. In the case of the dollar the scale of depreciation is likely to precipitate wider currency instability.

- The third policy response, the cutting of public expenditure to pay for the money diverted into the banking system, will further reduce demand. The cuts prescribed by the EU for 2010, including those for Britain, are massive.<sup>34</sup> The more heavily indebted countries, such as Ireland, Spain and Greece, are required to impose cuts equivalent to 1% of GDP cumulatively over a 4-year period. This equates to over 2% of public expenditure – and cumulatively to over 10% by 2015. The cuts being prepared in Britain are of the same order. Again the consequence will be a further reduction in demand, higher unemployment and, as a result, still greater problems for mortgage holders. And the process of financialisation will itself intensify as the public sector is reduced and more and more services are privatised.

Combined, the temporary revival of bubble investing in equity and commodities, the competitive devaluation of currencies and the major cuts in public sector demand would seem highly likely to result, within a fairly short time period, in a further speculative crisis followed by even deeper recession.

It is difficult to be precise. But if 2007-8 was equivalent to 1929, then 2010-11 could well be equivalent to 1931-2. It was at a similar point in 1931-2 that financial crisis slid into full economic depression. And the reasons will be the same. Policy making had hitherto remained entirely on existing assumptions of finance capital. Then it was “sound money” and “balanced budgets” – that is, resolving the crisis of profitability at the expense of working people. It is the same now. It has been the consequences of financialisation, the scale of income disparity and working class debt, which precipitated the crisis. Further cuts in pay, employment and the social wage can only intensify this problem.

In the 1930s what eventually produced major shifts in state policy was not the economic crisis itself but politics. It was only when clear threats emerged to the capitalist order in 1932-3 that ruling class strategists adopted significant alternatives, some relatively benign, some striking at the heart of democracy and working class organisation. These alternatives had been available before. But it was political crisis that forced them to the fore: New Deal Keynesianism in the US and Sweden; fascism in Germany.

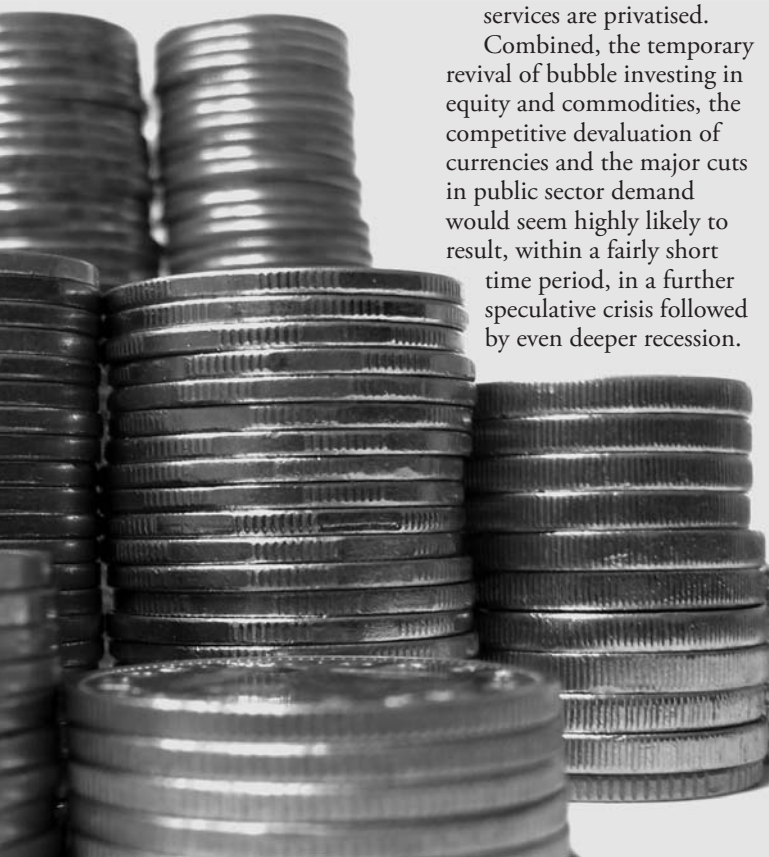
## 6. Strategic Responses

In one respect the situation is, up to the present, different from that during the previous great crisis of monopoly capitalism. This is that economic growth continues across a much more significant part of the world economy than that represented by the Soviet Union in the 1930s. China, India and to a lesser extent Brazil and South Africa all maintain positive growth rates. These countries, especially China and India, have been able to use the crisis to consolidate the shift in productive resources away from the US and Europe and

at the same time create new economic ties with the developing world. In China particularly state control of the banking system and of major sections of the productive economy has been used to reorient the economy towards the internal market and to fund massive infrastructure projects and health insurance.

The significance of this challenge is not lost on US policy makers. Here, in contrast to Britain, coherent strategic linkages still exist between the investment banks (including the hedge fund sector), major corporations, retail banking and government. The common concern of all policy makers is with the long-term viability of capitalism in the US and hence also its continuing dominance over the global economy. The perspectives offered are manifestly not consensual. Unilateral action is set against a strategy of hegemonic alliances; New Deal progressivism against right-wing populism. But on all sides there is a recognition of the damaging impact of financialisation on the longer-term health of the productive economy. US strategists can clearly see that, if current trends continue, it is only a matter of time before the US corporations lose their global position of market dominance and technological primacy – in turn threatening the role of US banking, its ability to control world resources and ultimately the status of the US as a world power.

Among economists this trend is most strongly expressed in the work of neo-Keynesians such as Stiglitz, Krugman and Wynne Godley (now based in the Levy Institute) and the followers of Hyman Minsky. Essentially, Minsky carries forward Keynes into the era of heightened credit accumulation. Keynes addressed the earlier dislocation caused by monopoly intervention in the distribution of the surplus and the way this caused a



seizing up of investment. His solution was, as we noted, to increase the money supply. This was used to provide employment, to penalise the non-productive hoarding of cash and to create an environment in which industrial monopolies could again invest on superprofit basis. Minsky, writing a generation later into the 1990s, argued that financialisation had reached a stage where simple Keynesianism could no longer work. Much stronger countervailing forces were now required and, until the state directly took control of banking and credit creation, increasingly dangerous speculative bubbles would recur. Such intervention had to be combined, he argued, with broadly Keynesian measures to sustain mass demand for the productive economy – extending in the new circumstances to the provision of

much of the productive infrastructure.<sup>35</sup>

US policy makers, including Larry Summers, the Director of National Economic Council, are now giving increasing support for state measures to steer investment away from finance and into the productive economy – and to enhance its profitability. The depreciation of the dollar, the protection of specific sectors and the massive programme of state infrastructure construction represent a significant beginning (even if it is one that is to the detriment of other capitalist states). A second financial shock in 2010-11 could see this level of state intervention intensified. At the same time a reconfiguration is also occurring within US finance capital. Recession has produced massive industrial consolidation. It is now seeing private equity moving to take control of the most profitable of the productive assets within the US on a more long-term basis.<sup>36</sup> The building blocks for a further transformation of US state monopoly capitalism may be beginning to move into place: state provision of

infrastructure and credit to facilitate private monopolist investment in the most profitable productive assets.

In Germany and France strategists also see the importance of defending and strengthening the productive base of their economies. Here the main drive is, it appears, to consolidate productive investment through industrial concentration, the shedding of peripheral capacity and a transformation in the relationship between capital and labour to increase profitability. In this the European Union is an increasingly important tool. Current moves to introduce direct EU taxation, to subsidise industrial innovation, underline an understanding of the long-term need to sustain productive investment by finance capital – as do the parallel moves to attack collective bargaining and cut back the public sector.<sup>37</sup>

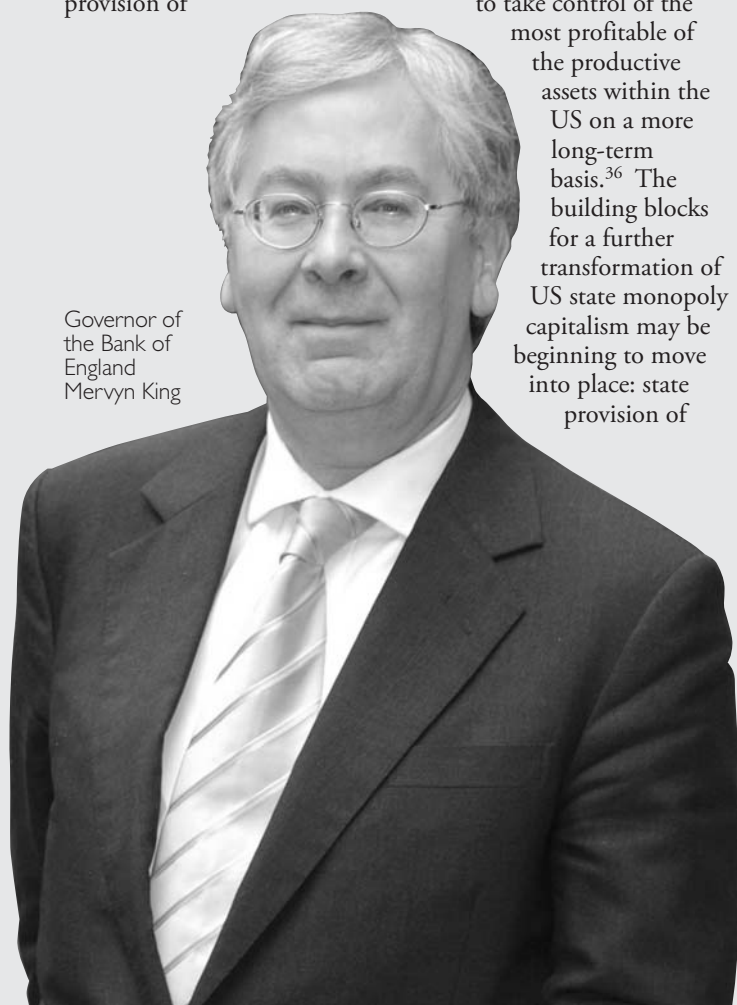
## 7. The Failure of the British Ruling Class

This takes us back to our own ruling class today. What is most apparent is the lack of political will to confront the problems posed by financialisation for the British economy. Apart from an initial decision to delay cuts for about nine months, the policy remains that of shrinking public expenditure and taking no steps to reverse the process of financialisation. No programme has been developed for state infrastructure spending. No proposals have been made for state re-involvement in the productive economy.

There are probably two reasons. One is the limited character of the political challenge so far. The other is the way our ruling class now derives its superprofit share of the surplus. As we have seen, it no longer has the same strategic coherence that it possessed a generation ago. The tight nexus of merchant banks, retail banks and commercial

companies has gone. It is the US investment banks and hedge funds that dominate the City of London and are the main intermediaries in dealing with retail banking and insurance, the stock exchange and public listed companies. The Council of the Alternative Investment Management Association is composed of the representatives of three US-based hedge funds (BlackRock, Ivy Asset and Diversified Global – the latter of which supplies the chair), one Singapore based company (GFIA), one French (Fauchier Partners) and one British (Lansdowne) plus the British-US accountancy firm Ernst & Young. The British firms hunt in the same pack as the US firms and benefit from the same lack of regulation, but they generally have far smaller resources and operate through Crown dependencies. And while there remains some kind of British high command clustered round the Bank of England's monetary policy committee, it reflects the opinions of retail bankers and corporate chief executives who live in the shadow of their shareholders: that is, the investment banks and hedge funds located in the alternative investment sector whose operations can break a company overnight.

The consequences were seen when Adair Turner, as head of the Financial Services Authority (FSA), made some very moderate comments about the need to regulate the alternative investment sector – including provisions for greater capital reserves and a tax on transactions. In Germany these proposals have general acceptance. In the US Obama has at least given lip service. But in Britain Turner was met with all-round hostility. The Institute of Directors condemned him. So did the British Bankers Association, the Business Secretary, the Chancellor of the Exchequer, predictably AIMA and the Lord Mayor representing City institutions. The Conservatives announced they intended to



Governor of the Bank of England  
Mervyn King



abolish the FSA altogether. Even the Confederation of British Industry, of which Turner had previously been chief executive, indicated its disagreement. The argument was that any intrusive regulation would injure the primacy of London as a world financial centre, that external banks would leave and that the City of London was too central to the British economy. But the key objection was left unsaid. Lord Turner's proposals would interfere with the key mechanism by which both Britain's minute and increasingly rentier finance capital class, along with the US investment banks, currently derive their superprofit at the expense of everyone else.<sup>38</sup>

The frustration of the inner circle of banking policy-makers was expressed by the Governor of the Bank of England in October 2009 when he made the statement quoted at the beginning of this article. More than anyone else, Mervyn King knew the risks being run as a result of these failures and the extreme exposure of the British economy – as revealed by the IMF figures, published a few days before, showing that, proportionate to GDP, Britain had three times the US level of lending exposure. But his own proposals, to separate retail and investment banking, received no more support than those of Lord Turner.

This level of policy failure raises a much more fundamental issue: the potential fragility of state monopoly capitalist structures in Britain. Historically, going back three centuries, Britain's emerging capitalist class pioneered a highly robust structure for articulating the relations between the owners of capital and a capitalist state apparatus. This "British constitution" provided for a separation of powers capable of maintaining the political cohesion of what was a highly volatile and dynamic system. Within it the legislature

directly represented capital and reflected its changing character and composition. The executive governed in response to these changes and remained its servant. The judiciary defended the contractual principles of capitalist property ownership as enshrined in Common Law. This system operated with great effectiveness for almost two centuries.<sup>39</sup>

The key institutional changes of the last century, crystallising as state monopoly capitalism, were driven by the emergence of finance capital and the resulting division *within* capital – and also coincided in Britain with the challenge of mass working class politics and the demand for full democracy. The solution was to create direct linkages between finance capital and the executive: a nexus of connections between the merchant banks, the Bank of England, the Treasury and the senior civil service articulated through Cabinet committees. This new structure bypassed the formally democratised legislature (now effectively subordinated to executive-controlled parties) and enabled a small group of two or three dozen decision-makers to debate policy on terms set by the very concentrated interests of finance capital. This arrangement proved to be remarkably effective during the First World War and its immediate aftermath – developing successful strategies for overcoming working class militancy and taming its parliamentary representation in the Labour Party.<sup>40</sup>

However, its nemesis came in the 1930s. Concentration led to inflexibility. A particular strategic perspective, once adopted, excluded others. Between 1935 and 1939 both bankers and political leaders backed the strategy of alliance with Hitler in preference to an economically much less advantageous alliance with the

US. By 1937-8 it became clear to at least some representatives of Britain's imperial interests that this strategy was leading to disaster. But such views were not entertained. The very tightness of executive decision-making made it possible to exclude alternative perspectives. The subsequent post-mortem pinpointed this exclusivity and the way the tightness of the linkage between the City, government and establishment media meant there was no place to assess other strategies.<sup>41</sup> The outcome was the promotion of a supplementary layer of policy bodies, expert bodies, elite journals and think tanks, themselves funded by and ultimately responsible to big business, which could ensure a diversity of analysis.

This supplementary layer of expert bodies did serve finance capital well in developing sufficiently flexible approaches to handle the emergence of a majority Labour Party and the challenges of the 1950s, 60s and 70s. But it proved less than adequate thereafter – for reasons we have noted. Most finance capital in the City of London derives from elsewhere. It has no interest in defending the productive base of the British economy. It has every interest in defending the City of London as a base for unregulated transactions. Worse still, the sons and daughters of the merchant bankers of the 1950s have similar interests and are largely passive beneficiaries of the same policies. This leaves the wider layer of expertise compromised. All are to some extent dependent on the patronage of finance capital. Some key servants of the system, Mervyn King and Adair Turner, can clearly see the strategic problems. But there is no political will to resolve them. On the contrary, AIMA and those it has power to influence or intimidate are ensuring that the status quo remains.

## 8. The Challenge of Transition

The resulting paralysis brings us back to another aspect of what Marx had to say about the period of credit monopolisation. This stage would, he argued, "constitute the transition to a new mode of production."<sup>42</sup>

What did he mean? Marx never saw economics as dictating politics. But neither did he see revolutionary change as happening independently of the evolving contradictions of a mode of production. Transitions would only occur, he said, when a particular mode of production had exhausted its ability further to develop productive forces. So why might this period, when the socialisation of capital precipitates a "superstructure of credit", constitute a transition? Marx highlights three characteristics. The drive to speculation becomes inherent. The number of those who exploit the social wealth becomes minute. And speculation risks "social property" – thereby inhibiting the further development of productive forces.

Today the peculiar nature of our state monopoly capitalism, the insertion within it of a dominant core of externally-controlled speculative capital, brings Britain far closer to this point than probably any other major capitalist power. The question is, therefore, no longer about our ruling class. It currently demonstrates all the manifestations of failure. It is about the political organisation of the great majority of the population who today constitute the working class, the real owners of that "social property" which is being risked and destroyed.

