

socialist standard



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Journal of The Socialist Party of Great Britain - Companion Party of the World Socialist Movement

Capital Punishment

Is this the long drop
for capitalism?



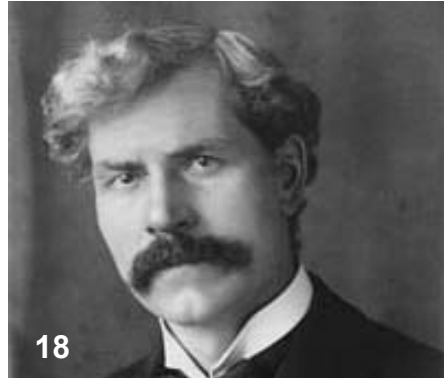
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THE SOCIALIST PARTY OF GREAT BRITAIN

The next meeting of the Executive Committee will be on **Saturday 1 November** at the address below. Correspondence should be sent to the General Secretary. All articles, letters and notices should be sent to the editorial committee at: The Socialist Party, 52 Clapham High street, London SW4 7UN.
tel: 020 7622 3811
e-mail: spgb@worldsocialism.org

Introducing The Socialist Party

The Socialist Party is like no other political party in Britain. It is made up of people who have joined together because we want to get rid of the profit system and establish real socialism. Our aim is to persuade others to become socialist and act for themselves, organising democratically and without leaders, to bring about the kind of society that we are advocating in this journal. We are solely concerned with building a movement of socialists for socialism. We are not a reformist party with a programme of policies to patch up capitalism.

We use every possible opportunity to make new socialists. We publish pamphlets and books, as well as CDs, DVDs and various other informative material. We also give talks and take part in debates; attend rallies, meetings and demos; run educational conferences; host internet discussion forums, make films presenting our ideas, and contest elections when practical. Socialist literature is available in Arabic, Bengali, Dutch, Esperanto, French, German, Italian, Polish, Spanish, Swedish and Turkish as well as English.

The more of you who join the Socialist Party the more we will be able to get our ideas across, the more experiences we will be able to draw on and greater will be the new ideas for building the movement which you will be able to bring us.

The Socialist Party is an organisation of equals. There is no leader and there are no followers. So, if you are going to join we want you to be sure that you agree fully with what we stand for and that we are satisfied that you understand the case for socialism.

Editorial

Is capitalism crumbling?

Capitalism has never had such a bad press as the last few months. Countless commentators have given more than a passing consideration to the question, will capitalism collapse? Whilst this hopeful question could be expected to emanate from excitable journalists, and from the rump of what remains of the left-wing throughout the world, it should be noted that the likes of Bill Gates and Nicolas Sarkozy have been asking similar questions.

The real challenge to capitalism however is not so much a challenge to its on-going operation – it will carry on in some shape or form regardless. The last few months are after all nothing other than a “market correction”, albeit a pretty big and widespread one. Rather, the challenge to capitalism is one that is of more interest to world socialists.

For us worthwhile social change cannot come about blindly in knee-jerk reaction to events, nor in the role of passive bystanders as events unfold around us. What has become crystal clear over the last few weeks is the extent to which the experts of capitalism, the self-styled “Masters of the Universe” were flying by the seat of their silk monogrammed pants, with little idea what they were actually buying and selling.

Genuine social change will require more than just restricting executives’ bonuses, or trying to improve regulation of the financial services sector, as many are calling for. Even when it is working right, even when it is booming, the market system fails miserably to do the one thing it claims as its unique selling point. Far from efficiently sending market signals

between supply and demand, between producer and consumer, the market system sends confused, unreliable and skewed information.

And of course there are some areas of demand that the economic system is just not interested in even supplying – because of the low profit returns available. World hunger is one example illustrating how the market operates on the basis of profit, not human need. There can surely be few clearer signs of the priorities of capitalism than the contrast between the painfully slow progress made to address world hunger over the last few decades, and the haste with which politicians around the world have responded to the banking crisis. The sums of money hastily committed to increase banks’ liquidity and stabilise the sector would – if used to meet real human needs – ensure not one person need die of hunger for the next 23 years.

Capitalism won’t collapse of its own accord. But for many millions it has never functioned to start with. Instead the market system must be dismantled intellectually, ideologically and democratically. A genuine alternative society must be agreed before capitalism can start to be dismantled in reality, with alternative mechanisms emerging to replace both the market and the state.

If we want to get rid of capitalism we will need to work at it. That’s why we exist: to try and help as one small part of that massive process. If you want to help out in that process – if you want to become humanity to become a “master” of its universe – then please make contact, and the sooner we may succeed.

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Crisis? Which Crisis?

A RECENT EU study headed by a Deutsche bank economist reveals that global economic loss through deforestation is vastly greater than economic loss through the current crisis in the world's banks (*Nature loss 'dwarfs bank crisis'*, *BBC Online*, 10 October). The study puts the estimated annual loss at between 2 and \$5 trillion.

Graphs of consumption or growth trends almost all follow a hockey-stick trend, largely flat for a thousand years until 1900 and thereafter rising rapidly to nearly vertical today. These trends include consumption of water, paper, rainforest, ozone, fisheries, and increases of motor car production, population, CO₂ and global temperature, and species extinction. Not surprisingly, the trend for GDP follows the same pattern.

This is capitalism's normal modus operandi, regardless of banking crises. This relentless profit-driven growth goes on year in year out, without respite, and the trends climb higher and higher with no end in sight. The world is burning itself out in an apparently unstoppable quest for economic growth, and nobody seems able to do anything about it.

Scientists can only do so much by reporting the facts. For instance, they can show that the Earth can sustainably support just 200 million people in a North American lifestyle, a figure which is not even large to account for North America's present population. In answer to the much-loved argument that growth is the only way to lift the poor out of poverty, they can point to the fact that, during the 1990's, the poor's share of this growth was just 0.6 percent. According to this argument, for the poor to be even marginally better off, the rich have to become stupendously richer, so that "to get the poorest onto an income of just \$3 per day would require an impossible 15 planets' worth of biocapacity" (*New Scientist*, 18 October).

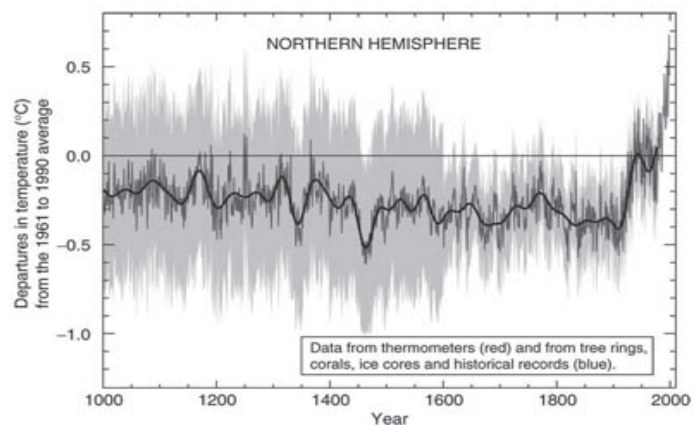
Governments of course are very good at ignoring facts they don't like. One scientist, Tim Jackson, professor of sustainable development at Surrey University, was accused by a UK treasury official of 'wanting to go back and live in caves'. Herman Daly, formerly senior economist for the World Bank, describes how the first draft of its 1992 World Development Report contained a diagram showing the economy as a simple rectangle, with an arrow going into it, labelled 'inputs' and another coming out labelled 'outputs'. When he pointed out that this implied that the inputs (resources etc) appeared to be coming from nowhere and the outputs (including waste) going nowhere, thus suggesting that the environment had infinite productive and absorptive capacities, the diagram was simply removed altogether from the draft. He remarks dryly that 'mainstream economists are mostly concerned with the [economic] organism's circulatory system ... while tending to ignore its digestive system.' (*New Scientist*, *ibid*).

The problem is that when scientists, for all the right reasons, try to get political, they don't seem to realise that they are in serious danger of reinventing wheels and using them to cycle over old ground. Worryingly, they show under-informed prejudices that any socialist can hear any night down their local boozier, to wit, that a global revolution against capitalism is utterly out of the question, and that even if it wasn't, it would be utterly undesirable. Here's Susan George on wealth ownership: "Must we organise world revolution ... to save Earth? Is there a single point of attack? If so, tell me the name of the tsar... Nor would anyone welcome the political systems that shrouded those vast areas where revolution did occur. Somehow... we need a third way between red-in-tooth-and-claw capitalism and

a worldwide uprising as unlikely as it is utopian." Showing a similar knee-jerk horror of what he imagines socialism to be, Yale environmentalist Gus Speth: "I'm not advocating state socialism, but I am advocating a non-socialist alternative to today's capitalism", while Daly maintains that "shifting from growth to development doesn't have to mean freezing in the dark under communist tyranny." (*New Scientist*, *ibid*).

So, having written off as utopia or tyranny any possibility of an alternative to the capitalist system, they are driven of course to consider how best to modify the system from within. What they are left with is a mishmash of reforms which have either been tried in the past (Keynesian inflationary investment), are even more utopian than the 'utopians' (scientists as technocrats dispensing orders to the wealth class), or contradict the internal boom-slump logic of capitalism (zero-growth 'steady state' capitalism), or would bankrupt by capital flight any country which first introduced them (various taxes). At best, the reforms wouldn't work. At worst, they could accelerate armageddon. If capitalism really could be run more equitably and sustainably, don't they imagine that it would already be running that way? No, they don't. They just seem to think that the correct solutions have somehow eluded the rest of us because we're not as smart as they are.

Still, all in all, it is undoubtedly a good thing that scientists are turning their attention to the question of free-market capitalism. They do at least have more credibility than politicians, priests or pop-idols, and one can only hope they don't squander it by failing to sort through their various ill-conceived assumptions and prejudices. After all, that's what the scientific method is supposed to be all about. The worst and most absurd assumption of all was always that science was somehow above politics, and that seems to be changing. What scientists need to do now however is recognise that they are latecomers to the political and economic debate, and that it is unhelpful to cloud the issues with careless ignorance of genuine socialist ideas, or to promote unworkable and possibly dangerous solutions which ignore capitalism's known behaviour. Most of all, they would do well to recognise the importance of class in the debate, and their own class position as workers. If they don't do that, they are always going to be so far behind other workers that they think they're in the lead.



The original hockey stick. Figure 1(b) from the Intergovernmental Panel on Climate Change Third Assessment Report, 2001

My Cupboard is Bare

Dear Editors,

Gordon Brown was said to be a great economist. Whatever model he used to predict an end to boom-and-bust capitalism was wrong, however. His thinking was worse than one who thinks-not. Recently he stated that Labour were committed to reducing poverty at the same time as he doubled the income-tax burden on the poorest earners in society. In Manchester he said this was a "mistake". Are we to take it that the man is simply an idiot? No, he is not an idiot, but a man is revealed by his work. Like most in his position his primary interest is in the retention of power and privilege. The working-poor, whose income-tax he doubled, do not bother voting, (as he knows) for we, the low-paid, realise that there is no-one worth voting-for.

There is no important difference for us, the drivers of buses, the cleaners of houses, the makers of windows, the maintainers of property, the workers in offices, all the low-paid working-men and women of this country, between the Labour and Conservative Parties. What politicians call spin we call bullshit and we want no part of it. Middle-England, on middle incomes, voted Labour into power, and for that voting-base income-tax was reduced in an attempt to retain support for Labour. The books were balanced at the expense of the worst-off, without risk of making the Labour Party worse-off. It was no "mistake", but rather a ploy so transparent that at the next election even fewer of the ordinary hard-working women and men of this country will bother to vote. The real "mistake" made was that of a government without ideology which assumes those of us who vote-not, think-not.