■ *An extended version of the author's contribution to the Communist University of Britain session on "Economic crisis – sunset for capitalism?", November 2009.*

*See over for notes*

## Notes

- 1 Speech to Scottish business organisations, Edinburgh. See *Financial Times (FT)*, 21 October 2009 and <http://www.bankofengland.co.uk/publications/speeches/2009/speech406.pdf>.
- 2 See *Sunday Times*, 21 June 2009, for a report of the initial lobby of EU Commissioners by AIMA involving Brevan Howard, Man, BlackRock, QCS, DE Shaw, Fauchier Partners, Lansdowne Partners and Marshall Wall. In a speech to AIMA on 7 July 2009, Financial Services Secretary Lord Myners stated on behalf of the British government that EU proposals amounted to "protectionism" and would restrict access to the European investment market ([http://www.hm-treasury.gov.uk/speech\\_fsst\\_070709.htm](http://www.hm-treasury.gov.uk/speech_fsst_070709.htm)). The *FT*, 8 July 2009, reported that delegates from the City of London Corporation visited Washington to warn of the threat to British and US companies from the directive. On 18 July the *FT* quoted Angela Merkel as saying "Wall Street or the City of London won't dictate again how money should be made, only to let others pick up the bill" and it also reported that the European Banking Federation and the Federation of European Securities Exchanges were backing EU plans to reform financial markets. The *Guardian*, 22 July 2009, quoted Doug Shaw of BlackRock in response. The *FT*, 12 September 2009, quoted Myners as saying that the EU regulation was "deeply flawed" and "pandered to prejudices". It would "do lasting damage to London's pre-eminence as a global financial centre and could drive the City's private equity and hedge fund industry abroad".
- 3 Briefing from AIMA cited by the *FT*, 8 July 2009.
- 4 *FT*, 13 November 2008, quoting Hedge Fund Research: the number of hedge funds increased from 800 in 1990 to 10,000 in 2000. After 2000 the profits on hedge funds declined and money started to shift to private equity.
- 5 *FT*, 15 January 2009, cited research by the British Private Equity and Venture Capital Association (BVCA) that the 14 biggest private equity companies achieved profits at 330% of the Stock Exchange index for the three years 2005-7 mainly on the basis of leverage. In 2008 investments by British-based private equity companies were worth £20bn – 45% of which derived from the US and 24% from Britain. A little over half was invested overseas: £11.5bn. 42% of finance utilised for buy-outs was debt. For further information see <http://www.bvca.co.uk/home:Investment Activity Report for 2008 and Briefing for November 2009>.
- 6 Crossbridge Capital Wealth Management, cited by the *FT*, 23 September 2009. The US National Securities Markets Improvement Act sets a threshold of \$5m net worth for "accredited investors".
- 7 *FT*, 21 September 2009.
- 8 HMRC Identified Personal Wealth (Including Housing) 2003 Tables 13.1 and 13.5, [http://charterconsultation.hmrc.gov.uk/stats/personal\\_wealth/menu.htm](http://charterconsultation.hmrc.gov.uk/stats/personal_wealth/menu.htm). 50,000 is given as the number of adults with more than £2m wealth but it may well be an underestimate.
- 9 It should also be noted that many of the investment banks based in London, and the investment arms of British banks, operated on a similar basis, as detailed by P Alessandri and A Haldane, *Banking on the State*, paper presented to the Federal Reserve Bank of Chicago, September 2009, <http://www.bankofengland.co.uk/publications/speeches/2009/speech409.pdf>.
- 10 V I Lenin, *Imperialism, the Highest Stage of Capitalism*; in *Collected Works*, Vol 22, p 226.
- 11 K Marx, *Capital* Volume III; in K Marx and F Engels *Collected Works*, Vol 37, p 435.
- 12 *Ibid*, p 436.
- 13 V I Lenin, *Postscript* (September 1917) to *The Agrarian Programme of Social-Democracy in the First Russian Revolution*, in *Collected Works*, Vol 13, p 430; and *The Impending Catastrophe and How to Combat It* (October 1917), in *Collected Works*, Vol 25, pp 361-3.
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- 15 G. Duménil and D Levy, *Capital Resurgent: the Roots of Neo-Liberalism*, Harvard University Press, London, 2004, supply a rate of profit series for the US and Europe since 1960 (Figure 3.1).
- 16 P Gowan, *Crisis in the Heartland*, in *New Left Review*, Vol 55, Jan-Feb 2009, p 5, citing Larry Summers, Director of the US National Economic Council.
- 17 *FT*, 26 July 2008: George Parker, Political Editor, based on an interview with Kenneth Clarke. "Thatcher was lobbied by British banks struggling to get into German markets. She saw no alternative: she supported the scrapping of national vetoes to ensure that single market legislation could be pushed".
- 18 UNCTAD, *World Investment Report 2001*, p 38; R Roberts and D Kynaston, *City State*, Profile Books, London, 2002.
- 19 *The Times*, 5 September 2009: Patrick Hoskins feature citing research by the George Soros Foundation that the value of mergers and acquisitions jumped from the equivalent of 2% of GDP in 1987 to 20% in 2007 and the value of stock exchange transactions from 10% of GDP in 1968 to 200% in 2007.
- 20 M Foot, *The Final Report of the Independent Review Committee of British Offshore Financial Centres*, Office of Public Sector Information, October 2009 (the "Foot Report", [http://www.hm-treasury.gov.uk/d/foot\\_review\\_main.pdf](http://www.hm-treasury.gov.uk/d/foot_review_main.pdf)) noted that eight British Crown Dependencies and Overseas Territories together had an aggregate financial flow equivalent to Switzerland and provided net financing to UK banks of £332bn in the second quarter of 2009. The ninth overseas territory, the Cayman Isles, used for short-term dollar transactions by US companies, was excluded from these calculations.
- 21 *FT*, 14 December 2009.
- 22 IMF, *Global Financial Stability Report* October 2009, <http://www.imf.org/external/pubs/ft/gfsr/2009/02/index.htm>: Figure 1.9 and Table 1.2. The percentages of GDP are on the minimal basis calculated by Jerry Jones (personal communication, 18 November 2009, using 2008 GDP figures).
- 23 P Alessandri and A Haldane, *op cit*, Chart 1, put UK-Based banking assets at over 500% of GDP.
- 24 T Heinze, *Dynamics of the German System of Corporate Governance*, in *Economy and Society*, Vol 32, 2004, p 218, examines the evidence. A broader analysis of the differences is provided by B Amable, *The Diversity of Modern Capitalism*, Oxford University Press, 2003 and P A Hall and D Soskice, eds, *Varieties of Capitalism: The Institutional Foundations of Comparative Advantage*, Oxford University Press, 2001.
- 24 Alessandri and Haldane, *op cit*, Table 1.
- 25 *FT*, 21 September 2009: a survey of commercial property debts across Europe estimated that there were £1,290bn loans to be refinanced over the next four years and of these £200bn were judged to be mortgage-backed securities of dubious character. In terms of corporate debt Britain has by far the biggest proportion of Europe's "distressed companies" according to the survey by Close Brothers cited by the *Guardian*, 22 July 2009: 24% as against 14% for the much bigger German economy; the high British figure is attributed to the number of private equity buyouts.
- 26 G Chamberlin, *Methods Explained: The Balance of Payments*, in *Economic and Labour Market Review*, Vol 3, Issue 9 (September 2009), p 44 ff, Figures 8 and 9, gives balance of payments figures for Britain alone, and rates of return for external investments in Britain and British investments overseas up to 2008. The latter show the return for both types halving between the early 1990s and 2002-4 and then temporarily recovering to the level of the late 1990s in 2005-7.
- 27 UNCTAD, *World Investment Report 2009*, p 6, Figure 1.5, gives profit levels for global transnational corporations.
- 28 *FT*, 8 October 2009: a feature by Prof Matthew Slaughter of the Tuck Business School, showing that the income share of the top 1% in the USA had reached 23.5% in 2008, the highest for 30 years, and that only the top 2% of the US workforce had secured a real pay increase since 2000.
- 29 *FT*, 7 October 2009, cited a report by Cazenove that the shortfall in the pension schemes of the FTSE top 250 companies had risen from £6bn to £12bn over the previous 12 months. In August the Local Government minister John Denham announced plans to end the final salary scheme for 2 million local government employees saying that the current prediction was for a £60bn shortfall (*Times*, 20 August 2009).
- 30 M Foot, *op cit*.
- 31 This analysis is indebted to R Wade, *From Global Imbalances to Global Reorganisations*, in *Cambridge Journal of Economics*, Vol 33, 2009, p 539, and P Gowan, *op cit*. G Turner, *No Way to Run an Economy*, Pluto, London, 2009, makes a similar prognosis.
- 32 *FT*, 20 September 2009.
- 33 The Bank of England *Quarterly Inflation Report, August 2009* (<http://www.forexpros.com/central-banks/bank-of-england/speeches/quarterly-inflation-report-34874>) engagingly notes that the 20% depreciation since 2007 "should continue to encourage both domestic and overseas spending to switch towards UK-produced goods".
- 34 Communiqué by ECOFIN, the Economic and Financial Affairs Council of the EU, 11 November 2009; parallel figures were issued by the EU Central Bank in its October Report.
- 35 H P Minsky, *Stabilizing an Unstable Economy*, Yale University Press, 1986; R Bellofiore and P Ferri, eds, *Financial Keynesianism and Market Instability: The Economic Legacy of Hyman Minsky*, Edward Elgar, Cheltenham, 2001. However, as with Keynes's own proposals, implementation would be on the terms set by finance capital and, given its experience in the 1970s, require a much tighter and more damaging incorporation of labour.
- 36 Warren Buffett's Berkshire investment company recently paid \$22 billion for the Burlington Santa Fe railroad as part of a longer term concentration of investment in US-based productive assets.
- 37 Document issued by the President of the EU Commission on 6 October 2009: *A Reform Agenda for a Global Europe [reforming the budget, changing Europe]*. The 2008 EU White Paper, *Modernising Labour Law*, covers collective bargaining reform.
- 38 *FT*, 29 August 2009, reporting the interview with Lord Turner in the August edition of *Prospect*. Turner repeated his proposals in a speech at the Mansion House in September (*Times*, 23 September 2009).
- 39 These themes are explored further in the Communist Party's pamphlet, *The Politics of Britain's Economic Crisis*, 2nd edn, February 2009.
- 40 A reading of T Jones, *Whitehall Diary*, 2 vols, Oxford University Press, 1969, provides graphic illustration. Jones was secretary to the Prime Minister and then to the Cabinet for much of this period.
- 41 This discussion, concentrated in the period 1941-43, can be followed in the diaries of Robin Barrington Ward (editor of *The Times*) and of Lord Davidson (Chair of the Conservative Party): D McLachlan, *In the Chair*, Weidenfeld and Nicolson, London 1971 and J C C Davidson, *Papers and Memoirs*, Oxford University Press, 1969.
- 42 K Marx, *op cit*, p 439.

# The International Communist Movement in the 21st Century



By Sitaram Yechury

Following the demise of the Soviet Union, when the international communist movement was thrown into disarray, many contingents attempted to understand and draw the correct lessons from this experience. We in the CPI(M), the Communist Party of India (Marxist), had done so at our 14th Congress in January 1992.

In the then prevailing situation, when some parties were abandoning the communist ideal and the red flag, efforts were made to regroup the international communist movement. The CPI(M) made one such effort in May 1993, when 25 communist parties attended a seminar on the “Contemporary Relevance and Validity of Marxism-Leninism” at Kolkata.

Subsequently, after a series of discussions amongst fraternal parties, an international working group was established to consider the possibilities of holding regular annual meetings on specific themes. Thus began the current process, at the initiative of the Communist Party of Greece. After seven annual meetings in Athens it was decided to locate to other venues as well. Accordingly, the 8<sup>th</sup> meeting took place in Portugal, the 9<sup>th</sup> in Belarus and Russia – marking the 90<sup>th</sup> anniversary of the October revolution – the 10<sup>th</sup> in Brazil and now the 11<sup>th</sup> in India.

From a group of 25 parties that met at Kolkata in 1993, now to this 11<sup>th</sup> international meeting are invited 111 parties from 87 countries. The consolidation of this process leading to the strengthening of the communist movement in the 21<sup>st</sup> century will however depend on how we draw the



correct lessons from the experience of socialism in the 20<sup>th</sup> century and upon a correct estimation and assessment of the working of imperialism in the current phase of global capitalism.

## Socialism in the Twentieth Century

The creation of the Soviet Union marked the first advance in human history of the establishment of a society free from class exploitation. The rapid strides made by socialism, the transformation of a once backward economy into a mighty economic and military bulwark confronting imperialism, had confirmed the superiority of the socialist system. The building of socialism in the Soviet Union is an epic saga of human endeavour.

This remains a source of inspiration to all peoples of the world who are in the

midst of struggle for social emancipation. The decisive role played by the USSR in the defeat of fascism and the consequent emergence of the East European socialist countries had a profound impact on world developments. The victory over fascism provided the decisive impetus to the liberation of countries from colonial exploitation. The historic triumph of the Chinese revolution, the heroic Vietnamese people’s struggle, the Korean people’s struggle and the triumph of the Cuban revolution made a tremendous influence on world developments.

The achievements of the socialist countries – the eradication of poverty and illiteracy, the elimination of unemployment, the vast network of social security in the fields of education, health, housing, etc – provided a powerful impetus to the working people all over the world in their struggles.



World capitalism met this challenge to its order, partly by adopting welfare measures and granting rights that it never conceded to the working people before. The entire conception of a welfare state and the social security network created in the capitalist countries after the Second World War was a result of the struggles of the working people in these countries, inspired by the achievements of socialism. The democratic rights that are today considered as inalienable are also the product of the people's struggle for social transformation and not the charity of bourgeois class rule.

These revolutionary transformations brought about qualitative leaps in human civilisation and left an indelible imprint on modern society. This was reflected in all fields of culture, aesthetics, science, etc. While Eisenstein revolutionised cinematography, the Sputnik expanded the frontiers of modern science to outer space.

Yet, despite such tremendous advances, those too under the most exacting of circumstances and a hostile environment, why is it that the mighty USSR could not consolidate and sustain the socialist order?

There were, generally speaking, two areas where wrong understanding and consequent errors were committed. The first pertains to the nature of assessments of contemporary world realities and about the very concept of socialism. The second concerns the practical problems confronted during the period of socialist construction.

### **Incorrect Estimations**

Despite the unprecedented and path-breaking advances made by socialism in the 20<sup>th</sup> century, it must be borne in mind that all socialist revolutions barring a few (not all) in Eastern Europe took place in relatively backwardly developed countries. While this vindicated the Leninist understanding of breaking the imperialist chain at its weakest link, it nevertheless permitted world capitalism to retain its hold over the developed productive forces and, hence, also to retain the potential for its future development. The socialist countries removed one third of the world market from capitalism. This, however, did not directly affect either the levels of advances already made by world capitalism in developing the productive forces, or capitalism's capacity further to develop the productive forces on the basis of scientific and technological advances. This permitted world capitalism to overcome the setbacks

caused by socialist revolutions, to develop the productive forces and further to expand the capitalist market. Given the existing correlation of class forces internationally, imperialism achieved the expansion of the capitalist market through neocolonialism.

On the other hand, the pace and qualitatively higher advances made by socialism in a relatively short time-span (recall that the Soviet Union came to match the might of the fascist military machine in less than a decade – what took capitalism 300 years was accomplished by socialism in 30!) led to a belief that such advances were irreversible. The Leninist warning that the vanquished bourgeoisie will hit back with a force a hundred times stronger<sup>1</sup> was not fully taken into account.

Further, socialism was perceived as a linear progression. Once socialism was achieved, it was erroneously thought that the future course was a straight line without any obstacles till the attainment of a classless, communist society. Experience has also confirmed that socialism is the period of transition or, as Marx said, the first stage of communism<sup>2</sup> – the period between a class-divided exploitative capitalist order and the classless communist order. This period of transition, therefore, by definition implies, not the elimination of class conflict but its intensification, with world capitalism trying to regain its lost territory. This period, therefore, was bound to be a protracted and complex one with many a twist and turn and many a zigzag. This was particularly so in those countries which were capitalistically backward at the time of the revolution.

The success or failure of the forces of world socialism in this struggle, at any point of time, is determined both by the success achieved in socialist construction and by the international and internal correlation of class forces and their correct estimation. Incorrect estimations, leading to an underestimation of the enemy both without and within the socialist countries and the overestimation of the strength of socialism, had created a situation where the problems confronting the socialist countries, as well as the advances and consolidation of world capitalism, were ignored.

Lenin had always reminded us that the living essence of dialectics is the concrete analysis of concrete conditions.<sup>3</sup> If the analysis falters, or if the true appreciation of the actual situation is faulty, then erroneous understandings and distortions will surface.



It was such distortions and, importantly, deviations from the revolutionary content of Marxism-Leninism in later years of the USSR, particularly after the 20<sup>th</sup> Congress of the CPSU, along with the unresolved problems in the process of socialist construction, that led to these reverses.

In the process of socialist construction, major errors were committed in four areas: the character of the state under socialism; deepening and enriching socialist democracy; economic construction under socialism; and weaknesses in the task of strengthening the ideological consciousness of the people.

In other words, the experience of socialism in the 20<sup>th</sup> century, and its reverses, does not constitute either a negation of the revolutionary tenets of Marxism-Leninism as a creative science or a negation of the socialist ideal.

The international communist movement in the 21<sup>st</sup> century will to a large extent be strengthened by overcoming these shortcomings in evolving the strategy and tactics for the establishment of socialism in individual countries. Additionally, the degree of success of the advance of the international communist movement will be determined by a correct estimation of



Protest area at the International Monetary Fund (IMF) - World Bank meetings in Singapore

the correlation of class forces internationally and the dynamics of how contemporary imperialism is unfolding in a period when such a correlation is in its favour, albeit temporarily.

### Common Misconceptions

Before we proceed to discuss the manner in which imperialism has embarked on the process of strengthening its overall hegemony through globalisation and militarism, it is necessary to clear up certain common misconceptions.

Lenin had defined imperialism as the highest and last stage of capitalism - “*eve of the Socialist Revolution*”.<sup>4</sup> Many have mechanically sought to interpret this to mean the imminence of the collapse of capitalism and the rise of socialism. However, within a stage in the historical framework, there are and can be many phases through which imperialism or, for that matter, any social order can develop. Therefore, there are different phases of imperialism while it continues to remain the last stage of capitalism. These phases are determined by the unfolding of the fundamental laws of capitalist development and the attendant levels of capital accumulation, and importantly by the political conjuncture within which this is happening.

For instance, in the immediate post-Second World War period, when the balance of class forces in the world favoured socialism, imperialism moved into a different phase to meet that specific political conjuncture. Within the capitalist world, in France and Italy, the communists emerged as, by far, the most significant political force. In several other countries, the social-democrats came to power on working-class support, including in Britain where Winston Churchill, a wartime hero, was defeated in the postwar elections. The Soviet role in the defeat of fascism, the growth of socialism in Eastern Europe, the imminent Chinese revolution and the rise of Third World nationalism following decolonisation meant that, in order to maintain its dominance, imperialism had to meet this threat. This resulted in Keynesian demand management and the rise of the welfare state as measures to defend capitalism from the socialist threat. State intervention to manage capitalism and thereby meet the threat of socialism was the specific phase of immediate postwar capitalism. This, however, allowed capitalism to go through an unprecedented boom which led to massive levels of capital accumulation, eventually through the internationalisation of finance capital which set the stage for the emergence of a new – the current – phase of imperialism.

Given that the political correlation of forces internationally has shifted in its favour, imperialism has now been permitted circumstances whereby the quest for profit maximisation can proceed unhindered, aided by colossal levels of capital accumulation, leading to the emergence of international finance capital (IFC). This is one of the salient features of the post-Cold War world capitalism. Lenin in *Imperialism, the Highest Stage of Capitalism* had defined finance capital as capital “*controlled by banks and employed by industrialists*”.<sup>5</sup> Further, unlike in Lenin’s time, IFC operates not in the pursuit of specific strategic interests of specific nations but internationally. It also operates in a world not riven by intense inter-imperialist rivalry but in a world where such rivalry is muted by the very emergence of this international finance capital which seeks to operate over the

entire undivided world. This does not suggest the cessation of inter-imperialist contradictions. These not merely exist, but are bound to intensify in the future, given the basic capitalist law of uneven development. This leads to conflicts of interests between capitalist centres, given their relative future strengths.

This international finance capital is no longer separate or detached from the world of production. The financial structure is a superstructure of capitalist production, but it is not detached; rather it is enmeshed with industrial capital in its pursuit of profit maximisation. The IFC now leads the commonality of purpose to unleash fresh attacks, vastly to increase levels of capital accumulation and further profit maximisation.

### Attack of Neoliberalism

It is the new attacks and the reordering of world for profit maximisation, under dictates of IFC, that define neoliberalism. It operates, firstly, through policies that remove restrictions on the movement of goods and capital across borders. Trade liberalisation displaces domestic producers, engendering domestic deindustrialisation. So also liberalisation of capital flows allows multinational corporations to acquire domestic productive assets vastly enlarging capital accumulation.

The second way of consolidating capital accumulation is through the imposition of deflationary policies – like restrictions on government expenses in the name of fiscal discipline – which leads to the lowering of the level of aggregate demand in the world economy, a shift in terms of trade against the peasantry in the Third World, a rolling back of the state sector globally – more pronounced in the Third World, which increasingly becomes privatised – and the opening up of huge new areas for private accumulation. Thus, the new feature of current imperialism is the prising open of new and hitherto non-existent avenues for profit maximisation.