The front page of the *Guardian* (30 September) reported that "opposition from ordinary Americans killed the bill" to bail-out their failing banks. Over here, we are repeatedly told by the chancellor that the economic cupboard is bare. This is certainly true of my cupboard. Yet the cupboards in the homes, second homes and yachts of those who have caused and profited-from the banking crisis overflow. If the British government makes yet another "mistake" of having ordinary hard-working British citizens bail-out British banks and the greedy millionaires who helped cause the problem it will be one mistake too far and I for one may be looking to my pitchfork rather than

the ballot-box. Somehow I do not think I will be alone.

STEPHEN HAIGH, Barnsley.

We trust that your threat to use your pitchfork rather than your vote is just poetic licence. – *Editors.*

Language

Dear Editors

I read with interest your article on Belgium (September *Socialist Standard*). It is also of interest to socialists to note how the ruling classes in Belgium used and in some instances continue to use language to divide and rule. By forcing the majority of Flemish (Dutch) speakers to speak French in education matters and totally ignoring the small minority of German speakers in the East around Eupen they managed to get workers at each others throats just by virtue of the fact that they spoke a different language.

Whether socialist society decides to use English, Spanish, Chinese, Esperanto or any other language as a means of communicating with places which speak a different language will be entirely a matter for the people concerned to decide and will not be imposed by the ruling classes. What is for sure is that in socialism all people will be free to speak and learn whichever language(s) they chose. And I dare venture to say that the enjoyment and pleasure gained by learning a new language because you choose to will be immense compared e.g. to the occupants of a country being forced to learn and/or use the language of someone else choice e.g. British colonies being forced to speak English, state capitalist occupied Czechoslovakia being forced to learn Russian or Hungarian speakers in current Romania being forced to speak Romanian in the Ceausescu state capitalist dictatorship.

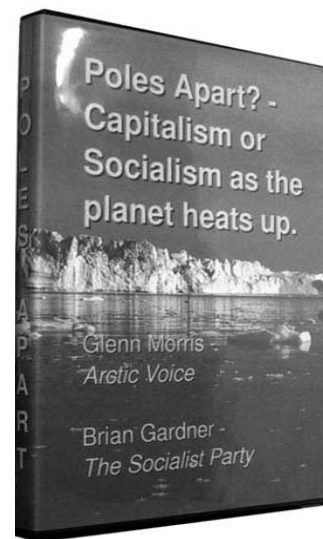
Of course some people in socialism may choose to speak only their own native language(s) and rely on a phrase book if they decide to travel, what is for sure is that that will be a personal choice rather than one forced by economic necessity as in capitalism e.g. Polish speakers being forced to speak and learn English if they want to work in the UK (economic migrants). Of course in socialism people will be free to choose where they want to live and work but that choice will be a matter of personal preference rather than economics driven.

Language of course also plays a part in that scourge of the working classes, religion. Much of the church's hang up about sex probably derives from young lady being erroneously translated as virgin at some point in history. Also they were as thorough as any East German Stasi thug in preventing information getting to where it could harm them. People were burned at stake for the "crime" of publishing or possessing bibles in the English language at a time when literacy was not widespread. So afraid were they that the bible should be stripped of its mystique if common people who didn't speak Latin could read it in their own patois.

COLIN BROWN, Grantham

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The War Business

Why do capitalist states prepare for and wage war?

As we socialists never tire of pointing out, the primary function of military power in capitalism is to protect and expand control over resources, markets and transport routes on behalf of the capitalist class of the country concerned. However, the costs and risks that wars and armaments entail for the capitalists themselves often outweigh the benefits to them.

For example, while the U.S. did have real interests at stake in Vietnam in the 1960s and 1970s, those interests were hardly commensurate with the enormous costs of the war it was waging there. Growing awareness of this fact within the capitalist class eventually led to withdrawal.

In other words, states have a tendency to act in ways that appear to be irrational even in terms of the capitalist interests that they are supposed to represent.

War – a capitalist enterprise

There are various reasons for this apparent irrationality. But the main reason is this. War is not only a service that the state provides to the national capitalist class *as a whole*. War is also – and increasingly – a massive capitalist enterprise in its own right, a “war business” that wields considerable political clout and has special interests of its own.

The core of the war business, of course, is the so-called military-industrial complex. Arms manufacturers, like other capitalist firms, seek to maximise their profits. It does not concern them whether the weapons they sell have a cogent strategic rationale.

The military-industrial complex has a direct interest not only in the build-up of armaments but in war itself. War is the only way of testing weaponry under battlefield conditions. It uses up and destroys old stocks that then have to be replaced – rearmament is now, for instance, the top priority of the Georgian government – and stimulates demand in general.

But nowadays arms firms are not the only large-scale “merchants of death.” Companies like Blackwater sell combat capability directly as the labour of hired mercenaries. Other

companies, such as Halliburton, sell logistics and other war support services.

Resource wars, “strategic” wars

The argument is not that *all* armed conflicts are irrational in terms of the costs and benefits accruing to national capital. Some undoubtedly make good sense in these terms, as when valuable resources can be acquired at moderate expense. One example might be the “cod wars” of the 1970s between Britain and Iceland over fishing rights in the North Atlantic. Another, perhaps, is the ongoing conflict over the Spratly Islands in the South China Sea, whose

unable to prevail against the political stranglehold of Israel’s military-industrial complex.

The nature of the wars that the US and its allies are currently fighting in Iraq, Afghanistan and Pakistan is less clear-cut. Control of resources, markets and transport routes is certainly an important factor, especially in Iraq, but the likely outcome is hardly such as to justify the enormous costs involved. While the ultimate motive for war may be to arrest the decline in the competitive position of the US in the world economy, the actual effect is to accelerate that decline (see May “Material World”).

Capitalism and war: two models

So we end up with two contrasting models of the relationship between capitalism and war. In the first model, war appears as an instrument in the hands of the state, which acts as the “executive committee of the (national) capitalist class as a whole” (Marx). The second model, unlike the first, takes into account the fact that war is evolving from an instrument at the service of the national capitalist class as a whole into a capitalist enterprise in its own right -- what we might call the war business. The war business has special capitalist interests of its own, so it cannot function simply as an instrument of more general capitalist interests.

Does the first model represent capitalism in its “normal” form, while the second model represents an “abnormal” ultra-militaristic mutation of the capitalist system? Is the first model rational, in capitalist if not in human terms, while the second model is irrational? At first sight that seems reasonable.

But is there in fact any good reason to regard one model as any more irrational than the other? Each model represents a possible variant of capitalism and a possible form of capitalist rationality. The difference is that the first model assumes the existence of such a thing as “national capital as a whole,” while the second model envisions only separate capitalist enterprises. Some firms sell sausages, some sell computers – and some sell war.

STEFAN

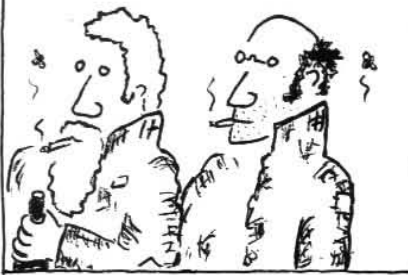


oil and gas deposits are coveted by China, Taiwan, Vietnam, the Philippines and Malaysia.

At the other extreme, some wars have no discernible connection with the control of markets and resources. The recent war in Georgia was in this category (see October “Material World”). Although important oil and gas pipelines run through the south of the country, Russia did not contest control over them. Russia’s rationale for war was “strategic” – that is, getting into a better position to fight future wars.

Again, Israel’s wars are senseless from the point of view of the Israeli capitalist class as a whole, which has a clear interest in a peace settlement that will give it full access to the markets and cheap labour of the Middle East. This interest, however, seems

IRE OF THE IRATE ITINERANT...



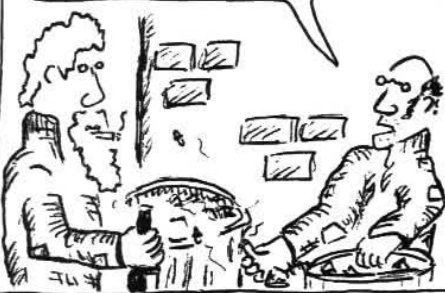
IT'S THE ACCEPTED WISDOM NOWADAYS THAT FREE MARKET CAPITALISM IS THE ONLY VIABLE ECONOMIC ROUTE.



COMMUNISM WAS TRIED IN EASTERN EUROPE, - A KIND OF SOCIALISM-LITE WAS TRIED IN WESTERN EUROPE. BOTH FAILED. AGAINST BASIC HUMAN NATURE, YOU SEE...



OH, THE SOCIOBIOLOGISTS AND THE EVOLUTIONARY PSYCHOLOGISTS HAVE PROVED IT. APPARENTLY... WE ARE INNATELY SELFISH.



Y'KNOW IF THAT'S ALL THAT SCIENCE CAN TELL US, MAKES YOU ALMOST WANT TO GET RELIGION... ...WELL ALMOST.

SO, CAPITALISM IS ALL WE GOT. WE ARE ALL CONSUMERS NOW. AND IF WE DON'T CONSUME, IF WE STOP BUYING ALL THAT CRAP WE DON'T REALLY NEED, THEN THE ECONOMY GOES INTO A RECESSION... BAD NEWS. EVERYBODY BROKE.



WE'VE GOT TO KEEP ON CONSUMING, KEEP ON SPENDING. EVEN IF IT'S ALL ON CREDIT CARDS.



EVEN IF ALL THAT JUNK WE BUY IS MADE IN SOME FAR-EASTERN SWEAT SHOP AND THEN TRANSPORTED HALF WAY AROUND THE WORLD'S OCEANS...

FAIR TRADE? PHOEY. CAPITALISM IS NEVER FAIR. THAT'S THE WHOLE POINT OF IT! AND MAKE POVERTY HISTORY? HA! YOU NEED AN ARMY OF POOR, DESPERATE PEOPLE TO WORK THOSE SWEATSHOPS, KEEP OUR PRICES DOWN HERE IN THE WEST...



AND YOU KNOW THE WORST THING? WHEN THE POWERS THAT BE START PREACHING TO US ABOUT GREEN ISSUES, - 'RECYCLE' 'DON'T OVERFILL THE KETTLE' 'TURN THAT LIGHT OFF'... BUT PLEASE, KEEP ON CONSUMING! THE ECONOMIC GROWTH FIGURES DEPEND ON YOU...



...WE MIGHT FALL BEHIND OUR MAJOR COMPETITORS... GOD FORBID!!

FANCY A DRINK?

NAH, I NEVER DRINK PAINT STRIPPER BEFORE 11:00AM. GOT TO HAVE SOME SELF RESPECT...





BABY, IT'S COLD INSIDE

"The number of households in fuel poverty in the UK rose to 3.5 million in 2006, government figures show. The figures from the Department for Environment and the Department for Business show this is an increase of one million on 2005 levels. Fuel poverty is defined as households who spend more than 10% of their income on fuel. The Unite union said thousands more people are likely to suffer from fuel poverty this winter. The figures include around 2.75 million homes classed as "vulnerable" – containing a child, elderly person or someone with a long-term illness. The number of homes in fuel poverty in England rose from 1.5 million in 2005 to 2.4 million in 2006, including an extra 700,000 vulnerable households." (BBC News, 2 October)

GOT IT? FLAUNT IT!