The imposition of such neoliberal policies by browbeating the developing countries is achieved by imperialism through the agencies of the International Monetary Fund (IMF), the World Bank and the World Trade Organisation (WTO) – globalisation’s *trimoorti*.<sup>6</sup> The structural conditions imposed by the IMF and separately by the World Bank, while disbursing loans to the developing countries, ensured compliance with neoliberal reforms. The WTO similarly, especially in the current Doha round negotiations, is being used for further



prising open the markets of the developing world for imperialist profit maximisation.

This new phase of imperialism turns large segments of the Third World bourgeoisie into collaborators. In several of these countries, the struggle for decolonisation had been fought under the leadership of the domestic bourgeoisie which, after independence, had tried to pursue a path of relatively autonomous capitalist development. While allying itself with domestic landlordism, and compromising with the big capitalist powers, it had nonetheless retained a degree of autonomy, pursuing non-alignment in foreign policy which enabled it to use the Soviet Union to keep imperialist pressures in check. But the internal contradictions of such regimes, combined with the collapse of the Soviet Union and the emergence of international finance capital keen to prise open Third World economies, altered the perspective of the Third World bourgeoisie. From a position of relative autonomy, it moved towards greater collaboration with imperialism to embrace neoliberalism.

All through the history of capitalism, accumulation takes place in two ways: through the normal dynamics of capital expansion (appropriation) via the unfolding of its production process; and through coercion (expropriation), whose brutality Marx defines as primitive accumulation of capital.<sup>7</sup> Historically, these two processes continue to coexist. The process of primitive accumulation has taken various forms, including direct colonisation. In the current phase, the hallmark of contemporary imperialism is the intensification of such brutal primitive accumulation, assaulting a vast majority of the world's population, both in the developed world as well as in all other countries. It is the unfolding of such a neoliberal offensive under globalisation that has precipitated the current global economic crisis.

All over the capitalist world, especially in the Third World, disinvestment and privatisation of the state sector is nothing else but private accumulation through the expropriation of state assets. Public utilities like water and energy, public services like education and health, have increasingly become domains of private accumulation of capital. Control over mineral resources is increasingly becoming private; and agriculture is increasingly being opened up to multinational seed and marketing companies, leading to the virtual destruction of traditional agriculture in

“All over the capitalist world, especially in the Third World, disinvestment and privatisation of the state sector is nothing else but private accumulation through the expropriation of state assets. Public utilities like water and energy, public services like education and health, have increasingly become domains of private accumulation of capital.”

the Third World, throwing the peasantry into acute distress. The removal of trade tariffs and free trade agreements is leading to deindustrialisation in many Third World countries. Common resources like forests, water etc are increasingly being taken over as private property. This “*accumulation through encroachment*” (expropriation) as opposed to “*accumulation through expansion*” (appropriation) is the hallmark of contemporary imperialism.<sup>8</sup>

No capitalist economy can function without a stable medium of holding wealth. This role is performed by money backed by the state. In the concrete capitalist world, the money of one particular economy, typically the most powerful economy of the time, is chosen to constitute this medium. Its *de jure* stability used to be assured, though not any longer, by linking it to gold, which historically has been the most favoured medium of wealth holding; but its *de facto* stability is assured by ensuring that commodity prices do not rise abnormally in its terms. This requires, in the first place, that the working class in this leading economy must not be strong enough to precipitate a wage-price spiral. Further, primary commodity prices must be kept in check, so that no inflation can occur on this score. This, however, requires not merely control over raw material sources in the Third World but

additional control over world demand which should not be allowed to rise to levels that lead to inflation.

This explains the neoliberal prescription for deflation. In the period of hegemony of international finance capital, the maximisation of profits through such deflation encompasses the entire world, except the leading economy, *ie* the USA, whose currency being “as good as gold” places it under no obligation to pursue deflationary policies. Therefore, inflation control is essential for the stability of the wealth-holding medium and, hence, for the stability of the capitalist system. If, in the process of achieving price stability, much higher levels of unemployment are generated due to deflation, then so be it. This is the logic of profit maximisation. It is precisely this feature that explains the sharply widening economic inequalities and the global decline in aggregate demand due to the shrinkage of purchasing power amongst the majority of people.

### Impending Systemic Crisis

Quite apart from the periodical crisis that will continuously erupt under neoliberal globalisation, a much graver systemic crisis is impending. The USA, with its currency as the stipulated medium of wealth-holding for the capitalist world as a whole, occupies this superior position not only through its economic might but also through its superior military and political dominance. Irrespective of such might, a crisis will necessarily arise because, in order to maintain the stability of its currency, the USA accumulates a massive current account deficit *vis-à-vis* other major capitalist economies – not only because the dollar is the stable medium of wealth-holding, but also because the USA, in order to maintain its leading position, necessarily has to accommodate the products of other major capitalist economies within its own market. If and when it seeks to reduce this deficit, this would affect the exports of other capitalist economies, leading to counter-intensified protectionism and disruption of the international monetary stability.

As of October 16, 2009, the total deficit of the US economy reached \$1.42 trillion. Its current account deficit was \$726.6 billion in 2007 and \$706 billion in 2008. This is not an inherently stable situation because those holding dollars would sooner rather than later wish to trade them for more lucrative US assets. This will surely invoke passions of patriotism that will oppose such foreign ownership. However, if the holders of

dollars decide then to shift to some other currency, then the plunge in the dollar's standing and consequently of the US economy would send the entire capitalist system into a profound crisis.

There are already indications of this unfolding, with the dollar having lost over 11 per cent in recent months. In order to stabilise itself and the global capitalist economy, the USA will now increase the pressures on countries which hold huge amounts of its currency, like China and other Asian economies, to revalue their currencies upwards in order to cushion its own burgeoning current account deficits. This, in turn, if it were to happen, would lead to a slump in the latter economies.

Even if the USA were to insulate itself from such a slump, it would still bring the global capitalist system to the brink of a major crisis because of sharp deflation in the emerging economies whose currencies the USA is today seeking to revalue.

Therefore, irrespective of how the current crisis is overcome, a major systemic crisis for world capitalism is in the offing. The USA would, however, seek to thwart such a crisis by transferring the burdens, that is, by intensifying exploitation through its political and military might.

Marx had once remarked that the stability of a ruling class is ensured only by the extent to which it presses the best minds of the subordinate and exploited classes in its service.<sup>9</sup> As both Marx and Engels have pointed out, the ruling ideas of any epoch are the ideas of the ruling classes.<sup>10</sup> The ideological war to establish the intellectual hegemony of imperialism and neoliberalism has been on the offensive during this period. Aided by this very process of globalisation and the vastly elevated levels of technologies, there is convergence of information, communications and entertainment (ICE) into mega-corporations. For instance, the publishing mega-corporation Time had earlier merged with the entertainment giant Warner Brothers. The information giant America Online Inc (AOL) has now acquired Time-Warner at a cost of \$164



billion to become the largest ICE conglomerate in the world.

Rupert Murdoch now commands a combined news, entertainment and internet enterprise which is valued at \$68bn.

Likewise, Disney has now acquired Marvel Comics, of Spiderman fame. The cultural products that are universally created are bombarded across the world garnering phenomenal profits.

This monopolisation of the sphere of human intellectual activity and the control over dissemination of information through the corporate media is a salient feature of this period that seeks continuously to mount an ideological offensive against any critique or alternative to capitalism.

Viewed in terms of class hegemony, the culture of globalisation seeks to divorce people from their actual realities of day-to-day life. Culture here acts not as an appeal to the aesthetic, but as a distraction, a diversion from pressing problems of poverty and misery.

Though imperialism has strengthened its hegemony and heightened its multifaceted offensive all across the globe, as we have discussed earlier, it is on the brink of a systemic crisis which could prove far graver and more encompassing than the current global recession. However, irrespective of the intensity of the crisis, capitalism does not automatically collapse. It needs to be overthrown. An erroneous understanding only blunts the need constantly to

sharpen and strengthen the revolutionary ideological struggle of the working class and its decisive intervention under the leadership of a party wedded to Marxism-Leninism – the subjective factor without which no revolutionary transformation is possible.

This period has also seen rising resistance to such growing imperialist hegemonic efforts. But it must be noted that many of the struggles launched by the working class and the exploited sections have essentially been defensive in nature, *ie* defending their existing rights from greater encroachment by neoliberalism. Resistance in the nature of mounting an assault on the rule of capital is yet to take a decisive shape.

In Latin America, the sharp rise in the distress caused by neoliberalism has led to big movements of resistance that have resulted in electoral victories of the anti-neoliberal forces in at least eleven countries. Some, like Venezuela and Bolivia, have adopted radical left-wing programmes. In Cyprus, Europe, for the first time in that country a communist was elected president.

It is through the strengthening of the parties wedded to Marxism-Leninism, along with the sharpening of class struggles through the mobilisation of popular masses under the leadership of the working class, that the strength and success of the international communist movement in the 21<sup>st</sup> century will be determined.

■ *Contribution to the Communist University of Britain, November 2009, and later that month to the 11<sup>th</sup> International Meeting of Communist and Workers' Parties, New Delhi. First published in People's Democracy, weekly organ of the CPI(M), Vol XXXIII, No 47, November 22, 2009. Slightly edited here, including the insertion of end-notes.*

## Notes

1 Apparently a reference to V I Lenin, *Report on the Tactics of the RCP to the 3rd Congress of the Communist International*, in *Collected Works*, Vol 32, p 480. –Ed.

2 K Marx, *Critique of the Gotha Programme*; in K. Marx and F. Engels, *Collected Works*, Vol 24, p 87.

3 The actual quotation is “the very gist, the living soul, of Marxism – a concrete analysis of a concrete situation”: V I Lenin, *Collected Works*, Vol 31, p 166. –Ed.

4 V I Lenin, *Imperialism, the Highest Stage of Capitalism*, in *Collected Works*, Vol 22, p 187.

5 *Ibid*, p 226; actually a quotation from R Hilferding, *Finance Capital*, Moscow, 1912 – Ed.

6 *trimoorti* = a concept in Hinduism “in which the cosmic functions of creation, maintenance, and

destruction are personified by the forms of Brahma the creator, Vishnu the maintainer or preserver, and Shiva the destroyer or transformer”: F Matchett (2003) quoted at <http://en.wikipedia.org/wiki/Trimurti> –Ed.

7 K Marx, *Capital*, Vol I, Part VIII; in K Marx and F Engels, *Collected Works*, Vol 35, p 704ff.

8 Based on an analysis by Prabhat Patnaik, *The Economics of the New Phase of Imperialism*, at International Network Economics Associates (IDEAs), [http://www.networkideas.org/featart/aug2005/Economics\\_New\\_Phase.pdf](http://www.networkideas.org/featart/aug2005/Economics_New_Phase.pdf).

9 K Marx, *Capital*, Vol III, Ch XXXVI; in K Marx and F Engels, *Collected Works*, Vol 37, p 595.

10 K Marx and F Engels, *The German Ideology*; in K Marx and F Engels, *Collected Works*, Vol 5, p 59.

# Youth Dependence a Marxist Perspective

Over the last three centuries young people have been both the subject and object of inquiries - scientific, legal, political, and educational - which have defined them as a social problem and have contributed to the social construction of youth dependency.

For example,

documented concerns about (potentially) delinquent urban youth can be traced back as far as the 19<sup>th</sup> century!<sup>1</sup> What has added to the complexity of this issue is the duality of subjectivities informing the discourses surrounding “youth”. On the one hand, young people are viewed as in need of care, nurtured as the future, or are to be “safeguarded” to utilise the latest terminology. On the other hand (and often in the same discourse) they are feared, viewed as deviant or a threat and in need of control.





# ncy and Resistance



by Kevin Donnelly

This has been no more so than in the “shifting sands” of Youth Justice whereby the agenda has zigzagged between care and control since the 1850s. Back then, “juvenile delinquents” were viewed to be in need of treatment within moral education programmes and in institutions designed both to prevent and to deter offending. A century later, these institutions were criticised for being dehumanising and expensive, criminogenic rather than rehabilitative, and the emphasis shifted to community interventions within the terms of the dominant “welfarist” thinking of the time.

In the 1980s, there was a further shift with a move to a more “justice-based” approach; the community would continue to be the site of interventions but programmes had a more retributive edge and were defined as being about “punishment in the community”. At the moment, policy is dominated by an emphasis on “care” and improving the effectiveness of “community sentencing”. However, and at the same time, in practice we lock up more young people in England and Wales than anywhere else in Europe or indeed the western world.<sup>2</sup>

These are also contradictions which inform my own profession – youth and community work – and which is becoming increasingly Janus-faced. Youth and community workers are facing one way as social educators, working around radical pedagogical values and processes in order to empower young people. However, they are also increasingly having to face another way, posing as social entrepreneurs who define “their young people” as more of a problem than “other people’s young people”, in order to secure scarce funding and resources – and as a result, focusing on one set of disadvantages without the critical thinking of linking these issues up with other concerns. In other words, the absence of any class-based analysis informing youth and community work has increasingly meant that the aims, responses and autonomy of its practice are being limited and eroded; and that this in turn is playing into the hands of the prevalent power structures in capitalist society:

“While youth workers have to swim in a sea of capitalism, they need not be consumed by it.”<sup>3</sup>

So what is meant by “youth dependency”? The simplest way to illustrate and explain this is through taking an historical perspective specific to the British experience and within the terms of the development of the organisation of capitalist production. This has had a profound impact on all other aspects of society, from the family, through the education system, to how healthcare operates and is distributed. All these aspects in turn are shaped by the demands and consequences of the unfolding capitalist system of production.

Further, these “demands” and “consequences” of capitalist industrial growth have been mediated by the state (and increasingly also by other institutions in civil society) to incur solutions which are compatible with the way society is organised. Increases in state intervention during the 19<sup>th</sup> century, generated by concerns about poor housing, unsanitary conditions and the general poor health/physical condition of the working class, can be viewed in this context. One particular aspect worth noting was the introduction of health visitors during this period, reflecting public (middle class) intervention into, and surveillance of, the

private (working class) sphere of the family. There was also a plethora of legislation which was introduced as a consequence, in particular:

- the 1833 Factory Act, which limited the age at which children could work in factories – this could be linked to fears relating to the (future) reproduction of labour and its adverse effect on economic/ military effectiveness during a period when Britain’s domination in these fields was being challenged by competitors;
- the 1867 Factory Act, which introduced regulation and inspection of factory workshops.

Linked to this is the concept of “relations of culture”. Individuals are not only involved with social institutions/relations in terms of their class location but also through the cultural meanings and values transmitted through these institutions/relations. In this, just as class is differentiated through inequality so there are also inequalities and power differentials relating to cultural domination and subordination.

Antonio Gramsci demonstrated how the ruling

class has historically been unable to secure domination through economic or coercive power alone but instead has sought to maintain hegemony through state ideological apparatuses such as the education system.<sup>4</sup> In this way the ruling class exerts social authority over subordinate groups through the manufacture of consent and the legitimating and “naturalisation” of this authority. This dominant value system – which is diffused throughout society as “popular” (middle class) culture – has its roots in social institutions which in turn, provide a moral framework for these values at the level of “the nation”:

“The major impetus for the creation of national education systems lay in the need to ... spread dominant national cultures and inculcate popular ideologies of nationhood; and so to forge the political and cultural unity of burgeoning nation states and cement the ideological hegemony of their dominant classes.”<sup>5</sup>

The expansion of a “national education system” in Britain again has its antecedents in the 19<sup>th</sup> century and the introduction of further Factory Acts:

- the 1871 Factory Act introduced universal elementary education for working-class children, who would be institutionally contained in schools for the first time;
- the 1878 Factory Act was linked to the growth of youth organisations explicitly informed by public-school codes and values.

In many respects, these developments could be viewed in a positive light, as improving the welfare of working-class young people – however, educational reformers themselves did not question the fundamental logic of capitalism. In fact, education was generally viewed as helping to preserve the capitalist order. There were also fundamental disagreements amongst the great and the good about the pros and cons of educating the poor – many thought that to do so would allow the poor to read seditious or anti-

religious pamphlets! Teaching manuals during this period therefore placed more emphasis on working-class morality and the benefits of religious instruction than on equipping the children of the poor with the skills for life in the workplace.

From the late 20<sup>th</sup> Century onwards there has been an intensification of the processes which have restricted the terrain in which adults and young people could interact. This has effectively continued to reset the boundaries between independence and dependence for the latter. In relation to the family, the Children Act 1989 and Child Support Act 1991, in particular, significantly shifted power relations and changed the emphasis of what constituted parental responsibility. These changes have also had an effect on young people’s access to education, the labour market, the benefits system and housing. Against a background at the time of 50,000 young people experiencing homelessness each year, and 85% of those 16-17 year-olds leaving home being “forced out”,<sup>6</sup> there was the introduction of the following legislation:

- the 1986 Wages Act, removing Wages Council protection from young people;
- the 1986 Social Security Act, removing – with a few exceptions – the right of 16- and 17-year olds to claim Income Support;
- the 1988 Housing Act, limiting access of young people to low cost housing;
- the 1996 introduction of Job Seekers Allowance, with lower rates for the under-25s and tighter “seeking work” rules;
- the 1996 Housing (Homeless Persons) Act, in whose priority groups young people were not included, unless they were considered “vulnerable”;

- the 1998 introduction of the “New Deal”, whereby 18-25 year-olds have to cooperate, or risk losing benefits.

“There are a number of young people who choose voluntarily to leave home. I do not think we can be expected, no matter how many there are, to provide units for them ... those young people already have homes to live in belonging to their parents.”<sup>7</sup>

The period of the 1980s onwards, coinciding with the rise of the New Right, witnessed a fundamental redefinition of what was commonly known as TSW – Transition from School to Work. Increases in youth unemployment, changes to the education system which became more geared to promoting inequalities (around class, gender and race) and attacks on the British welfare state, among other developments, meant that working-class young people were increasingly being subjected to “new vocationalism” and “schooled for the scrapheap”,<sup>8</sup> with the New Right busily building the scrapheap in the first place!

Further, these are preoccupations which continue to dominate New Labour’s social policy thinking, particularly with the “September Guarantee”, a key component of the Connexions strategy which aims to provide information, advice and guidance to young people, mainly those not engaged in education, employment or training (NEET). Specifically, this is an offer implemented nationally in 2007 and extended to 16-17 year olds in 2008, of a suitable place (by September) in learning for those completing compulsory education and who have enrolled on one-year or short courses, or who had left the activity they chose when



the 1833 Factory Act, limited the age at which children could work in factories

leaving school. What is not guaranteed however is any long-term sustainable employment.

There is also the Equality and Human Rights Commission's "Staying On" initiative which is in response to the Education and Skills Act 2008. The new legislation will mean that from 2013, young people will remain in education or training until at least their 17<sup>th</sup> birthday, rising to 18 by 2015 and further eroding young people's independence and autonomy.

So how have young people reacted to and resisted these developments and changes (both in real and symbolic terms)? Underpinning these historically unfolding processes is a material basis, specifically the contest between capital and labour, the contradictions of which are specified by historical and concrete forms and circumstances and informed by the interplay of a number of factors including economic, social, cultural and intellectual practices.

These irreducible and complex contradictions informing the capital/labour relationship – which in turn make it possible to give new credence to more dynamic cultural analyses and practices than outlined earlier – mean that young people lead their lives not just in terms of class location (and also not necessarily in relation to forms of resistance directly attributable to class struggle); but also around the complexities and distinctions of cultural codes and practices manifested by gender, sexuality and race in the formation of their identities, and by the way in which these in turn influence and determine their paths and destinations in the transition from dependence to independence.

However, it must also be said that, within these terms, any processes of transition have an ultimate destination in as much as the overarching

requirement within the system is the fulfilment of the needs of capitalist society; for the majority of working-class young people, therefore, the reality is still being "schooled", or "trained", for the scrapheap. To move this argument to another level, we need to acknowledge the role of ideology in all of this and the way it plays out within the dynamic world of youth culture and subcultures.

By this is meant that ideology, in a general way, is always an "ever-already" element of every social and cultural formation.<sup>9</sup> Included in this is the "spontaneous ideology" which informs youth cultures and subcultures such as punk rock and its "outbursts of spontaneous youthful creativity against the bureaucratised mass society".<sup>10</sup> Central to this in turn is the concept of "revolt" which is distinct from and falls short of revolutionary practice. The former "refers to a state of permanent questioning, of transformation and change and an endless probing of appearances"<sup>11</sup> – the "bricolage" of the punk rocker for example. By "bricolage" is meant the way that various, often disparate, semiotic elements are combined to form a style specific to a (sub)cultural formation – in this case the shock-tactic dress codes of punk.<sup>12</sup>

How this potential for revolt then goes through the massive theoretical and concrete labour of transformation into revolutionary practice is the challenge for us as Marxists, for the reality is that these sites and modes of subcultural resistance and revolt have often as not been subject to ideological incorporation. The mass media in particular have taken subcultural "threats" and either made them safe or transformed them into pieces of meaningless exotica.<sup>13</sup> The speed of incorporation of punk into the mainstream between 1976 and 1978 is a



The Sex Pistols were physically attacked in the streets in 1977 with the release of *God Save the Queen*

case in point – the distance from *Anarchy in the UK* to *The Great Rock'n'Roll Swindle* is a short one indeed!<sup>14</sup>

Another potential site for resistance and revolutionary practice is education, particularly in relation to the work of the Brazilian Paulo Freire, who believed that education could be used for either domestication or liberation.<sup>15</sup> The former has largely informed the development of mainstream education outlined above, in which ideology functions to mitigate class struggle through the systematic utilisation of abstract knowledge, effectively obscuring the contradictions inherent in capitalist society. Freire's work on the other hand starts with the premise that no education is ever

neutral and involves the transformation of the power relationships between teachers/learners (adults/young people) in which a co-investigation takes place of the way knowledge is objectified. In the final analysis, Freire provides both a philosophy for a truly radical pedagogy and a blueprint for revolutionary action in work with young people:

"To surmount the situation of oppression, people must first critically recognise its causes, so that through transforming action they can create a new situation, one which makes possible the pursuit of a fuller humanity."<sup>16</sup>

## Notes

- 1 D Hebdige, *Subculture; the Meaning of Style*, Methuen, London, 1979, p 75.
- 2 *Challenge*, Autumn 2009.
- 3 T Jeffs and M Smith, *Using Informal Education: An Alternative To Casework, Teaching And Control?*, OUP, Milton Keynes, 1990, p 226.
- 4 A Gramsci, *Selections from the Prison Notebooks*, Lawrence & Wishart, London, 1971, pp 244, 350; *Further Selections from the Prison Notebooks*, Lawrence & Wishart, London, 1995, pp 156-7.
- 5 A Green, *Education and State Formation*, Macmillan, London, 1990, p 309.
- 6 *Guardian*, 24 June 1995.
- 7 M Thatcher, *Hansard*, 7 July 1988.
- 8 N Crawford, *Angry Lullaby*, on the album *Samizdat* by Forty Space Rats, <http://www2.mp3.com.au/Track.asp?id=14466>.
- 9 L Althusser and E Balibar, *Reading Capital*, NLB, London, 1968, p 43.
- 10 S Zizek, *Georg Lukacs as the Philosopher of Leninism*, Verso, London, 2000, p 117.
- 11 J Kristeva, *Revolt She Said*, Semiotext(e), distributed by MIT Press, 2002, p 120.
- 12 D Hebdige, *op cit*, pp 92-9.
- 13 *Ibid*, pp 103-4.
- 14 A specific reference to the Sex Pistols, who went from being folk devils from the moment of their first record in 1976 (*Anarchy in the UK*), then being physically attacked in the streets in 1977 with the release of *God Save the Queen*, to the role of cartoon punks by the time of the release of *The Great Rock'n'Roll Swindle* in 1979.
- 15 P Freire, *Pedagogy of the Oppressed*, Penguin, London, 1979.
- 16 *Ibid*, p 29.

# Turning Economics into an Objective Science?

A response to David Grove by Jerry Jones

THERE IS MUCH WITH which I agree in David Grove's studied critique (in *CR* 53 and 54) of my article, *Causes of the Current Economic Crisis* (in *CR* 52). In particular, I fully concur with his class analysis of the state. And I agree with his discussion of the labour theory of value, and what he says about surplus value and the tendency for the rate of profit to fall, as is evident from other articles I have written.<sup>1</sup> As David conceded, not every article on the crisis can cover the whole complex field, and he has definitely filled a few gaps in my analysis (which I should point out was written originally for another purpose). Hereon, I will focus on areas where I disagree with David, and on filling in a few gaps.

## Economics as a "Science"

First, contrary to what David asserted, I do not see economics as an objective science, or at least not yet. But I do believe that it could and should become one, and it is that end that guides much of my research on economics – which surely was also the object of Marx and Engels – with the aim of contributing towards the overthrow of capitalism and imperialism, and establishing an alternative socialist economic system based on common ownership.

As in any other area of study, if economics is to achieve the status of a science, there is the need to examine what other theorists are saying and observing. Therefore, I have no qualms about bringing Smith, Keynes and George into my discussion of the current capitalist crisis.

Finally, I think "economics" should be regarded as being synonymous with "political economy" – the latter merely being an older term to describe the same subject matter. Thus, contrary to what David was implying, along with many

others, "political economy" is not necessarily a more "progressive" concept. This much was implied by Marx giving to *Capital* the subtitle, *A Critique of Political Economy*.

## The Concept of Surplus Labour

Next I want to explain a little why I have adopted the concept of surplus labour – which I define as labour performed over and above that which is used to satisfy immediate consumption needs – and to clear up a few misconceptions.

In a class society, much of the surplus labour performed, perhaps all of it, is appropriated by those with economic and political power, the ruling class. This is very obvious, for example, in feudal society where serfs have to spend time working on their landlords' fields. Under the capitalist mode of production, this is more subtle. The process is concealed, as David Grove put it.<sup>2</sup> Workers perform surplus labour without realising it and capitalists appropriate it without realising it. As Marx showed in *Capital*, it is precisely the appropriation of surplus labour or unpaid labour that is the origin of surplus value and the source of capitalists' profits. For example, "The purpose of capitalist production ... is self-expansion of capital, *ie* appropriation of surplus labour, production of surplus value, of profit".<sup>3</sup>

In short, contrary to David's assertion, the concept of surplus labour does reveal the process. Furthermore, again contrary to what David suggested, surplus labour, once performed and turned into a money form, whether as profits realised by the capitalist when the commodities produced are sold, or as workers' savings, becomes capital. Indeed, capital is none other than accumulated surplus labour in a money form.

I have chosen to base my economic analysis on the concept of surplus labour, not because it provides a more rigorous basis for analysing the capitalist mode of production (it does not), but because it can be applied to any social formation or mode of production, including a future socialist mode of production (in which there still has to be investment, and therefore, surplus labour performed). In other words, my object is not to analyse the capitalist mode of production as such – which has already been done more than adequately by Marx – but to develop a general economic theory capable of being applied to any social formation, and revealing exploitation in all its forms. And for this purpose, I have found that the concept of surplus labour, as defined above, performs this task very well. It is equivalent to the role played by atoms and molecules in chemistry.

I should emphasise that focusing on surplus labour in no way contradicts Marx's analysis of the capitalist mode of production, as hopefully will become clear below.

I have found the concept of surplus labour particularly suitable for analysing the dynamics of today's social formations in the various nation states, together with their interactions with one another, and thus the global social formation as a whole. All are, of course, dominated by the capitalist mode of production, but they also incorporate other modes of production. In addition, there is the imperialist relationship between less developed and more developed countries that needs to be taken into account.<sup>4</sup> Needless to say, today's social formations differ markedly from those which prevailed in Marx's time, not least in the extent to which production has become concentrated worldwide, dominated by a relatively small number of what we now call transnational corporations – a trend



# Discussion

which Marx and Engels predicted as early as 1848 in the *Communist Manifesto*.

There is not the space here to discuss the application of the concept of surplus labour in any detail.<sup>5</sup> I will just give a few examples. First, it reveals the mechanism of imperialist exploitation through the ages, which, of course, predated the capitalist mode of production, and continues on an even greater scale today. In particular, it helps to explain the origins of the so-called primitive accumulation that was necessary for the capitalist mode of production to become established, and also how the more developed countries of today continue to exploit less developed countries – from which workers as well as capitalists in the more developed countries benefit at the expense of workers and peasants in less developed countries. In both cases, it is the result of surplus labour being transferred across national boundaries through international trade, through foreign investment and transfer pricing, and through corruption. In short, it explains why some countries became highly developed industrial economies, while other countries have remained underdeveloped, deprived of the investment resources needed to develop their economies because so much of their people's surplus labour is appropriated abroad.

The concept of surplus labour also reveals the internal causes of economic stagnation in the former socialist countries under the system of central planning that they adopted. And it provides a basis for understanding why an economic system that does not involve the appropriation of surplus labour – one based on common ownership, which is how I would define a socialist mode of production – is not only more just, but also hugely more efficient economically.

## Surplus Labour versus Surplus Value

As discussed by Marx, surplus value derives from, and is equivalent to, the amount of surplus labour of workers appropriated by capitalists. In the classic Marxist analysis of the capitalist mode of production, the profit of merchants is said to derive from their appropriating a portion of that surplus value appropriated by capitalists involved in production. Other portions go to landowners in the form of ground rent, and to bankers in the form of interest – and also to the state in the form of tax.

In my analysis, based on the concept of surplus labour, this is exactly equivalent to a part of the surplus labour performed by workers being appropriated by those various agencies. Today, many capitalist enterprises acting as merchants, and other capitalist enterprises providing a whole range of services – for example, supermarkets – employ many thousands of workers. And, to the extent to which they get away with making use of workers' unpaid labour, they also extract surplus value (that is, appropriate their surplus labour). In other words, their profits derive not only from buying cheap (which is equivalent to appropriating surplus labour from producers, farmers and other suppliers), and selling dear (which is equivalent to appropriating surplus labour from their customers), but also from appropriating workers' surplus labour.<sup>6</sup>

A similar argument applies to banking, especially now that most workers (at least in the more developed countries) are clients of banks, and are in debt to them at various points in their lives. The interest that they pay on debts over and above the value of the services provided by banks is equivalent to the appropriation of their surplus labour, which is what generates their profits,

along with the surplus value (surplus labour) that they appropriate from their bank workers. In addition, many workers as a result of class struggles over the years have been able to push up their pay to the extent that they may accumulate capital or savings – including pension funds (most of which may be used to purchase their own homes). This capital derives from that portion of surplus labour they perform that is not appropriated by their employers. The extent to which banks squeeze down interest rates on savings deposits is equivalent to appropriating a part of people's surplus labour.

In the case of landlords letting properties, they appropriate surplus labour from workers, as well as from capitalists, in the form of higher rents – either through leases, or when workers rent their homes – over and above the value of the service they are providing. On top of that, there is the appropriation of surplus labour in the form of economic rent or ground rent by all landowners from the rest of society. (As explained later, a land value tax is designed to reclaim that back for society.)

To sum up, applying the concept of surplus labour in these ways has the advantage of exposing whose surplus labour is being appropriated by whom, who is exploiting whom. (And if the appropriate data were collected, it would be possible technically to measure it.)

Another issue is that use of the concept of surplus labour in economic analysis helps to unite the working class – that is everybody dependent for their livelihoods on the selling of their labour power. It does not separate workers into so-called productive workers and unproductive workers – that is separating those supposedly producing surplus value in production from those supposedly consuming it through the provision of

various services. Capitalist production today is totally dependent on a vast range of economic activities and services provided by workers not directly involved in the production of physical commodities, but who are every bit part of the production system, and involved in keeping it going – ranging from school teachers and civil servants to health workers and shop workers. They should be regarded as productive workers just as much as those producing physical commodities because the whole production system depends on their labour.

In short, dividing workers into “productive” and “unproductive” workers, as do some vulgarised versions of classic Marxist analysis of the current social formation, is unhelpful and undermines workers’ solidarity. This does not arise when using the concept of surplus labour.

### Causes of the Current Economic Crisis

In my original article, I identified a fundamental cause of the current crisis (and capitalist crises in general) as being due to “too much capital accumulating, unable to find suitable investment opportunities because economic demand is insufficient to provide a market for the goods and services that would have been produced and supplied – because too much surplus labour is appropriated at the expense of wages, upon which the growth of economic demand depends”. This David Grove described as a “surface truth”. I was also criticised earlier for not bringing in the tendency of the rate of profit to fall as a factor.

First, I would like to point out that David, by the end of this part of his critique, was saying: “It is the inexorable drive for profit at the expense of incomes (and savings) of the majority of people that is the fundamental cause of the current crisis”. This does not sound much different to what I was saying – surely a bit of a “theological diversion”, to quote David in an earlier passage. It is similar also to what Marx has said: “The ultimate reason for all real crises always remains the poverty and restricted consumption of the masses as opposed to the drive of capitalist production to develop the productive forces as though only the absolute consuming power of society constituted their limit”.<sup>7</sup>

However, this is not a complete Marxist explanation of capitalist crises, as Marx makes clear elsewhere.<sup>8</sup> The tendency for the rate of profit to fall has to be brought in as a factor. (I did

not include this in my original paper, which in the first instance was presented orally, because it would have required too much elaboration for the particular audience. But perhaps I should have done. I shall try to make amends now, especially as not all of what David said made sense.)

### The Tendency for the Rate of Profit to Fall

Just to recap, the rate of profit, as defined by Marx, is the ratio of surplus value to the total capital invested. Surplus value is equivalent to the surplus labour appropriated by capitalists over a certain period. Capital includes premises, equipment, raw materials and other material inputs, plus the total amount paid out in wages. Thus, the rate of profit for a given period is summed up in the formula

$$\frac{s}{c + v}$$

where  $s$  is surplus value (or appropriated surplus labour),  $c$  is invested capital, and  $v$  is wages. (Note here that using the concept of surplus labour rather than surplus value in no way affects the theory of the tendency for the rate of profit to fall.)

One cause of the rate of profit to fall is that capitalist enterprises of whatever size, shape or form, which are in competition with one another, in order to gain or retain market share, and therefore their share of profit, must invest in technology, either to raise the productivity of labour so that more can be produced with a smaller work force (thus saving on labour costs), or to diversify into some other productive area. If they do not, and others do, they will be forced out of business. In other words, they are under constant pressure to consume more capital ( $c$ ), which will mean that the rate of profit will tend to fall.<sup>9</sup>

However, in order to realise a profit, and extract surplus value, the capitalist must be able to sell the product. This is where the other aspect comes into play – the tendency for capital to accumulate at the expense of wages (too much surplus labour being appropriated at the expense of economic demand). In other words, capital accumulated in an earlier phase might well be available to invest in more productive technology, but there will be no incentive to do so because of insufficient economic demand. This is what Marx identified as the “overproduction of capital”, or the “over-accumulation of capital”.<sup>3</sup>

The problem of capital accumulating,

unable to find suitable investment opportunities, is exacerbated by the fact that many firms in a particular sector would have been investing in more productive technology with the aim of staying ahead of their competitors, thus generating a crisis of overproduction or overcapacity, which, as capital seeks opportunities for investment in other sectors, gradually extends to all branches of the economy.

This will be further exacerbated by the extent to which investments in technology that raise the productivity of labour are labour-shedding, leading eventually to employment in all branches of the economy starting to contract. This will further depress the market, ultimately giving rise to what Marx dubbed as “unemployed capital at one pole and unemployed worker population at the other”.<sup>3</sup> This will result in further falls in the rate of profit.

At this time many businesses will fail. Those that survive will be the ones that had invested the most capital to be able to produce the product at lower cost in terms of labour. Although, initially, the average rate of profit will have declined (for the reasons just discussed), when the crisis bottoms out, following many bankruptcies (which is equivalent to capital being destroyed), the rate of profit for the survivors will tend to rise because there will be fewer competitors, and they will be able to charge higher prices in what in the first instance will be a smaller market – they will be able to sell products above their value.<sup>10</sup>

Repetition of this process over the years is what has led to the increasing concentration of productive activities into a smaller number of ever larger corporations. One consequence of this is that in many instances capitalists have been able to offset falling rates of profit by increasing the mass of profit. As Marx observed, “... a large capital with a small rate of profit accumulates faster than a small capital with a high rate of profit.” But he continues: “At a certain high point this increasing concentration in its turn causes a new fall in the rate of profit.”<sup>3</sup> This is what we are experiencing now.

Meanwhile, capitalists constantly seek other ways of offsetting the tendency for the rate of profit to fall. First, because of its adverse effect on the rate of profit, capitalists hate competition. They invent brands and trademarks, and try to convince consumers through advertising that their product has some unique quality different from similar products on the market (which is a form of

monopoly). They buy up other companies and their brands. Indeed, hardly a day passes without some takeover or merger being announced. This, of course, reduces competition. Furthermore, they try to maintain higher prices through tacit collusion, for which they do not even have to meet – it is sufficient to know that they will all suffer if they attempt to steal competitive advantage through lowering prices. This is made all the easier as production becomes more concentrated. Or, if companies are particularly desperate, and if they believe they can get away with it, they form illegal cartels to fix markets.

Secondly, companies, perhaps in collusion with one another, constantly seek ways of pushing down what they spend on wages – either directly, if possible, or indirectly by not increasing wages in line with inflation, or by getting workers to work more intensively (through “natural wastage”, leading to fewer workers doing the same job), or by shifting production to countries where wages are lower. How successful they are in this endeavour much depends on the bargaining position of workers relative to that of capitalists at different times. It is the attempt to push down  $v$  in the above formula.

However, the contradiction here is that the more successful they are in doing that, the more this reduces economic demand and therefore markets for their products. (This is one of the fallacies of composition that I referred to in my original article.) This may be offset temporarily, as explained in my article, by extending credit on a wider scale. The trouble is that the debts eventually will have to be repaid, which will be at the expense of economic demand, thus precipitating a new crisis with a vengeance. As explained in my original article, the present crisis has been made worse by the invention of a whole new range of financial instruments that enabled banks to take loans off their balance sheets, spread the debts elsewhere, and to expand credit like there was no tomorrow.

The only other outlet for the accumulated capital is speculation, turning it into various kinds of financial paper and derivatives which are gambled on the world’s financial markets that become ever more bloated at the expense of real economic development.<sup>11</sup>

To sum up, the tendency for capital to accumulate at the expense of economic demand (due to too much surplus labour being appropriated), on the one hand, and the tendency for



Capitals going to the wall: “creative destruction” championed by economist, Joseph Schumpeter

the rate of profit to fall, on the other, are not alternative explanations of capitalist crises, but are two aspect (and there are more) of the same Marxist economic theory.