"While most of us are tightening our belts, they are planning to increase spending, taking advantage of the falling price of everything from property to private jets. About 80% of those worth £50m or more plan to spend more this year, according to a survey by the US-based wealth analysts Prince & Associates. Take Alwaleed. The small fortune he dropped on the Airbus is, it turns out, pocket change. The 53-year-old

recently bought the Savoy hotel in London for £250m and is spending a further £100m giving the grande dame of the Thames the kind of makeover that would make Demi Moore blush. He is also doing up his other favourite five-star bolt holes, the George V in Paris and the Plaza in New York. But there's no place like home. His £500m palace in Riyadh is constantly being remodelled and enlarged. At the last count it had 317 rooms, including 20 kitchens that can cater for up to 1,000 people." (Times, 21 September)

WORLD HUNGER WORSENS

"Global numbers afflicted by acute hunger rose from 850 million to 925 million by the start of this year because of rising prices, the head of the UN Food and Agriculture Organisation said Wednesday. The number of people suffering from malnutrition, before the worst effects of global price rises, 'rose just in 2007 by 75 million,' Jacques Diouf, director-general of the Rome-based agency, told an Italian parliament committee,

according to ANSA news agency. An FAO prices index showed global food price rises of 12 percent in 2006, 24 percent in 2007 and 50 percent over the first eight months of 2008, Diouf added – suggesting the number affected is likely to top one billion by the end of the year. 'Thirty billion dollars per year must be invested to double food production and eliminate hunger,' Diouf said, calling the figure 'modest' in comparison with the amount many countries spend on arms and agriculture." (Yahoo News, 17 September)

A FRIGHTENING FUTURE

"Pentagon officials have prepared a new estimate for defense spending that is \$450 billion more over the next five years than previously announced figures. The new estimate, which the Pentagon plans to release shortly before President Bush leaves

office, would serve as a marker for the new president and is meant to place pressure on him to either drastically increase the size of the defense budget or defend any reluctance to do so, according to several former senior budget officials who are close to the discussions." (CQ Today, 9 October)

Contact Details

UK BRANCHES & CONTACTS

LONDON

Central London branch. 2nd Weds. 6.30pm. 2nd Wednesday 6.30pm. The Printworks, 113/117 Farringdon Road, London. EC1 (Nearest Underground/Thameslink: Farringdon 0.2 miles).

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West Lothian. 2nd and 4th Weds in month, 7.30-9.30. Lanthorn Community Centre, Kennilworth Rise, Dedridge, Livingston. Corres: Matt Culbert, 53 Falcon Brae, Ladywell, Livingston, West Lothian, EH5 6UW. Tel: 01506 462359 E-mail: matt@wsmweb.fsnet.co.uk

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Swansea branch. 2nd Mon, 7.30pm, Unitarian Church, High Street. Corres: Geoffrey Williams, 19 Baptist Well Street, Waun Wen, Swansea SA1 6FB. Tel: 01792 643624

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Cooking the Books 1

God and the Market

Commenting on the current world financial crisis former 1968 student leader and now a Green MEP, Daniel Cohn Bendit, said that “the belief that the market is god is over” (*Guardian*, 17 September). Someone who should

now more about God, the Archbishop of Canterbury, hopes this is so as he thinks that the Market has become a rival to his god.

In an article in the *Spectator* (26 September) Dr Rowan Williams in effect accused “market fundamentalists” of breaking the First Commandment – “Thou shalt have no other gods before me”. He even called in Marx to back up this charge of idol worship:

“Marx long ago observed the way in which unbridled capitalism became a kind of mythology, ascribing reality, power and agency to things that had no life in themselves; he was right about that, if about little else. And ascribing independent reality to what you have in fact made yourself is a perfect definition of what the Jewish and Christian Scriptures call idolatry.”

Dr Williams is said to be a learned man and he is right: Marx did see capital as the product of human labour which had come to dominate those who produced it (except that he saw this as applying to capitalism in general not just to “unbridled capitalism”).

This was in fact his whole “critique of political economy” (the subtitle of *Capital*), that the economic laws of capitalism were not the natural laws that Adam Smith, David Ricardo, the Rev Thomas Malthus, John Stuart Mill and the others thought but forces that came into operation only because society was organised in a particular way. Market forces were the result of human activity which had escaped from human control and which had come to dominate them as if they were a natural force.

Dr Williams may also be aware that here Marx was applying to economics the theory that Ludwig Feuerbach had applied to religion in his 1841 *The Essence of Christianity*. Feuerbach argued that, far from God making man in his own image, it was the other way round. Humans made God in their image and attributed to him the powers which they collectively possessed, and then bowed down and worshipped this figment of their imagination. If humans were to realise this and take their own destiny in hand there would be no need for God or religion. So, according to Feuerbach, the Archbishop’s god was also an idol.

The Archbishop was getting a dig at Marx in when he said he said he was right about this “if about little else”. But Marx once made a harsh comment about the Church of England, writing in the Preface to the first edition of *Capital*, that it would “more readily pardon an attack on 38 of its 39 articles than on 1/39 of its income”.

It is interesting to speculate what the one article it would keep might be. At one time it would have been obvious – Article 38 that “the riches and goods of Christians are not common, as touching the right, title, and possession of the same, as certain Anabaptists do falsely boast . . .” If he keeps on reading Marx maybe the Archbishop might be prepared to abandon this one too.

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Crisis and Inflation: Back to the Future?

Gordon Brown claimed that he had ended the boom and bust cycle. The current economic crisis demonstrates that normal service has been resumed.

It is one of the ironies of our times that the election of 'New Labour' in 1997 was meant to have left 'Old Labour' and everything connected with it behind. The popular perception (first outside the Labour Party and then inside it) was that Old Labour meant nationalisation, inflation, labour unrest, and a host of other negative experiences that were associated with life in the 1970s. Gordon Brown was the New Labour 'iron chancellor' who had left all this behind, created a low inflation environment and abolished boom and bust.

The current economic crisis has demonstrated that normal service has been resumed. Unemployment is on the up (no Labour government has ever left office with unemployment lower than when it was elected), the financial sector is in turmoil, price rises are at their highest level in years, and state sector

wage restraint means that the unions are (understandably) grumbling.