### Outcomes

When it comes to analysing outcomes of capitalist crises (which was beyond the scope of my original article), one needs to take account of both these aspects. If the problem is identified merely as capitalists not paying workers enough to provide markets for their products, a government – acting in the best interests of capitalists – could simply hike up statutory minimum wages by decree, which, in the first instance, could provide the capitalists with the markets that they need in order to realise the profits (surplus value) that they seek. The trouble is that that would raise  $v$  in the above formula, thus pushing down the rate of profit. And if the capitalists try to offset that by investing in labour-shedding technology, that will push up  $c$  in the above formula, which will also have a negative effect on the rate of profit.

The only alternative from a capitalist point of view is to contract, which will mean the weakest capitals going to the wall – the so-called “creative destruction” championed by the economist, Joseph Schumpeter, and others (also mentioned by David Groves), which, they say, is necessary for regenerating the dynamics of capitalism, clearing out “lame ducks”. But, of course, this ignores the immense hardship and destruction of people’s lives,

even death, caused by people losing their jobs, their livelihoods, as well as a gross waste of the surplus labour that people have performed to create that capital, in its various forms. As I concluded in my article on the subject, what greater indictment of capitalism can there be?<sup>12</sup>

From a working class point of view, the object must be for workers to resist the campaign to push down their wages, their livelihoods, and the closure of their workplaces in whatever way they can, which, after all, is the result of a crisis that is not of their own making. That is what class struggle is about. And who knows, it might even lead to workers and their supporters taking over the state and establishing a new mode of production.

### Keynes

My main reason for bringing Keynes, Smith and George into the discussion was to show that explanations of the current crisis from their theoretical perspectives can only go so far.

Much of what David Grove said about Keynes I would go along with. It was not particularly a critique of anything I had said. But he did imply that I believed that “if only [Keynesian policies] had been kept going, ‘managed capitalism’ could have avoided booms and slumps and bubbles that burst”. In fact, I did not say that. Furthermore, perhaps I need to emphasise that just because I am seeking to learn something from Keynes does not mean I have “bought into the reformist social democratic myth”.

One of the difficulties of “learning from Keynes” is that many of the policies carried out in his name would most probably not have been supported by him. Second, he changed his views at various times during his relatively short career – as he once famously put it, when challenged on this: “When the facts change I change my mind. What do you do, sir?”<sup>13</sup> Third, from the start, Keynes’s economic theoretical approach was undermined by academic economists claiming to be followers of Keynes, but who, in fact, reinterpreted his approach to fit in with their old-fashioned neoclassical perspectives.<sup>14</sup> It is for those reasons that I use the phrase “Keynesian-type economic policies”.

Meanwhile, it has to be said that during the period when Keynesian-type policies were in vogue, global economic growth was greater than at any time before or since, peaking in 1973 (and beyond that in some countries, including Japan and South Korea). That could not have been entirely a coincidence.

Moreover, China, arguably, has been following similar policies over the last two decades, and has been achieving sustained high rates of growth.

Furthermore, having studied Keynesian-type policies in theory and in practice, in some depth, I would argue that, once capitalism has been overthrown, thus eliminating many of the contradictions which brought about the demise of such policies, there are many useful insights for the management of an economy at the macro level, and also at international level, during the transition towards socialism. For example, one of the main points I sought to draw out in my original article was that even under common ownership, bank lending – which would become the main source of finance under an economic system based on common ownership – needs to be kept under control if it is to promote and sustain steady economic growth, and to ensure that it did not generate inflationary bubbles, suppressed or otherwise.

### Smith

I brought Smith into the discussion, first to show that his name has largely been taken in vain by modern day neoclassical economists and the politicians pushing neoliberal economic policies. And second, to show that in his writings (which incidentally provided a foundation and point of departure for Marx when he began to develop his economic thinking), Smith argued most strongly that governments need to be able to stand aloof from the various vested interests if they are going to manage an economy efficiently and for the benefit of society as a whole. This applies to any economic system. The extent to which governments today are virtually in the pockets of big business was a significant factor leading to the current crisis.<sup>15</sup>

### Fallacy of Composition

David seemed to miss the point that I was a bit tongue-in-cheek here. I was not suggesting that capitalists would come together to overcome their contradictions. I was stating the nature of those contradictions among capitalists – with the implication that only governments standing aloof from these capitalists have a chance to resolve them. Otherwise, I would largely go

along with David's remarks under this heading, except his supposition of what "Jerry would argue".

### The Land Question

Turning now to David Grove's discussion on land, I will go through the points he raises in roughly the same order.

First, it is true that Henry George in his time believed that the entire revenue for governments and for public services could come from an annual tax on land that collected the whole of the economic rent of land. It is also true that today there exist many followers of George, mainly of a right-wing bent advocating "small government", who also believe that. But as I make clear in my pamphlet on land, I am not one of those.<sup>16</sup> As with the other economists discussed, it is possible to gain useful insights on particular issues without having to accept everything they say.

### The Nature of Land

Next, in common with most mainstream economists, David is clearly confused about the nature of land when he says that land has "a use-value that is consumed in the process of farming, mining and building". In fact, the major characteristic of land is that it is not consumed. When it is stopped being used for one purpose, it is available for some other use. David is confounding land, on the one hand, and capital investment on the land, on the other, which is a problem that most economists seem to have. Investments on the land do wear out, but the land does not. As Marx put it, "time attacks and worsens all means of production (except land)".<sup>17</sup>

Capital investment on the land does not improve the exchange value of land but the exchange value of the products produced on the land.

There is no labour embodied on the land. It is what nature has provided for free. Land "ripe for development" has a high value because it is in demand, or because planning permission has been granted for it to be developed (about which more shortly). Other things being equal, and ignoring the speculative element for the moment, the exchange value of land is essentially its price, which is more or less equivalent to its capitalised rental value (discounting speculation). And this is determined by the demand for land in a particular location, and is independent of who owns the land. Every site, of course, is unique, and in that sense is a monopoly, but, contrary to what David implied, that is not what gives land its value.

### The Causes of Rising Property Prices

Unfortunately, it is NOT a common belief that rising land values (and prices which reflect those values, not the other way round as stated by David) "have been responsible for the rise in sale prices or rents of homes", but it is nevertheless true. As implied in the quote from Marx above, the value of buildings tends to decline over time due to wear and tear and obsolescence, so the rise in property prices must almost entirely be due to the rise in land values. In fact, in a later passage, David seems to accept this point (contradicting his earlier statement) when he says "much of the difference between the building costs and the sale price is appropriated by the landowners", and "[l]andowners also pocket more surplus value as a consequence of public and private investment that raises the accessibility or amenity of their holdings".

Furthermore, David seems to accept that the surge in property prices depicted in Figure 1 of my original paper is related to the surge and deregulation of bank lending.

### The Effect of a Land Value Tax on Prices

The extent to which a land value tax (LVT) would reduce land prices, depending on the rate of tax, is evident from both theory and practice. First, consider two sites of equal value, only one of which is taxed – it does not matter whether it is an upfront tax or an annual tax,





which would have an upfront capitalised equivalent. The site which is taxed would obviously have to sell at a discount, the more so the greater the tax.

To give a concrete example, there is a road in South London with identical houses on either side, but one side is in Lambeth, which has a high council tax, and the other side is in Wandsworth, which has a low tax. The latter fetch a higher price than the former which are discounted by the amount of extra tax that has to be paid.

It should be noted that lower land prices as a result of LVT do not mean that land values are lower, which, other things being equal, would remain as they were. It is simply that, following the introduction of LVT, the public would be getting a share of the land values, the more so the higher the rate of LVT.

The lower market price of land arising from the introduction of LVT would have major economic benefits, not least that more of the capital that is available can be invested in productive activities, leading to more employment opportunities, and it would make homes cheaper.

Georgists normally argue that a land value tax cannot be passed on by landowners (obviously true in the case of owner occupiers) but, as David implied, it can be regarded as being dependent on the state of economic demand for land, properties, or goods or services arising from the productive activities taking place on the land. However, at the point of it being introduced, it cannot be passed on if it is assumed that the prices of all these products already reflect the state of economic demand.

### The Justness of a Land Value Tax

No tax can be said to be popular, but people normally accept the need for taxes in order to pay for the public services upon which we all depend, as long as they regard them as fair taxes.

LVT should be regarded as a fair tax because without it, landowners, including owner occupiers, benefit from rising land values at the expense of the rest of society. In other words, in the absence of such a tax, landowners benefit at the expense of people who do not own land. It is equivalent to unearned income either in the form of rent, if the land is rented, or in the form of capitalised rent if the land or property is later sold. In fact, at one point, David does seem to accept that levying a tax on land values is just when he says that the value of the land is related to the

productive activities of society as a whole, and nothing to do with the actions of owners of a particular site – which, of course, I would go along with!

LVT is not regressive, as suggested by David, because those owning land of higher value normally have a higher income so they can afford to pay the higher tax.

The problem for people whose incomes have declined, but whose properties have risen in value can easily be dealt with by allowing them to defer (or roll over) the payment of the LVT, either wholly or in part, until the property is sold or transferred to heirs. This would enable people to carry on living in their properties at no extra cost, and, if they so chose, to pay less tax than they do now. However, it is only fair that the tax plus interest should be paid eventually, because the increased value of their properties – or more precisely, the value of the land on which their properties stand – would have been created by the activities of society as a whole, and not by those who happen to occupy the particular site. Meanwhile, the tax authorities could obtain the revenue, that they otherwise would have received, from low-cost loans, using as collateral the stream of income that they would eventually receive.

A major advantage of LVT, unlike most other taxes, is that it does not carry a deadweight loss – the element or fraction of the tax in which the social cost of the tax exceeds the social benefit.<sup>18</sup> A further benefit is that LVT has the effect of bringing idle land (with extant planning consent) into use, because the landowner would have every incentive to develop the land or to sell it on to someone who will. This would eliminate land banks and the eyesore of derelict land and buildings in towns. It would also have the effect of lowering land prices in general because more land would become available for development, so that again more capital would be available for investment in housing or jobs.

### Other Taxes

I have no problem with using LVT as an opportunity to abolish income tax for most people, because income tax, in effect, acts as a disincentive – the more you work, the more tax you have to pay. However, for high earners I would retain a tax (or a surtax) on incomes above, say £50,000 per annum, which I would regard as fair because most high incomes are largely a form of economic rent (shortage of supply of the particular skill,

high demand by society).

I support VAT or at least some sort of consumption tax (varied according to the product) because it would encourage the economic use of resources, and can be an important aid to economic planning. Its regressive nature could be much reduced or eliminated by raising incomes of the lower paid sufficiently for them to be able to afford it. (Surely, it should be our policy to reduce income differentials drastically, in which case the problem would more or less disappear.)

### Planning Issues

As implied earlier, in most advanced economies the value of land is intimately tied up with planning permission. It is true that the way the system works at the moment leaves much to be desired, and there is much that needs to be done to make the whole process more democratic. But the issue that needs to be addressed is not, as David says, the “tyranny of land ‘values’ that has led to the concentration of development in the most profitable locations”, but rather the way in which the planning system operates.

Meanwhile, LVT would lead to less congestion and shorter journeys to work – the opposite effect to that implied by David – because, as a result of LVT, homes would be more affordable and more available in towns, because land would be used more efficiently and derelict land would be brought into use. This was very much the experience, for example, in Harrisburg, which has a system of LVT.<sup>19</sup>

Many of the other issues raised by David here are also to do with town and country planning and not ones that can be addressed by LVT. But LVT would ensure that land for which planning permission has been granted is used in the most effective way.

### The Question of Nationalisation

It is true that, if we were starting from scratch, the state ownership of land could be an advantage. People and businesses could be charged rent for the land that they occupy based on its value, and the revenue used to invest in public services and other productive activities for public benefit. This would ensure that society as a whole, rather than private landowners, would benefit from the increasing value of land arising from the social and economic activities of society.

However, state ownership by itself is no guarantee. Without measures taken to

value land in relation to its location and quality, and collecting the rent accordingly, those occupying the land will benefit at the expense of the public at large. Moreover, land will tend to be used indiscriminately, irrespective of its value.

This happened, for example, in the former Soviet Union, where all land was state-owned, and, moreover, treated as a free good (as was capital). Consequently, there were many instances of land being used inappropriately or inefficiently. In particular, it was common practice for enterprises (almost entirely state owned in the Soviet Union) to hold land vacant indefinitely in case they might need it later. This meant that the rest of society lost out from making the best use of what was often valuable land in a prime location for more beneficial purposes. This also distorted investment decisions, which meant that capital was not necessarily invested in productive activities that made the best use of the land that was available.

However, in a country like Britain, where the private ownership of land is thoroughly entrenched (with some 70 per cent of the population having some vested interest in land ownership) land nationalisation would be severely disruptive. Moreover, it is not even necessary for “the application of all rents of land to public purposes”.<sup>20</sup>

First, land use is already effectively nationalised through the various Town and Country Planning Acts. Second, once LVT is firmly established and the rate of tax is gradually raised (while reducing other taxes) until the entire economic rent of land is collected for “public purposes”, land ownership, in effect, would become meaningless. The only point of occupying land would be to make use of it.

When faced with such a tax, the big landowners in Britain, with estates mainly inherited from feudal times, would quickly dispose of them, because they would no longer generate the rental income that they desire.

Furthermore, the whole compensation issue would be avoided, which, if enacted, would merely give landholders “in another form a claim of the same kind and amount that their possession of land now gives them, [raising] for them by taxation [from which the compensation would have to come] the same proportion of the earnings of labour and capital they are now enabled to appropriate in rent. Their unjust advantage would be preserved ...”.<sup>21</sup>

In short, all land would be owner-occupied, owned by private or cooperative landlords renting out business premises or homes – providing a service to those who need it – or owned by the state. And all land would be subject to planning regulations – which hopefully would be arrived at more democratically than now if we work on it. Finally, introducing LVT now would create the basis for using land more efficiently in a future socialist mode of production.

## Notes

1 For example, *Valued labour* (*Morning Star*, 2 August 2000), in which I explain and defend the labour theory of value; and *Why capitalism is digging its own grave* (*Morning Star*, 3 August 2005) and *The true face of capitalism* (*Morning Star*, 8 May 2008), in which I talk about the tendency for the rate of profit to fall.

2 Or, as Marx put it: “The essential difference between the various forms of society, between, for instance, a society based on slave-labour, and one based on wage-labour, lies only in the mode in which this surplus-labour is in each case extracted from the actual producer, the labourer”. (K Marx, *Capital*, Vol I, Foreign Languages Publishing House, Moscow, 1961, Chapter IX, Section 1, p 217).

3 K Marx, *Capital*, Vol III, Progress Publishers, Moscow, 1966, Chapter XV, Section III, p 251.

4 Just to emphasise, the difference between a mode of production and a social formation is that the former is essentially an abstraction or an “ideal-type”, and the latter is the reality, in which, although one mode of production may be dominant – such as the capitalist mode of production is today – there may be remnants of earlier modes of production or elements of a future mode of production in embryonic forms arising out of class struggles. For example, Britain’s social formation today still has remnants of the feudal mode of production (House of Lords, the monarchy, skewed land ownership dominated by aristocrats), and also elements of a future socialist system won by the organised labour movement (schools, health service and other social services, and previously a number of industries that were under common ownership, since clawed back by a resurgent capitalist class).

5 For a more detailed discussion, see J Jones, *The Concept of Surplus Labour and its Role in Economic Analysis*, in CR 39, Autumn 2003, p 26.

6 I explain this more rigorously in *ibid*.

7 Marx, *op cit*, Vol III, Chap XXX, p 484.

8 It has to be remembered that *Capital*, Vol III,

where Marx looks at the capitalist production system as a whole, was not a finished work, but the reproduction of Marx’s notebooks for that work, painstakingly put together by Engels.

Unfortunately, neither here nor elsewhere in Marx’s writings is there a fully elaborated and systematic presentation of the theory of crisis. We have to obtain his thinking on this subject by sifting through various places. Meanwhile, many Marxist economists have latched onto the falling rate of profit thesis to the exclusion of other factors because it is that aspect of Marx’s argument that appears here in a more finished form.

9 David Grove asserts that “Marx sees that the tendency for the rate of profit to fall is a result of technological advance”. This is not true. It is the result of capitalists sinking capital (appropriated surplus labour) into the development of more advanced technology, which may be constrained at various times by the prevailing level of technical knowledge.

10 That is one reason why the rate of profit after the recession in the 1990s rose substantially over the following decade. See the chart, which refers to the US, in my article, *Why capitalism is digging its own grave* (*op cit*, Note 1).

11 It has become fashionable to describe such financial assets as “fictitious capital” – for example in Robert Griffiths’ recent pamphlet, *Ruling Class Offensive* (Communist Party of Britain, 2009). This is quite wrong, and is confusing. In fact, the assets are not capital and they are not fictitious. They are entitlements to capital. However, when they are bought on the secondary market, even at inflated prices, they are bought with real capital derived from surplus labour that people have worked, whether in the form of pension funds or appropriated by capitalists through employment. Likewise, those doing the selling receive real capital in exchange. And when prices collapse, this is real capital being destroyed – surplus labour that people have worked going down the drain – just as much

as when a fully equipped factory is closed.

12 J Jones, *The true face of capitalism* (*op cit*, Note 1).

13 For instance, in spite of Keynes’s ignorant statement in 1925, as quoted by David and many others, that *Capital* is “an obsolete economic textbook ... not only scientifically erroneous but without interest or application for the modern world” (in *A Short View of Russia* published by Leonard and Virginia Woolf, Hogarth Press, 1925), there is evidence that he read and learned things from *Capital* a decade later when working on his book, *The General Theory of Employment, Interest and Money*. (See, for instance: R Skidelsky, *John Maynard Keynes: The Economist as Saviour*, Macmillan, Basingstoke, 1992; p 497; and also, David Harvey, Lecture 3 of his internet course, *Reading Marx’s Capital*, <http://davidharvey.org/reading-capital/>)

14 For a detailed discussion of this issue, see G Tily, *Keynes’s General Theory, the Rate of Interest and “Keynesian” Economics: Keynes Betrayed*, Palgrave Macmillan, Basingstoke, 2007.

15 As the well-known banker, David Rockefeller, put it in 1994, “... back [in the 1960s] business leaders like myself were more or less sitting on the sidelines watching ... But now we’re sitting in the driver’s seat and writing many of the [policy] documents ourselves.” (cited in T Clarke, *Silent Coup: Confronting Big Business Takeover of Canada*, James Lorimer & Co Ltd, Halifax, Canada, 1997)

16 J Jones, *Land Value ... For Public Benefit*, Labour Land Campaign, 2008; p 36; also at <http://www.labourland.org>.

17 Marx, *op cit*, Vol III, Chap XV, Section III, p 254.

18 Jones, *op cit*, p 26.

19 *Ibid*, pp 9-10.

20 K Marx and F Engels, *The Communist Manifesto*, Verso, London, 1998, p 60.

21 H George, *Progress and Poverty*, The Robert Schalkenbach Foundation, New York, 2001, pp 360-1.

# Letter to the Editor

From Andrew Northall

In his response to Hans Heinz Holz's article *Stalin's Philosophical and Political Testament*, Kenny Coyle (CR 55, page 30) quotes Stalin out of context to claim that "his idea" of the state remaining in the period of communism is "in complete contradiction of Lenin's understanding". Cheap and easy, as Stalin himself might have commented.

What Stalin did in his speech to the 18th Congress of the CPSU and also in his masterpiece *Economic Problems of Socialism in the USSR* was to use the scientific materialist method to analyse how the state and its role changes as capitalism is replaced by socialism, and then socialism changes into communism.

Lenin argued clearly in *State and Revolution* and the *April Theses* (for example) that the proletariat needs a state and state power in the transition from the rule of the bourgeoisie to the rule of the proletariat, and that this takes the form of a proletarian state, which has replaced the "smashed" capitalist state.

Clearly, such a process takes place on a worldwide basis and cannot complete on the national terrain only.

Stalin was addressing theoretical inadequates who, adopting a utopian and ultra-leftist stance but in reality one which was deeply anti-Soviet, asked why in 1939 (and in circumstances of the rise of the Nazi and fascist powers!) and whilst still encircled by capitalism, the Soviet Union as a socialist country had not proceeded to abolish the state.

Stalin reiterated the position clearly set out in Lenin's *State and Revolution* (against the anarchists and utopians) that the state as a concept is not abolished upon the establishment of socialism, but on the contrary is replaced by a proletarian state "which bears a superficial resemblance to previous states" and is used first to "hold down" the overthrown capitalist and landowner classes, second to defend society against external attack and aggression aimed at capitalist restoration, and third to organise the new socialist economic system.

Stalin pointed out the sheer bizarreness and counter-revolutionary nature of the claim that in 1939 the socialist state could and should be abolished. In classic polemical style, he

extended the argument to an almost theoretical absurdity, namely whether the state would have to remain even if the Soviet Union had technically and economically reached communism, but still remained encircled by capitalism and imperialism.

Given that abolition of the state under such circumstances would render a communist Soviet Union defenceless to external capitalist encirclement, clearly and correctly Stalin argued that, for this reason only, the state would have to remain. Stalin went on to argue that if the position was reversed, ie if remaining pockets of world capitalism were encircled by socialism, then yes indeed the socialist state could proceed to wither away. Cde Coyle did not go on to quote these arguments.

Perhaps Cde Coyle holds the view that the Soviet Union could not have reached the position of full communism whilst remaining encircled by capitalism? This would be similar to the ultra-left argument against "socialism in one country". Stalin correctly defined communism according to its materialist basis of "our country fully saturated with consumer goods, having an abundance of products, and being able to make the transition from the first phase of communism (ie socialism) to its second phase", thus enabling free access and the complete supersession of the law of value.

For Cde Coyle to be correct, he would have to argue that, taken together, the vast human, material, industrial and agricultural resources of the USSR were incapable of being utilised and organised in a socialist manner to satisfy the comprehensive and essential needs of the people of the Soviet Union, without recourse to external trade. Such a view is untenable. One can argue against the notion of (say) an isolated communist Britain on that basis, but not to a communist USSR covering a sixth of the globe.

Although rather unlikely, a communist USSR encircled by capitalism was a theoretical possibility and would need the outlines of a proletarian state to protect and defend itself against that capitalism. It was on this basis alone that Stalin argued such a state would still be necessary.

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BOOK REVIEW

# Orwellian Mischief

## The Politics and Psychology of an Anti-Communist

by Graham Stevenson

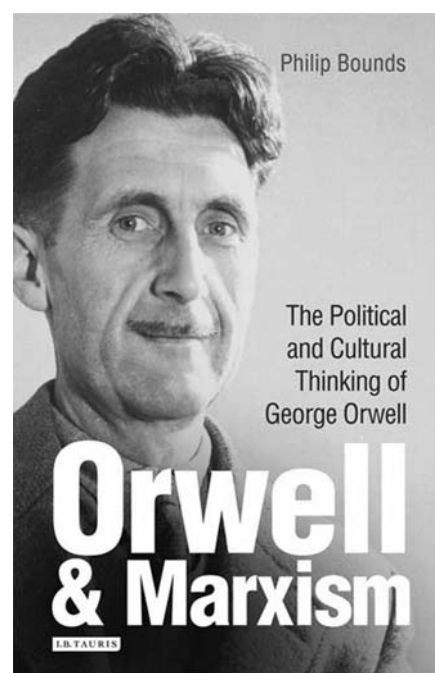
### Orwell and Marxism the Political and Cultural Thinking of George Orwell

By Philip Bounds  
(I B Tauris, 253 pp, hbk £52.50 ISBN 978-184-511-807-5)

CR publishes here an extensive personal view on George Orwell's body of work by Graham Stevenson. This was in turn stimulated by the above excellent new book by Philip Bounds – although this piece is not formally a review of the book, but rather a personal reflection on how the book clarified Graham's own pre-existing thoughts.

Orwell is a controversial figure for many Communists. Philip Bounds' sympathetic but nonetheless deeply analytical book sheds new light on the influence of British Communism on Orwell. A holder of a PhD in Politics from the University of Wales, Philip is also the author of *British Communism and Literary Theory 1928-1939* (Merlin, London, 2007) and *Cultural Studies: A Student's Guide to Culture, Politics and Society* (Studymates, Plymouth, 1999). As an expert on literary questions and, especially, Orwell studies, he provides in his latest book a convincing portrait of British Marxism and its influence in the 1930s and 1940s and gives pointers to the direction in which such studies should now go.

Graham Stevenson considers Orwell in the light of a personal reading of Philip Bounds' book, which he highly recommends to *Communist Review* readers.



READING PHILIP BOUNDS' *Orwell & Marxism: the Political and Cultural Thinking of George Orwell*, I found myself elaborating not merely a conventional review of what is an always interesting book; but rather the thought-provoking analysis of Bounds impelled me in the process towards a wider review of Orwell himself.

Essentially, Philip Bounds has a distinctly coherent argument that it is insufficient merely to read Orwell as a sort of fifth-columnist of the ruling class. His case is that Orwell's debt to communist writings on culture was profound. It was perhaps a proverbially "brave" decision to project this central thesis with faith that this redeems Orwell

in some way. Nonetheless, this is an erudite and well-structured text, which displays deep knowledge of the subject. Even so, maybe a mere reader can add his own take?

Orwell's intellectual life as a socialist seemingly began with a special interest in theories on language and class. This seems to be rather significant, for there is more than a hint of middle-class guilt in Orwell: note, for example, his observation in *The Road to Wigan Pier* that working people "sweat their guts out [so] that superior persons can remain superior". Perhaps it is relevant that he conflated his own "anti-scientific-ism" with the famous English (maybe the Celts are immune from this!?) disregard

for theory, and saw a tenuous link there with the masses. Yet he also deprecated the anti-intellectualism of the working class, the "life of the senses and suspicious of all forms of abstraction", as Bounds says. Even so, his own thought processes about capitalism appeared to have been entirely arrived at through intuition.

Orwell began his acquaintance with the common man by reaching out for the "underclass". Though some of his early work featured working people, there was little of substance on their lives. His sketches of the working class appear thin and insubstantial, and I have often thought that this particularly applies to his portrayal of women. Indeed, there is

a case to answer (untouched by Bounds) that there is far too much misogyny, in tone at least, in Orwell's creative writing, even if he publicly – and often – attacked those who do not support the emancipation of women. But then this was a man who, in private life, was intrigued by the paranormal but did not advertise the fact!

A psychological take on Orwell does not need to be elaborated to see that his work reeks of what pop psychs call “Mummy and Daddy issues”! As is well-known, Eric Blair, the true name of the writer, was actually born in India. His father stayed there whilst the boy lived with his mother and sister in England. His mother supported the suffrage movement and was key to his development of a social conscience. Whilst prepared for the civil service and actually spending five years as a policeman in Burma, Blair gave it all up to work as a dish-washer in Paris and to write – the rest is the stuff of the Orwellian myth.

Near death, Orwell wrote in a notebook a segment that may recall his own life, in describing how a small boy gains insight into the world through the women of his family: “he derived a firm impression that women *did not like men*”.<sup>1</sup> It is not too much of a stretch to infer that Orwell *inverted* the notion in his own life. (We will come back to this theme of inversion.) In one of his novels, *Keep the Aspidochelone Flying*, he writes for his anti-hero the line, redolent of his own school days as a relatively unmonied pupil in a sea of rich boys: “Probably the greatest cruelty one can inflict on a child is to send it to school amongst children richer than itself”.

Perhaps it is in these self-revelatory flashes that we can trace Orwell's deep and insidious misogyny? Something that came to myself, even as a young boy reading him for the first time, without understanding why, was what I can only describe as his thorough-going contempt for the real lives of working-class people. The nature of the working class has much changed in more than half a century, so some may argue the toss on that aspect. But, though the lives of women have also much changed, a Marxist-feminist case against Orwell exists, but has not been widely extended. In the case of his two most well known works, *Nineteen Eighty-Four* and *Animal Farm*, creative work by women may have provided more than an element of inspiration to him.

*Swastika Night* by “Murray Constantine” was first published in 1937

and then by the Left Book Club in 1940. The real name of the author, which did not emerge till the 1980s, was Katherine Burdekin – yes, a woman! It is a story of the nightmarish world that would result from a Nazi and Axis Powers victory, with Burdekin providing a proto-feminist critique of fascism. In many ways, her novel bears striking similarities to Orwell's *Nineteen Eighty-Four*: most obviously, the meanings of words are twisted, only propaganda books exist, and access to dangerously held secret books gives clues to the truth; whilst all documents from the past have been destroyed so that the Nazi version of history is all that remains. Turning Burdekin's book on its head results in Orwell's providing a masculine critique of real-existing socialism by making similar accusations. Little wonder that the most obviously untrue depictions in his book are of women.

Almost in homage to Burdekin, Margaret Atwood's *The Handmaid's Tale* (1985) is a modern feminist dystopian novel, written, she has said, because she found *Nineteen Eighty-Four* so unsatisfactory, especially given her view of its misogyny. Set in the near future, she described a North American totalitarian theocracy. Women are subjugated in a semi-Biblical manner.

An analysis of all this is contained in *The Orwell Mystique: Study in Male Ideology* by Daphne Patai (University of Massachusetts Press, 1984) – a book at least known to the literary establishment even if it is not well liked by Orwell scholars – though her argument seems flawless. Yet even Patai does not appear to be aware of a less well-known case that exists, affecting understanding of the genesis of *Animal Farm*.

Gertrude Elias, the Austrian Marxist, graphic designer and cartoonist who settled in Britain, has provided in her 1993 book *The Suspect Generation* (London Voices) the most convincing account of Orwell's congenital plagiarism. She explains that, in January 1941, she designed eight full-page colour cartoons depicting the political issues associated with Nazism “in the realm of animals”. Their nature owed much to her own and her family's suffering at the hands of the Nazi regime. She sent the portfolio to the Ministry of Information, suggesting a film cartoon based on the ideas in the form of a fable. After a few weeks they were returned to her with a rejection slip *via* the BBC, where Orwell worked.

It is worth making a few asides at this point. Amazingly, though Orwell had

been under MI5 surveillance in the 1930s, no objections were raised by it when he was employed by the BBC, or even when he was made a war correspondent. This was most unusual: communists and *Daily Worker* reporters found such roles almost impossible to achieve. Orwell had declared in his job interview his absolute support for the notion that the state should police the BBC, and he was recommended for a job provided “the college” would agree. Now, what could the college be?!

Orwell's now rather famous list of 38 alleged communists, whittled down from 135 names, was given by him to the Foreign Office at a meeting he held there in 1949. The story only really came out a few years ago by accident, though archives have now been released to confirm what happened.

At some point in the mid-to-late 1940s, he had begun a notebook in which he tried to divide key figures into “cryptos”, “FT” (his code for fellow-travellers), outright members, what he called “agents” and “sentimental sympathisers”.<sup>2,3</sup> His contact at the FO's so-called Information Research Department, which functioned all during the Cold War as a link to those fighting militancy in trade unions, was a woman for whom he, at the least, entertained passions. (It has been suggested she was a model for the promiscuous Julia in *Nineteen-Eighty-Four*.) A case can be made that this spying was marginal, even silly, if unpleasant. But, given the intense connections between the BBC and the security forces at the time, those who would argue that Orwell is a writer in himself being symbolic of independence and honesty must find it hard to note his collaboration with the state's bureaucratic department of propaganda and dirty tricks.

Although it has to be said that there is no categorical evidence that Orwell pinched Gertrude Elias's ideas, she was dismayed to discover, when *Animal Farm* was published only a few years after her rejection by the BBC, that her satirical fable-esque note was echoed in Orwell's book and that “the similarity of the character of our animals was striking”. The main difference was that her imagery had been anti-Nazi, Orwell's anti-communist. Orwell had begun the work on his book whilst at the BBC.

Elias's 1941 cartoons were displayed at a 1975 UN Decade for Women exhibition. She noted not only the irony of the “extent [to which] men had exploited women's ideas in their own works”; but also the fact that many

commentators were struck by the transformation of Orwell from a rather sombre social commentator into light-hearted fantasy – moreover, that this could have occurred to him during a time when the Soviet Union and its Red Army was at the height of its popularity. To Elias, it was always obvious that this was not a case of great minds thinking alike; she was convinced that Orwell had seen her cartoons when he was at the BBC. It is disappointing that Elias's book was only read in leftist circles and does not seem to have been cited in studies of Orwell.

Undoubtedly, at his point, minds should turn to what on earth it was that motivated Orwell, beyond, perhaps, the obvious influences of his upbringing. For he certainly had, as Bounds notes, a "deep nostalgia for the England of his boyhood"; arguably, the geographical term is precise – and its implicit link with the empire. Yet, it was Orwell's youthful experience in Burma that first turned him, wasn't it? And was not this ex-public school boy famously intolerant of the sudden progressivism of others of such a background in his generation?

Restrained throughout, even Bounds is driven to observe that "It is not necessary to resort to psychoanalytic explanations to believe that the sheer violence of his attacks on Auden and Fielden was in part the consequence of projection". This device of the mind arises when an individual wishes to repress what they know are uncomfortable ideas in themselves and do so by assigning them to a convenient target, whether the dysfunction is truly held by them. It is a way of being self-deceiving whilst conveying a sense of being brutally honest.

In the first case, Orwell accused the then communist poets group of Auden, Spender and Day Lewis of supporting the USSR in a kind of displaced patriotism. Famously, their romantic attachment to the cause of Spain was fleeting but Orwell had simply effectively inverted an earlier communist critique of the reactionary modernism of the new writers of the immediate post-war period, rather than found a prescient insight. We will come back to this tendency to co-opt the ideas of others in a distorted way.

Then, in the second case, in 1943, Orwell savagely assaulted in print Fielden, a prominent advocate of independence of India, for not really desiring the very thing he advocated. Both instances were but a mark of the style that is essential Orwell; a form of argument that makes a mockery of

dialectics but to the uninformed can seem like serious originality. Put simply, Orwell had, to my mind, acquired the habits of a propagandist but masqueraded in the clothes of a writer of substance.

Orwell's fixedness in seeking to accuse others of what was perhaps in his own head, as a means of denying that very thing, also appears to have taken the form of the most subversive acts of homage. It is commonly said that the most sincere form of flattery is emulation, but I'm not so sure! – not in the case of someone whom many have sought to elevate to the heights of artistry, even genius.

Philip Bounds remarks that "Orwell was famously contradictory in his beliefs". This contradiction turns out perhaps to have roots in more than simply cussedness, or "Orwellian mischief". Whilst his work is arguably, to say the least, inconsistent, sometimes even giving the feeling, from one book to the next, of being written by different authors, is this a mark of a great writer, or something else, one wonders?

His politics seemed always in a state of turmoil. Adhering to the "quasi-Trotskyist path" of the ILP put Orwell firmly in the camp of opposing a British-German conflict as being an imperialist war. But, weeks before the Communist Party went through its own policy change in 1939, Orwell went in the reverse direction himself; although, as the book describes, he now adopted the stance that the war "could only be won if the country underwent a socialist revolution".

Perhaps it is relevant or not, but Bounds, with his deep knowledge of the literature of Orwell's age, confirms my own long-held suspicion that he came perilously close to being a wholesale plagiarist. What Orwell did with *Charles Dickens*, by the celebrated communist T A Jackson,<sup>4</sup> was "shamelessly to distort Jackson's book whilst using one of its main arguments as the basis for a new hypothesis about the nature of Dickens' radicalism." Here Orwell took contemporary communist literary criticism and turned it on its head. Thus, the *outward* form of Orwellian output was tantalisingly socialist in appearance and accounts for his appeal amongst many. But the underlying substance of his work conveys a distinctly uneasy feel.

But was Orwell truly talented? Perhaps; although Bounds seems at times overly fair to him, for all the revealing critique. The argument that Orwell was highly influenced by communist

intellectual life has the unfortunate side-effect of knocking the sheen off Orwell-mania. And that may well be rooted simply in a massive popularisation of works that possess a false patina of socialism, over-layering a more insidious side.

The charge of having a great debt to 1930s Communist intellectuals for his material and inverted ideas becomes too well reasoned, perhaps beyond the intent of the author, to the extent that you begin to believe that this man simply spent most of his time regurgitating communist ideas in a way that would help undermine them. Philip Bounds says that "His technique was to define his understanding of socialism *against* that of other left-wing intellectuals." It could also be said that the mechanism for doing this appeared to be a wholesale retelling of the same ideas, turned on their head, to a much wider audience. In the end, this might be viewed as "mischievous plagiarism" – my term.

In his youth, Orwell was found in a field standing on his head. Seemingly, he explained: "You are noticed more if you stand on your head than if you are right way up".<sup>5</sup> One wonders if Orwell ever got over the discovery. I have earlier put my own concerns about plagiarism from women. Bounds supplies simply too many cases where Orwell has been "inspired" to add his own spin to the original ideas of others, mostly communist intellectuals. I fear that it undermines his core argument in the process.

For example, it turns out that Orwell's famed interest in socialists developing a strategy for winning the middle class, arguably a key aspect of the electoral surge of 1945, was first aired by a communist, Alec Brown. Secondly, even Orwell's pioneering foray into nascent cultural studies, arguably in itself something of a personal achievement, was by no means unique.

Thirdly, Bounds notes "marked similarities" with the ideas of Alick West, communist writer and a major Marxist literary critic, on the detective story; though he thinks it "most unlikely that Orwell deliberately plagiarised West". Fourthly, there are echoes of one of the most important German cinematic theorists, Siegfried Kracauer (a Marxist of course)<sup>6</sup> in Orwell's arguments about the way that film can portray the innermost mind.

Fifthly, there are obvious resonances in Orwell's early work with Jack London's *People of the Abyss* and in his final work with London's *The Iron Heel*. OK,

perhaps not plagiarism – maybe a debt repaid to earlier masterful socialist attempts to find cultural connections with the masses? But could it be a priggish attempt to rewrite them as they should have been written, in the eyes of someone who did not truly know what it was like to be at one with the common man?

This style of bonding mischief with inverted and borrowed Marxist ideas might well be Orwell's own version of dialectical materialism – Orwellian anti-Marxism – employed in such a way as to enable his skill with plain text to shine. In a way, it occurs to me that he may have seen this as being like the common man. Indeed, Orwell's own acceptance of what Bounds calls the "ambiguity of ideology" in popular culture may perhaps be seen as enabling him to square anti-Sovietism and anti-communism with adherence to socialism. It is this *studied* "anti" stance, as opposed to merely being a "non", that has perhaps placed Orwell at the forefront of the list of the disliked, nay hated even, in the pantheon of dishonour of most British communists.