One of the interesting things about capitalism is the way in which when the economy is booming an economic consensus of sorts has a tendency to break out. The general support for Keynesian economics that developed during the long boom of the 1950s and 60s was famously labelled 'Butskellism' by the *Economist* after Tory Chancellor Rab Butler and his Labour shadow, Hugh Gaitskell. In recent years there has been a similar consensus of opinion even if the Labour and Tory parties don't like to admit it explicitly – it is almost as if when the economy goes well they are afraid to do anything too different, lest they upset the magic formula in the process.

Psychological blow

What happens when an unexpected

economic crisis breaks out is that politicians, central bankers and pundits all realise that perhaps the magic formula didn't work after all. The realisation in the 1970s that Keynesian economics didn't really work was a psychological and philosophical blow that some never recovered from, and its replacement by something loosely called 'monetarism' was never entirely accepted even by those on the political right who had been most well-disposed towards it.

After a series of crises in the 1970s was followed by the big recession of the early 1980s, and then the recession of the early 1990s, another long boom occurred and with it the latest economic consensus. There was little if any new thinking to underpin it – it was merely a pragmatic amalgam of vague aspects of 'monetarist' practice with some left-over bits of Keynesian theory. For the politicians and economists, these

had emerged by default because they were the bits of these two theories that hadn't been transparently discredited to the satisfaction of all concerned by the preceding crises and recessions. There is no better example of this dubious consensus than current thinking on the (interlinked) issues of inflation and interest rates.

The persistent rises in the price level that have occurred in the UK and most of the developed world since the Second World War have exercised the minds of politicians and economists in the decades since, and various explanations have been put forward to account for it: wage increases above rises in productivity, excessive government spending, high government borrowing, the expansion of credit, and many others besides. In the 1970s and 80s a highly contentious explanation for it was advanced by Professor Milton Friedman and was adopted by the Thatcher government in the UK: the aforementioned 'monetarism'. Loosely, this was the view that inflation is caused by an overly rapid expansion of the money supply that increases monetary demand for goods and services in the economy and pulls up prices. It was often linked or integrated with other views, such as inflation being caused by government borrowing (with government borrowing and money supply expansion allegedly being correlated).

The problem for the Thatcher government's monetarist anti-inflation strategy was that the main definitions of the money supply chosen for the purposes of monitoring monetary expansion were erroneously based on bank deposits. And there was no reliable way they knew of to control their expansion and contraction anyway. Ironically for a Party concerned by government borrowing levels, one method they resorted to was 'overfunding', described by Thatcher as when 'the Government sought to reduce private bank deposits . . . by selling greater amounts of public debt than were required merely to finance its own deficit' (*The Downing Street Years*, p.695).

When this and other anti-inflationary tactics didn't work, the eventual method settled upon by Thatcher and her Chancellor Nigel Lawson was to use interest rates as a policy instrument. In her memoirs, Thatcher stated that in her view 'the only effective way to control inflation is by using interest rates to control the money supply' (p.690) and this was one of the main reasons Thatcher and Lawson famously disagreed towards the end of her reign, because he began to use interest rates as a means of tracking the Deutschmark in the European Exchange Rate Mechanism (ERM) instead.

Brown follows Thatcher

It is notable that interest rates have

been used as the main policy instrument for controlling inflation ever since, by the governments of Major, Blair and now Brown. This is despite the fact that as a policy it not only arose by default, but has little to practically recommend it. The theory is that when interest rates rise, people borrow less and cut their spending. But this only takes into account one aspect of what happens. Interest rates are the price of borrowing and lending money and when interest rates rise, lenders are affected just as positively as borrowers are affected negatively. A movement in interest



rates changes the terms of the relationship between borrowers and lenders in an economy and can create a short term economic disturbance, but it does not affect the level of purchasing power as a whole and can have no significant and persistent effect on the price level (for example, while those with mortgages and other loans are disadvantaged by higher interest rates, those with savings, interest-bearing investments, etc gain to a similar overall extent).

That raising interest rates cannot halt inflation – or even slow its rate of growth – has been demonstrated by a close look at economic history. During the time when Thatcher was Prime Minister the Minimum Lending Rate (as it was then called) for the banks rose from 9 per cent in 1988 to 15 per cent in 1989 yet the Retail Price Index (RPI) increased considerably across the entire period, having an average annual rate of 4.1 per cent in 1987 that had become 9.5 per cent by 1990.

If that was considered a 'fluke' it has just been repeated, as the UK economy under Gordon Brown has just experienced a similar situation. Base rates reached a recent low of 3.5 per cent in mid 2003 and were progressively raised to 5.75 per cent last year. Yet throughout this time, the RPI has crept up from a recent historic low of well under 2 per cent in 2002 to around 5 per cent now, the highest it has been since Thatcher left office in 1990.

These two examples reflect what really happens when an economy experi-

ences price rises – which is that instead of interest rates influencing price rises *it is effectively the other way around*. Banks make their profits generally by lending money out at a higher rate than they borrowed it at, being concerned with the 'real rate of interest' after inflation is taken into account – and rates tend to rise in order to protect these banking margins (the contrary idea of the 'credit creationists' that banks make profits not by doing this but by effectively creating money out of nothing instead, should never have been taken seriously, and is in present circumstances beyond risible).

Stagflation

The current rise in the RPI in the UK coupled with the economic crisis has led some economists to argue that capitalism is about to be gripped by the kind of 'stagflation' that existed in the 1970s, so called because economic stagnation coincided with rising prices. With the credit crunch biting and the financial apparatus of capitalism in turmoil, unemployment is now on the rise and growth has come to a standstill, at best.

In the nineteenth century, when the study of economics developed seriously and Karl Marx developed his critique of it, persistent inflation (and therefore the possibility of stagflation) hadn't occurred at all after the Napoleonic War ended. Instead, prices generally tended to rise during booms and then fall away during slumps when demand was lower, and price charts from this period show the cyclical ebbs and flows quite clearly, both in Britain and abroad. By the start of the First World War in 1914, for instance, the overall price level was almost identical to what it had been in 1850.