For me, something always seems to darken the depth of Orwell's commitment to socialism as seen through his work. As Bounds has it: "Even when

Orwell's arguments came closest to those of the communists, he was clearly incapable of sharing their disdain for the ornaments of 'bourgeois culture'."

There is, of course, a famous phrase referring to the way Marx turned Hegel's ideas on their head.<sup>7</sup> Orwell seems to have had this phrase as his essential *modus operandi*. When, for example, communists sought to redeem writers such as Swift,<sup>8</sup> Orwell, in more widely published literary criticism,<sup>9</sup> turned the "argument on its head", as Bounds says. The clear conclusion has to be that, whilst he took ideas from 1930s Marxist intellectual life, he sought to reverse their intent and in the process claimed originality for himself. Whether Bounds intended this conclusion, I cannot say (and no doubt he will seek to correct me), but the notion screams itself from every page.

Bounds' sure and knowledgeable account is a credit to him. At times, perhaps like all who write on cultural studies, he enters the realm of the philosophical to illuminate literary theory, which may or may not be attractive to readers.

One historical quibble. Bounds goes along with the most recent research on the history of the British Communist Party, in that he more than accepts that it

was not a total creature of Moscow. But I would dispute his acceptance of the supposedly disastrous reduction of influence of the Party post-1926 as being a *consequence* of the shift from United Frontism. Rather, as former prime minister Harold Macmillan is said to have observed, in a different context, it was "events, dear boy, events" that loomed large. The academic consensus, that "class against class" was always deleterious to Party growth, is not well borne out by actuality. The extraordinary surge in support for Communism in the Popular Front period was not, as I see it at least, a contradiction of the Third Period<sup>10</sup> but a consequence.

As Bounds himself illustrates, British communists of the mid-1930s to mid-1940s – many of whom had joined in an earlier period – sought to utilise national culture in combination with socialist realism. Such an approach inevitably and especially flowered during the Popular Front period. The Cold War changed everything. In an echo of the typical renegade and bourgeois view of British communist history, Bounds assigns the 1950s "hardening of outlook" emanating from the Cold War to Zhdanov's utterances in 1947. But did not the Cold War, aggressively and cynically

ANIMAL CHARACTERS FOR A CARTOON FILM PROJECT, London, 1940



"We German pigs produce our own wool and will oust the sheep from world markets."



Upheaval on the Stock Exchange.

launched by the West, play a role?

Orwell and his communist contemporaries in the cultural sphere have not had the advantage of seeing how things turned out. 1984, the year, came and went – amidst the highest state expenditure yet deployed for the repression of a strike and its support base in the mining communities. Now, miners no longer “sweat their guts out so that superior persons can remain superior” – their sons simply sit on street corners smoking crack. Big Brother would have been proud, even if his name has been taken in vain, as original drama slips from our screen to be replaced by wall-to-wall dross. Culture indeed! Ends always start with beginnings.

Britain’s public is now the most videoed nation in the world; perpetual wars invoke “terrorism” as a reason for dismantling the edifices of liberal democracy that once seemed so unchallengeable. The first steps in this move were things like the mass sackings of communist civil servants in 1947, and the banning of communists from holding office in trade unions that began in the month that Orwell died. Perhaps he was feeling poorly since he showed no regard for English liberty in not protesting at the proto-McCarthyism that led to his books being widely published and those of British Marxist writers being consigned to dusty second-hand bookshops of the kind Winston Smith in *Nineteen Eighty-Four* might have found “interesting”. How did the totalitarian dominance of the market emerge? How did the state slip from welfare to warfare?

Orwell did not foresee any of this, and Bounds does not tell us what he might have thought – it is not that kind of book. But between the analysis and the admiration some things are clear. Orwell had the prejudices and tastes of his class but did not like that to be so. He disliked imperialism but had a vague faith in national stereotypes that made him a sentimental English patriot. He liked the idea of socialism but was emotive about it rather than analytical.

Orwell’s ghost may be able to claim indignantly that he died still a socialist, for all his mischievousness. But what kind of socialist? There will be those who will claim him for Trotskyism but, if I were from that tradition, I would be wary of so doing. Orwell was, I am sorry to say for those who admire him, a “Tory Socialist”. This is a term sometimes used to describe the politics of Benjamin Disraeli, arguably the saviour of capitalism from early socialism in the 19<sup>th</sup> century. It conjures up someone

inclined towards reform but who also succumbs to sentiments associated with *both* conservatism and socialism, and it has been applied to many Fabians. Orwell was born in 1903 and, by the time he was maturing, most of his contemporaries were either becoming attracted to rather more than this spirit, or were fiercely resisting the revolutionary tide. In his own zealotry to resist the tide, Orwell could not resist trying to divert the stream into a different direction altogether.

Things have moved on since his day. From the late 1950s and early 1960s, capitalism once again found itself seriously challenged. Intriguingly, the taste for credit, consumerism, and even liberalism in the arts that emerged, first in the field of the kitchen sink, began then. Even in the arena of one of Orwell’s interests, the conflict between the demotic and the handed down, in the form of language, there was a democratisation. Why, you even get TV announcers with regional accents now!

Perhaps socialist realism simply had a bad press? It sought to project the possibilities under socialism, and Marxists in the 1930s were fixed on the notion that cultural health is not realisable under capitalism. Given the paucity of modern culture, maybe they had a point. I heard a model on television recently refer to her youth in socialist Czechoslovakia as a life of nothing: “There were no films, no music”, she said – with no checking question “What, none?” coming from the interviewer. I rather think she meant no films or music of a particular kind!

If it was Bounds’ objective to rescue Orwell from the anti-communist ghetto in which his most famous work has allowed him to be permanently placed, I am not entirely convinced that was achieved. Yet, nonetheless, the author has succeeded in adding new context to the already extensive literature on a

ANIMAL CHARACTERS FOR A CARTOON FILM

In the Pigs’ Beer Cellar Meeting a leader is elected.



Halas and Batchelor Cartoon Films Ltd. 1952. Animal Farm

"We no longer require the services of teachers of alien race ..."

complex and flawed man by pointing a searchlight of intellect.

It was, as Bounds describes, a notion of “innate decency and ethical irreverence which attracted him to working class culture”. One wonders whatever happened to cultural studies that seemed once to fascinate Marxist revisionism after Orwell. If the examples he studied, the music hall sketch and the sea-side postcard, are not what they once were in this era of absolute monopoly capitalist commodification, some remnants of the form still exist. Perhaps the modern birthday card, or the audience moods of the *X-Factor* and *Britain’s Got Talent*, need study?!

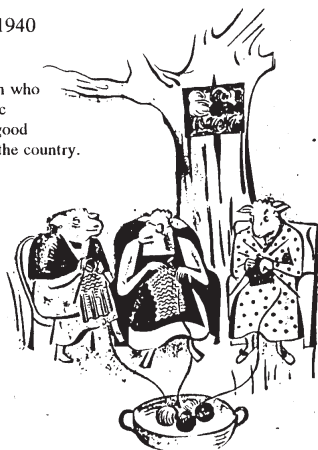
On the one hand, the defence of the conservative imbued Orwell’s very cultural expressions; yet on the other, he seems to have resented what he saw as the grafting of ideology onto everyday feelings.

Many *CR* readers will perhaps conclude that Bounds has been overly kind to Orwell, perhaps since he did not wish to alienate his probable main audience of academic literary theorists. Even so, Orwell’s cultural influence, for better or worse – and it would mostly appear to be the latter – has been huge. In the round, it would be churlish to deny that Orwell’s spinning was generally done with style and panache. Nonetheless, I did not personally come



M PROJECT, London, 1940

Hey Sisters, it's us women who will save Britain. Synthetic fibres burn like hell, but good sheep's wool will protect the country.



Trade is controlled by the police. But who controls the controllers?

out of reading about Orwell's intellectual life in this fair and balanced account admiring him any more than when I went into it, having previously read all of his output.

It was ultimately distasteful to read that, for Orwell, the "ultimate proof of the communist movement's artistic bankruptcy was the fact that it had '... produced so little worthwhile literature'". Maybe Sholokhov was not to his taste and perhaps Orwell died too young, but this is a breathtaking claim, until one speculates on timing. Perhaps communists were too busy in the second quarter of the 20<sup>th</sup> century?! But it is Bounds' case that a couple of dozen seriously talented communist writers profoundly influenced Orwell and I think he has proved that in this work. No doubt, Orwell could not bring himself to admit this.

But such a statement from the vantage point of hindsight is simply ridiculous. No good communist writers?! What about Názým Hikmet, Louis Aragon, Pablo Neruda, Yiannis Ritsos, Bertolt Brecht???? There are national, temporal and language reasons why Orwell would not have been familiar with many of these. But ... one is drawn to think that even if he had been able to read them, he would not have thought them any good. One suspects that, for

Orwell, being a communist and a talented writer was simply an oxymoron.

I am left wondering, despite Orwell's interest in the detective story, whether he would have sought to ridicule even Maj Sjöwall and Per Wahlöö, the Swedish communist couple who, in the 60s and 70s, wrote what is widely perceived to be the most successful police procedural stories ever, in the socially-conscious Martin Beck series, which in turn inspired the more well-known and now popularised *Wallander* approach from another Swedish Marxist, Henning Mankell.

If I have not quite joined the Orwell fan club, I have been, I think, quite complimentary about Bounds' book. But there are concerns, mostly minor. Perhaps there are one or two presumptions as to what published work Orwell may have been aware of in his day (there are too many appearances of the terms "every chance" or "likely" about this or that). Unlike other commentators, Bounds does not see Orwell's novelistic portrayals of his faith, that working people retain an instinctive belief in freedom, as an expression of his own innate snobbery, but as a confirmation of his essentially long-lasting socialist view. I fear that Bounds may be right but so, too, may earlier Marxist interpreters of Orwell. Two truths do not make a falsehood.

In seeking to link Orwell to the communist literary tradition, Bounds does rather better once again (it is a field on which he has previously written) in displaying the extraordinary cultural depth that communist intellectuals of the early 20<sup>th</sup> century achieved. But the main, confidently executed, argument of a positive debt to communists held by an interesting writer, otherwise previously seen too simply as an anti-communist, for many will ultimately crash on the rocks of what is now known about Orwell and his dalliances with giving lists of left-wingers to shadowy bodies linked to the Foreign Office – although Bounds sums Orwell up exactly, when he observes that "[t]here is perhaps a sense in which his political eccentricities [were] actually a *condition* of his commitment to the left."

By this analysis, we either accept the inconsistent, even contradictory, support for socialism from an often very interesting author, or we reject the canon for its inability to be sufficiently rigorous. There will undoubtedly be strong views either way but it is little wonder that Orwell's "deep unease with his own side", as Philip Bounds describes, has alienated many on the left.

The vast bulk of Orwell's work, other than his most famed novels, is now hardly well known. His contrariness clearly provides much scope for alternative analysis by literary experts. But it would be interesting to see, if examining boards ever decided to drop Orwell from school syllabi, whether he would eventually end up as unread as are most 19<sup>th</sup> and early 20<sup>th</sup> century progressive writers. The fact that *Nineteen Eighty-Four* is widely read as an anti-socialist book seemingly bothered Orwell, and so it should have – though his publisher Frederic Warburg had no such inhibitions, boasting that it was a "threat to the Soviet Union".

However naïve or simply idiotic his activities may be seen, set against his almost malevolent life's work of taking communist ideas and turning them against his hated enemy – those socialists who in the final analysis really meant what they said about capitalism – Orwell, for me, is an upper middle class intellectual swallowing his class prejudices to weld himself to a working class he can never really understand, admiring expressions of working class life but never quite liking them. To be as blunt as he liked to be, he ends up as a bleedin' arse (working class technical term) posing as a great writer .... Oh, well, you pays your money and takes your choice, innit?

## Notes

- 1 B Crick, *George Orwell – A Life*, Penguin, 1980, p 67.
- 2 T Garton Ash, *Orwell's List*, in *The New York Review of Books* Vol 50, No 14, 25 September 2003; <http://www.nybooks.com/articles/16550>.
- 3 T Naftali, *George Orwell's List*, in *The New York Times*, 29 July 1998; <http://www.netcharles.com/orwell/ctc/docs/list.htm>.
- 4 T A Jackson, *Charles Dickens: The Progress of a Radical*, Lawrence & Wishart, London, 1937, and International Publishers, New York, 1987.
- 5 J Buddicom, *Eric and Us*, Frewin, 1974.
- 6 See, for example, [http://en.wikipedia.org/wiki/Siegfried\\_Kracauer](http://en.wikipedia.org/wiki/Siegfried_Kracauer).
- 7 K Marx, *Capital*, Vol I, *Afterword to the Second German Edition*; in K Marx and F Engels, *Collected Works*, Vol 35, p 19.
- 8 E Rickword, *The Recreation of Poetry in Essays and Opinions, 1921-1931*, A Young, ed, Carcanet, Manchester, 1974; R Warner, *Jonathan Swift: Defender of Liberty*, in *Left Review*, Vol 3:5 (June 1937), p 267; A L Morton, *Language of Men*, Cobbett, London, 1945, pp 21-40.
- 9 G Orwell, *Politics vs. Literature: An Examination of Gulliver's Travels*, in *Polemic*, September/October 1946; at <http://www.netcharles.com/orwell/essays/politics-vs-lit2.htm#foot1>.
- 10 Policy adopted by the Communist International in 1928.

BOOK REVIEW

# Chinese Military Histories

Review by Kenny Coyle

“Every Communist must grasp the truth. Political power grows out of the barrel of a gun.”

This much misquoted phrase from Mao Zedong was made in 1938, in the context of the bitter struggle against Japanese invasion that took the lives of millions of Chinese.

From 1927, when Chiang Kai-Shek turned on his communist allies, to their eventual victory in 1949, China’s communists developed their own armed forces against what initially must have appeared insurmountable odds.

Turning several thousand bedraggled, beleaguered and tattered soldiers, who had escaped Chiang’s massacres, first into one of the world’s most effective guerrilla armies that harried Japanese occupation forces, and then into a regular force of more than 2 million men and women that smashed and splintered Chiang’s US-backed armies, seemed a miracle.

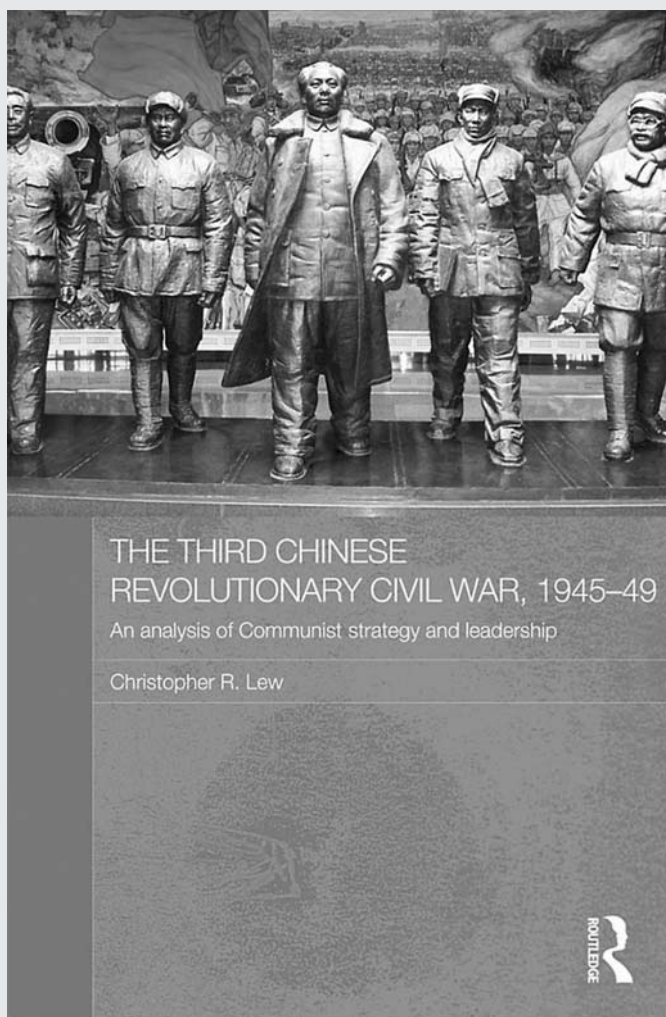
Inevitably myth has shrouded the communists’ military success. The legendary Long March

achieved iconic status in the story of the Chinese revolution. Recent anti-communist attempts to rewrite history have focused on supposedly invented battles to undermine the Long March legend, but they too have foundered, as new supporting evidence and remaining eyewitnesses bolster rather than undermine the “official history”.

Yet the puzzle still remains: how did China’s communists achieve such a stunning victory after being almost completely annihilated 20 years earlier?

Bruce Elleman’s *Moscow and the Emergence of Communist Power in China, 1925-30* and Christopher R Lew’s *The Third Chinese Revolutionary Civil War, 1945-49* provide some fascinating insights into solving this conundrum.

These two books are published as part of Routledge’s excellent portfolio of Asian historical studies. Both are also written by US military historians who might be considered to be part of the US “military-academic complex”.



Bruce Elleman is a research professor at the Maritime History Department of the US Naval War college, while Christopher R Lew is not only a senior strategic analyst for the US Department of Defense but

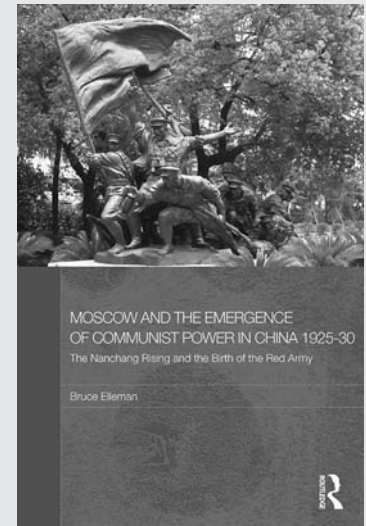
also served in Iraq as part of the US military occupation forces. Not surprisingly, both books suffer from a lack of sympathy with the political aims of the Chinese communists but nonetheless each offers some important insights.

**Moscow and the Emergence  
of Communist Power in  
China, 1925–30**  
*The Nanchang Uprising and  
the Birth of the Red Army*

by Bruce Elleman  
(Routledge, 2009, 256 pp, hbk £80.  
ISBN: 978-0-415-77614-1)

**The Third Chinese  
Revolutionary Civil War,  
1945–49**  
*An Analysis of Communist  
Strategy and Leadership*

by Christopher R Lew  
(Routledge, 2009, 224 pp, hbk £80.  
ISBN: 978-0-415-77730-8)



The main weakness of Elleman's book appears to be an over-heavy reliance on English-and Russian-language resources. For those of us without Chinese-language expertise, there is the tantalising thought that much has remained untouched in the Chinese sources. This might provide a corrective to Elleman's rather predictable interpretations.