This general tendency for prices to rise during times of economic prosperity and then fall back when there is economic contraction is still evident today. However, it is disguised by something that only existed episodically before the Second World War, after which it has been a permanent feature – currency inflation.

Since the beginning of the war, the price level has risen every single year and is well over 30 times its 1938 level. The cause of this persistent rise in the price level has been an excess issue of currency (specifically currency that is no longer convertible into an underlying commodity like gold). This is because while interest rates and movements in wages and profits, etc change the distribution of purchasing power in the economy, they do not – of themselves – increase the total amount. An excess issue of notes and coins in circulation does precisely this if it is over and above the amount needed to carry on production and trade.

An over-issue of currency injects

purchasing power into the economy which is not reflective of real wealth generation; put simply, it is too much money circulating given the level of production of goods and services (and the trade associated with buying and selling them). Before this truth was lost in a fog of now discredited economic theories, inflation was routinely called 'currency inflation', to reflect this. And on the occasions it occurred governments could – and did – put a stop to it, like when they withdrew the then significant sum of £66 million in notes and coins from circulation in 1920, which led to a fall in the general price level of around 30 per cent, before the return to the gold standard in 1925.

Printing presses

In 1938 there was £442 million in notes and coins outside of the Bank of England circulating in the UK economy. Economic growth since then has averaged around two and a half per cent a year (typically going up more than this in booms and down in slumps) yet the amount of notes and coins in circulation has persistently increased far beyond what has been needed for the purposes of production and trade. Today, according to the Bank of England, notes and coins in circulation stand at £50,370 million, up from £47,800 million a year earlier, as the inflationary process that started in the late 1930s has continued apace. This is why, unlike in the nineteenth century when slumps led to overall price declines, prices have risen every single year since the war whether the economy has been in boom or slump (because while slumps have put downward pressure on prices this has always been outweighed by the effects of the ongoing currency inflation).

It is true that for some years prices rises in the UK and other countries – while still positive and persistent – haven't been at quite the levels seen in the 1970s, 80s and early 90s. The main reason for this appears to have been the entry into the world market of vast amounts of low cost goods produced by the massive emerging market economies of the Far East, including China. As rising productivity lowers the amount of labour time necessary to produce goods, this phenomenon is to be expected, and its scale in recent years has been colossal with massive price falls in clothing and leisure goods like electricals according to the Office for National Statistics (prices of many goods have fallen by between a quarter and a half in the last 10 years). Without this effect, overall rises in the basket of goods that comprise the RPI measurement would have been higher still, as has been evidenced by the continuing big price increases of goods not directly affected by this phenomenon, such as fares, catering and leisure services.

What's happened over the last couple of years is that this low-cost goods effect has started to lessen because of the world economic boom that built up, especially in commodities like oil, metals, wheat, and so on. The persistent, ongoing currency inflation plus the effects of this well-documented commodities 'bull market' have meant large price rises are once more a major policy



Bust again: the Credit Crunch

concern (in the 1970s, when price rises took off and peaked at nearly 27 per cent in 1976, this again was a combination of the background effect of currency inflation with a massive bull market in commodities like oil).

One club golfers

Here lies a big current problem for Gordon Brown and other world leaders, and in some cases the central bankers to whom they have devolved responsibility. Unaware of the real cause of inflation, which has been lost in the mists of time, they have reached a stage – more by default than design in some respects – whereby they have only one policy instrument to deal with inflationary pressures (raising interest rates) and one main policy instrument to deal with a declining economy drowning in debt (lowering interest rates). When asked to deal with the two problems simultaneously, they have only confusion, as the two solutions they would have proposed are mutually exclusive of one another.

In reality, such have been the problems on the money markets and the declines in the stock markets in recent weeks – and such is the evidence that the credit crunch is now having a significant effect on the real economy – they have belatedly decided to lower central bank base rates as the lesser of the two evils.

What is germane to this is that in the nineteenth century, Marx wrote that while the market economy's periodic crises and convulsions cannot be eradicated through government policy, there are occasions when it can make

matters worse (he cited, in particular, the 1844 Bank Act which kept interest rates abnormally high). This is in some respects the history of recent times too, as after the credit crunch began last summer base rates have been higher than they might have been because of the view of governments and central bankers that high rates were needed to stave off inflationary pressures.

During any slump, interest rates tend to fall away from their peak reached at the end of the boom as the demand for money capital eases, this being one of the many conditions for an eventual improvement in production and trade, but on this occasion it has been slow happening (especially given the severity of the housing bust and the associated financial crisis). The irony now is that such is the magnitude of this crisis, with a major bank filing for bankruptcy or being rescued almost literally every week (Bear Stearns, Lehman Brothers, Wachovia, Fortis, Bradford and Bingley, HBOS, the entire Icelandic banking system, etc) that wherever central banks decide to pitch base rates, these are being effectively ignored by the banking system as a whole, where the key London Inter-Bank Offered Rate ('Libor') is still nearly two per cent above base rates with the credit markets locked into a state of fear-driven paralysis.

The severity of the current crisis, with big falls in demand in the economy and increasing unemployment, may well lead to pressure on retail prices easing somewhat despite the government's continuing recourse to the printing presses. But whether this happens or not, there is a sense of real danger and panic in the market economy at the moment as the lubrication that keeps the capitalist machine running – the money markets – are dysfunctional.

So, with inflation concerns (and no clue how to handle them), the effects of a recent oil price spike, stock market crashes, soaring unemployment, the most significant financial crisis in most people's lifetimes, and the return of nationalisation as a means of propping-up failing businesses, it is certainly a case of 'back to the future' for Britain's Labour government.

Most market commentators don't know whether the most appropriate comparison is with the 1930s slump after the Wall Street Crash or the 1973-4 UK secondary banking crisis and bear market which followed the 'Barber Boom' and housing bubble. While capitalism never repeats its history precisely, it may be an especially severe dose of the latter rather than the former ... nevertheless, given the general panic and helplessness of recent weeks, you wouldn't want to bet your Collateralised Debt Obligations on it.

DAP

The end of “neoliberalism”?