Given the Cold War tendency to construct Moscow-centric histories of world communism there is little about Elleman's account that has not already seen the light of day. The Stalin-Trotsky debate on China, or more accurately the Stalin/Bukharin-Trotsky/Zinoviev debate, is dealt with rather poorly. Elleman's main thesis is that the Chinese CP was manipulated by Moscow into adventurist tactics simply for the sake of Soviet domestic interests. This is hardly a new allegation and Elleman produces no real fresh evidence to back it up despite the opening of the many hitherto closed Soviet and Comintern archives.

A contrary, though much less sensationalist interpretation, is that Stalin and Bukharin genuinely did believe that these ultimately desperate and futile uprisings would indeed ignite a China-wide revolution. However, I would argue that this is every bit as much to do with their unrealistic appraisal of the Chinese revolutionary process as it was with Soviet inner-party debates.

Unfortunately the Trotsky-Zinoviev United Opposition and the Trotskyist Left Opposition were no more in tune with the actual tempo of the Chinese class struggle than were their opponents. Furthermore, this was also largely true of the Chinese party leadership itself, which harboured its own varied and changing illusions, both sectarian and reformist, without any need to import them from Moscow or anywhere else. While Elleman's book is certainly worth reading, it does not advance any especially original conclusions.

Lew's book on the other hand is imbued with a great in-depth analysis of the

military discipline, and tactical and strategic genius, that allowed the communists to triumph. As a soldier himself, it's quite clear that Lew genuinely admires the military expertise that gave the Chinese Peoples Liberation Army (PLA) its edge in the bitter battles of the 1945-1949 Civil War. Lew points out that this war saw some of the largest land campaigns fought outside of the Second World War but that they remain all but unknown outside China.

He shows that the Chinese communists developed and encouraged innovative military commanders. They in turn politicised and motivated their soldiers and gave them an understanding of what they were fighting for. Mao's military leadership was also flexible, open to opposing views from his senior commanders but focused on ultimate victory.

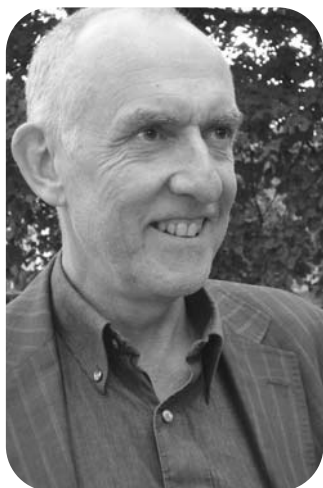
But it wasn't simply a question of soldierly virtues that allowed the PLA to triumph, it was the combination of military competence with a political

programme. If political power is dependent on the gun in a certain sense, it is also true that the political programme determines the way the gun is put to use. Neither book really tries to place the military aspect as anything other than the primary element of their analysis. However, the problem with this approach is that this was exactly what the Chinese communists rejected.

Following on from his "barrel of a gun" quote, Mao went on to say: "Our principle is that the Party commands the gun, and the gun must never be allowed to command the Party." In other words, politics came first at all times.

This is the key to understanding why the military strategies of the Chinese communists failed in the period that Elleman covers yet proved spectacularly effective in the years analysed by Lew.

The Chinese communists threw off their dogmatic adoption of foreign models and developed a strategy that fitted the terrain of their struggle.



# SOUND

## A regular literary selection

Selected by Mike Quille

THE POEMS IN THIS ISSUE are all by women, to mark International Women's Day on 8 March. And who better to start with, than our insubordinate new Poet Laureate, Carol Ann Duffy?

### Politics

How it makes of your face  
a stone  
that aches to weep, of your  
heart a fist,  
clenched or thumping, sweating  
blood, of your tongue  
an iron latch with no door.  
How it makes of your  
right hand  
a gauntlet, a glove-puppet of the  
left, of your laugh  
a dry leaf blowing in the wind, of  
your desert island discs  
hiss hiss hiss, makes of the  
words on your lips dice  
that can throw no six. How it  
takes the breath  
away, the piss, makes of your kiss  
a dropped pound coin,  
makes of your promises latin,  
gibberish, feedback, static,  
of your hair a wig, of your gait a  
plankwalk. How it says this –  
politics – to your education  
education education;  
shouts this –  
Politics! – to your health and  
wealth; how it roars, to your  
conscience moral compass  
truth, POLITICS POLITICS  
POLITICS

This was Carol Ann's first poem as Poet Laureate. She is the first woman to occupy the post, ever. Written at the

height of the MPs' expenses scandal, it is pretty clear what it is about and the kind of mood that it conveys. But allow me to point to the savage, hissing sibilance running through the poem, achieved by the repetition of the "s" sounds in fist/ discs/ hiss/ lips/ dice/ six/ piss/ kiss.

Carol Ann's second public poem was an anti-war poem, written on the death in 2009 of Henry Allingham, one of the last survivors of the First World War. And her latest offering, *The Twelve Days of Christmas 2009*, was published in the Christmas edition of the *Radio Times*. Again Carol Ann showed her ability to write political poetry with a controlled, imaginative fury, aimed at politicians, bankers, celebrities, warmongers, gangmasters, the BNP: not many escape her Swiftian, sword-like pen. I am not sure what the editors of the *RT* thought about her less than festive offering; it sat rather awkwardly amongst the tinselly adverts, deferential interviews and shameless puffery for BBC programmes. But the *Daily Telegraph* was openly hostile to the "not a lot of laughs laureate": "Carol Ann Duffy's cheery Christmas offering is staggeringly joyless."<sup>1</sup> So she must be doing something right!

Many of you will have seen the whole poem, but here is an extract, the fifth stanza, in case you have forgotten:

The first gold ring was gold  
indeed –  
bankers' profits fired in greed.

The second ring outshone  
the sun,  
fuelled by carbon, doused  
by none.

Ring three was black gold,  
O for oil –  
a serpent swallowing its tail.

The fourth ring was Celebrity;  
Fool's Gold, winking on TV.

Ring five, religion's halo, slipped –  
a blind for eyes or gag for lips.  
With these five gold rings they  
you wed,  
then slip them off when you  
are dead.

With these five go-o-o-old rings.

This kind of new, exciting poetry makes a refreshing change from the poems written by the last few male incumbents – Andrew Motion, Ted Hughes, John Betjeman, Cecil Day-Lewis – who have all been awkwardly "apolitical" when they were not being openly right-wing, or simply irrelevant and mediocre. Ms Duffy is showing her colleagues, and us, what good, radical and subversive political poetry looks like. I hope we shall be able to reprint more of her poetry in future issues.

It was not always so easy to find such a great example of open engagement with political issues in a poem by a woman. Or indeed any poems by women! In the course of researching this article, I consulted a number of anthologies, looking for poems by women to share with you. I was struck by how few there were. The table opposite will show you what I mean:

The last three anthologies in the table were edited by left-leaning poets or critics. You might expect such anthologies to reflect a more equal

gender balance; unfortunately, as you can see, that is not the case. There has been, in poetry, a long and dishonourable tradition of oppression of women, through discouraging women from writing it, attempting to influence what was written, suppressing or restricting its publication, and then criticising and marginalising poetry by women – “It’s too emotional!” “It’s technically naive!” “It’s got no structure, no stamina, no learning!”

This man-made (literally) situation clearly came to be seen as the natural order of things. As Mary Davis has put it, “The oppressive ideologies sustaining class rule are so culturally rooted that they have passed beyond naked statements of class rule and entered into the very fabric of our lives, including language itself.”<sup>2</sup>

Things began to change in the 1970s and 80s, as wider feminist struggles for recognition and equal treatment began to have some effect. A number of women-only anthologies were published, and women poets became more numerous, more confident, more political. These days, there is a far better gender balance in poetry anthologies<sup>3</sup> – which proves, if proof were needed, the value of agitating for the strategy advocated by Mary Davis of developing a communist women’s movement which is both self-organised and capable of integration into the broader class struggle.<sup>4</sup>

Here is a seventeenth century poem that survived the gauntlet of censorship and self-censorship – probably because it is by an aristocrat. It well illustrates, in its use of political language applied to the marital relationship, the feminist complaint about the link between personal and political oppression.

**To The Ladies  
by Lady Mary Chudleigh**

Wife and servant are the same,  
But only differ in the name  
For when that fatal knot is tied,  
Which nothing, nothing  
can divide,  
When she the word *Obe*y  
has said,  
And man by law supreme  
has made,  
Then all that’s kind is laid aside,  
And nothing left but state  
and pride.  
Fierce as an Eastern prince  
he grows,  
And all his innate rigour shows:  
Then but to look, or laugh,  
or speak,  
Will the nuptial contract break.  
Like mutes, she signs alone  
must make,  
And never any freedom take,  
But still be governed by a nod,  
And fear her husband as  
her god:  
Him still must serve, him still  
obey,  
And nothing act, and  
nothing say,  
But what her haughty lord  
thinks fit,  
Who, with the power, has all  
the wit.  
Then shun, oh! shun that  
wretched state,  
And all the fawning  
flatt’rers hate.  
Value yourselves, and  
men despise:  
You must be proud, if you’ll  
be wise.

At the time I was researching this article I was reading about the Match

Girls’ Strike of 1888. Most of you will have heard about that strike. It has often been credited by labour historians as marking the birth of “New Unionism”, a genuine mass movement of thousands of workers. The struggle, by young (12-15 years old) female workers, helped influence a massive wave of successful strikes and struggles by semi- and unskilled workers in London and across the country.

I could not find poetry directly about the strike, despite the obvious poetic possibilities around sparks, flames, matches and strikes. So I thought that what I would try for in this article was to outline a very brief history of the strike, and insert a few political poems by women, from different times and places than London in 1888. Or, you could look at it as a series of poems, illustrated by some history. Anyway I hope they work together in some mutually illuminating way. I’m sure you will tell me if they do not!

The strike started after some campaigning work of Annie Besant. She was from the activist strand of the socialist women’s movement in late Victorian England which was not just interested in and sympathetic towards the appalling conditions of the working class in the “sweated trades” of London. She was also interested in agitation and organisation. Upon hearing of the huge profits being made by Bryant and May, she went down to the factory, interviewed some of the teenage girls working there, and wrote an article entitled *White Slavery in London*, which she published in her weekly paper, *The Link*, in July 1888.

**From *White Slavery in London*:**

“With chattel slaves Mr Bryant could not have made his huge fortune, for he could not have fed, clothed, and housed them for 4s a week each, and they would have had a definite money value which would have served as a protection. But who cares for the fate of these white wage slaves? Born in slums, driven to work while still children, undersized because underfed, oppressed because helpless, flung aside as soon as worked out, who cares if they die or go on the streets, provided only that the Bryant and May shareholders get their 23 per cent, and Mr. Theodore Bryant can erect statues and buy parks? Oh if we had but a people’s Dante, to make a special circle in



Anthology	No. of poems	No. of poems by women
<b><i>New Oxford Book of Sixteenth Century Verse</i>, Emrys Jones (ed), OUP 1991</b>	<b>544</b>	<b>4</b>
<b><i>New Oxford Book of Seventeenth Century Verse</i>, Alistair Fowler (ed), OUP 1991</b>	<b>861</b>	<b>52</b>
<b><i>New Oxford Book of Eighteenth Century Verse</i>, Roger Lonsdale (ed), OUP 1987</b>	<b>552</b>	<b>35</b>
<b><i>Political Verse and Song</i>, Mary Ashraf (ed), Lawrence and Wishart 1975</b>	<b>227</b>	<b>12</b>
<b><i>Penguin Book of Socialist Verse</i>, Alan Bold (ed), Penguin 1970</b>	<b>314</b>	<b>6</b>
<b><i>Faber Book of Political Verse</i>, Tom Paulin (ed), Faber 1986</b>	<b>173</b>	<b>3</b>

the Inferno for those who live on this misery, and suck wealth out of the starvation of helpless girls.

“Failing a poet to hold up their conduct to the execration of posterity, enshrined in deathless verse, let us strive to touch their consciences, *ie* their pockets, and let us at least avoid being ‘partakers of their sins’, by abstaining from using their commodities.”

**Waterpot**  
by **Grace Nichols**

The daily going out  
and coming in  
always being hurried  
along  
like, like ... Cattle

In the evenings  
returning from the fields  
she tried hard to walk  
like a woman

she tried very hard  
pulling herself erect  
with every three or four  
steps  
pulling herself together  
holding herself like  
royal cane

And the overseer  
hurrying them along in the  
quickenig  
darkness

sneered at the pathetic –  
the pathetic display  
of dignity

O but look  
there’s a waterpot growing  
from her head

After Besant’s article was published, the management at Bryant and May retaliated by sacking some of the workers. Infuriated, about 200 of them walked out on strike. “It just went like tinder,” said one of the girls. “One girl began, and the rest said ‘yes’, so out we all went!”<sup>5</sup>



Marge Piercy



**The Low Road**  
By **Marge Piercy**

What can they do  
to you? Whatever they want.  
They can set you up, they can  
bust you, they can break  
your fingers, they can  
burn your brain with electricity,  
blur you with drugs till you  
can’t walk, can’t remember,  
they can  
take your child, wall up  
your lover. They can do  
anything  
you can’t stop them  
from doing. How can you stop  
them? Alone, you can fight,  
you can refuse, you can  
take what revenge you can  
but they roll over you.

But two people fighting  
back to back can cut through  
a mob, a snake-dancing file  
can break a cordon, an army  
can meet an army.

Two people can keep each other  
sane, can give support, conviction,  
love, massage, hope, sex.  
Three people are a delegation,  
a committee, a wedge.

With four  
you can play bridge and start  
an organisation. With six  
you can rent a whole house,  
eat pie for dinner with no  
seconds, and hold a fund-raising  
party.

A dozen can make a  
demonstration.  
A hundred fill a hall.  
A thousand have solidarity and  
your own newsletter;  
ten thousand, power and your  
own paper;

a hundred thousand, your  
own media;  
ten million, your own country.

It goes on one at a time,  
it starts when you care  
to act, it starts when you do  
it again after they said no,  
it starts when you say we  
and know who you mean,  
and each  
day you mean one more.

Eventually 1,400 girls came out on strike. A strike committee was formed. 50 of the girls lobbied Parliament. Links were made with the established, craft-based unions, with sympathetic clergy, and with the public generally.

**Sweating and Co-operation**  
Letter to the Editor of the *East London Observer*.

Published Saturday July 7, 1888.

“SIR,

Your otherwise very accurate summary of my speech as chairman of the anti-sweating meeting at Goulston Hall, stops short at my advocacy of co-operative workshops. Will you kindly allow me to say that I only advocated these shops as the first step (if such a step be possible, which is doubtful, under present conditions) towards municipal workshops, which should be the property of the people as a whole. Not even co-operative production on present lines can solve the general labour problem. It can only temporarily alleviate some of the grosser evils of the present system. The only real solution is the general possession by the whole people of the general means of production, transit, and exchange.

I am, sir, faithfully yours,  
HERBERT BURROWS”

**At Last The Women  
Are Moving**  
By **Genevieve Taggard**

Last, walking with stiff legs as if  
they carried bundles  
Came mothers, housewives, old  
women who knew why they  
abhorred war.  
Their clothes bunched about  
them, they hobbled with  
anxious steps  
To keep with the stride of the  
marchers, erect, bearing  
wide banners.

Such women looked odd,  
marching on American asphalt.  
Kitchens they knew, sinks, suds,  
stew-pots and pennies ....  
Dull hurry and worry, clatter,  
wet hands and backache.  
Here they were out in the glare  
on the militant march.  
How did these timid, the slaves  
of breakfast and supper  
Get out in the line, drop for  
once dish-rag and broom?  
Here they are as work-worn as  
stitchers and fitters.  
*Mama have you got some grub,*  
now none of their business.

Oh, but these who know in  
their growing sons and  
their husbands  
How the exhausted body needs  
sleep, how often needs food  
These, whose business is  
keeping the body alive,  
These are ready, if you talk their  
language, to strike.

The Match Girls stayed out for three weeks, and won an agreement which improved their wages and conditions, reinstated the sacked workers, and recognised their new union. They became heroines of the labour movement, role models for what was possible. Later that year the dockers at Tilbury went on strike, the first of a series of successful strikes by dockers which involved tens of thousands of workers, organised by socialists. The Match Girls' Strike was one of the first disputes to gain national publicity: it inspired the formation of new unions all over the country, and a wave of unprecedented militancy.

And remember, these workers were from an unpredictable and apparently

unpromising background: young (average age 13), female and unskilled. Cleaners? Call centre staff? Fast food operatives? If the Match Girls could win, anything is possible.

Returning to Annie Besant's comments in *White Slavery in London*, there have indeed been some poets who have not hesitated to write "deathless verse" about capitalists. My final poem by a woman is about one of the best political poets of the 20<sup>th</sup> century.

**Brecht**  
By Leah Fritz

Brecht, where are you when we  
need you now?  
They're forcing things down our  
throats.  
Genetically modified mad cows,  
germs without antidotes.  
And our voices are stilled with  
prosperity  
or hopelessness, or both.

Brecht, when that wall came  
down in Germany  
we breathed a sigh. At last  
we thought, the whole world's  
free!  
But all that was free were the  
crooks. And I am past  
the stage of euphemism. Where  
are your daughters, where your  
sons, to blast  
away the dust-motes of despair?  
To sing the true note, with  
genius and gall  
that free isn't free till it's fair?  
Why didn't we see the Wall  
behind the wall?

Please feel free to write in and suggest some poems for inclusion in the next issue. Since arguably many of the poets in this issue were inspired by Brecht in one way or another (especially our Carol Ann Duffy), shall we have a few from the man himself?

**Sources for the Poems**

*Politics*, by Carol Ann Duffy, was published in *The Guardian* on 13 June 2009 and may be found at <http://www.guardian.co.uk/books/2009/jun/12/politics-carol-ann-duffy-poem>.  
*The Twelve Days of Christmas*, by Carol Ann Duffy, was published in the *Radio Times*, 19 December 2009-1 January 2010, pp 51-2.  
*To The Ladies*, by Lady Mary Chudleigh, is from *The New Oxford Book of Seventeenth Century Verse*, see above.  
*Waterpot*, by Grace Nichols, is from *Making For The Open: The Chatto Book of Post-Feminist Poetry 1964-1984*, C Rumens, ed, Chatto and Windus 1985.  
*The Low Road*, by Marge Piercy, is from *The Moon Is Always Female*, Alfred A Knopf, 1994.  
*At Last The Women Are Moving*, by Genevieve Taggard, is from *Being Alive*, N Astley, ed, Bloodaxe Books, 2004.  
*Brecht*, by Leah Fritz is from *Well-Versed: Poems from the Morning Star*, J Rety, ed, Hearing Eye, 2009.

**Notes**

- 1 J Woods in *Daily Telegraph*, 7 December 2009; at <http://www.telegraph.co.uk/culture/books/6754189/The-not-a-lot-of-laugh-Laureate.html>.
- 2 M Davis, *Women and Class*, CPB 2008, p 15.
- 3 For example, *Red Sky at Night* (A Croft and A Mitchell, eds, Five Leaves, 2003) has 39 poems by women out of a total of 153; but in his preface Andy Croft writes that "the Left in Britain necessarily reproduced (and in some ways accentuated) the demographic unevenness of society. ... The poetry (and the lives) of women writers represented in the first half of the book are all the more important because they were, in every sense, exceptional."
- 4 Davis, *op cit*, p 37.
- 5 J Charlton, *It Just Went Like Tinder*, Redwords 1999, p 131.

**Junk food: an irregular cartoon strip**



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