What the critics of “neoliberalism” want is a “regulated capitalism”, but they are not the only ones.

Let us”, President Sarkozy of France told the UN on 23 September, “rebuild together a regulated capitalism in which whole swathes of financial activity are not left to the sole judgment of market operators, in which banks do their job, which is to finance economic development rather than engage in speculation.”

This would normally be regarded as a position taken up by leftwing critics of what they call “neoliberalism”. Thus Green Party MEP Caroline Lucas, when asked for her views on the global financial crisis by the *Guardian* (17 September), answered that “we are going to have to return finance to its role as servant rather than master of the global economy”.

Neoliberalism is not a word that Sarkozy would use. In fact, when he was elected President in May last year he was widely seen as France’s equivalent of Mrs Thatcher. But then “regulated capitalism” is not how Greens and the other critics of free-market capitalism would describe what they stand for either.



Sarkozy

Neoliberalism is a term coined by opponents of the policies pursued by many governments since the 1980s of privatisation and deregulation, of allowing market forces to operate with less state interference. “Neo” because it was seen as a revival of the anti-state, laissez-faire philosophy of 19th century liberalism. As supporters of these policies often call them simply “capitalism”, some opponents also presented themselves as “anti-capitalist”.

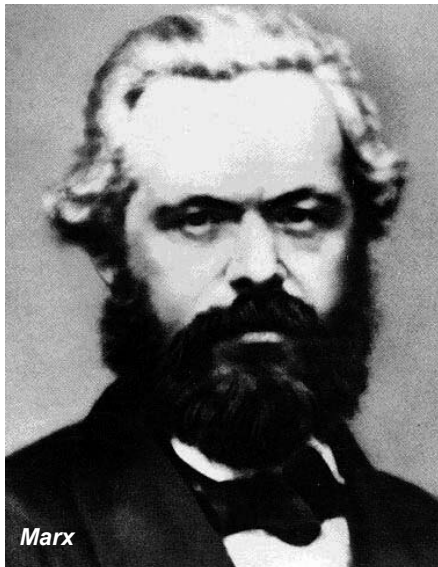
But this is a false distinction. Capitalism is not just private enterprise, free market capitalism. That is just one of the forms it has taken historically. To see this as the only form of capitalism, and therefore to use the term “capitalism” to refer to it only, is to ignore two important experiences of the last century: the nationalisation measures carried out by Labour and Social Democrat (and other) governments, and of course what existed in the ex-USSR and its satellites. Capitalism, in other words, can also take the form of state capitalism.

The essence of capitalism is not any form of ownership – whether legal property rights vested in individuals or companies, or state property from which bondholders draw a legalised income, or state property where a bureaucratic elite exercises a de facto control of it. Capitalism is indeed based on the exercise of a monopoly over the means of production by a minority, but so have other class societies such as ancient slave society, feudalism and oriental despotism.

What distinguishes capitalism from them is the way in which the producing class is exploited – via the wages system. Denied free access to the means of production, the vast majority of the population are forced to sell their working abilities – what Marx called their “labour power”

– to an employer for a wage or a salary. Labour-power has the unique property of being able to produce a greater value than its own, but the employers have to pay only the value of the labour-power not the total value it produces. Marx called the value which workers produced over and above their wages, and which went to the employer, “surplus value”.

Capitalism is this economic mechanism of the extraction of surplus value from the wage-labour of the producing class and of the accumulation of most of it as new capital.



Marx

Marx called it “the self-expansion of value”. Capitalism is an economic mechanism rather than a form of property ownership, a mechanism which is in fact compatible with various different forms of ownership. Wherever there is the exploitation of wage-labour for surplus value, there there is capitalism. Which is why the ex-USSR where there was state property and a strongly regulated

market was still (state) capitalist.

In any event free market capitalism without any state regulation has only ever existed on paper. Capitalism and the state are not opposites or incompatibles. They have always co-existed and in fact capitalism could not have come into existence or survived without the support of the state. It was the state that helped dispossess peasants of their land so that they became factory fodder for the capitalist factory owners. It is the state that creates and enforces private property rights, without which the capitalist class would not be able to monopolise the means of production and extract surplus value from the wage-labour of their employees. The predominant form of capitalist enterprise – the limited liability company – is in fact entirely the creation of the state. The state has to issue the currency and set up bodies to interpret and enforce commercial contracts. It has to maintain armed forces, both to keep law and order internally and to protect and further the interests of the capitalist class abroad. It has to set up bodies to make laws and regulations at national and local level and other bodies to apply, police and enforce them. All these activities essential to the functioning of capitalism have to be paid for. So the state has to levy taxes.

There is, then, no such thing as capitalism without the state. That said, there are still degrees of state regulation at different times and in different countries. The state is supposed to represent the general capitalist interest, but in practice is subject to all sorts of lobbying and pressures from special interest groups who want it to make laws and regulations in their interest, to which it often gives in.

From time to time, however, the state does genu-

continued on page 22

Good Cap, Bad Cap

The credit crisis has tarnished the image of capitalism but its defenders may help it live on by pinning all of the blame on financiers.

Investment bankers have gone in the past few months from being the “masters of the universe” to the object of universal scorn. Across the political spectrum in the United States, particularly at the fraying ends of its two main political parties, criticism of Wall Street can be heard. Even McCain and Obama – whose presidential campaigns have been generously funded by Wall Street – have had to make half-hearted statements about how “greed is, um, bad.”

This criticism is richly deserved, of course, but many of the harshest critics of speculators are fond of capitalism itself and take a rather benevolent view towards other types of capitalists. Greedy bankers and stockbrokers are lambasted, but in the next breath the capitalists involved in the actual production and sale of commodities are portrayed as unfortunate victims of the credit crisis. This one-sided criticism suits the capitalist class as a whole just fine.

Now that capitalists themselves are at least exposing some of the high crimes and low comedy connected to their own financial system, and so much popular attention is focused on the role of money capitalists, it seems particularly necessary for us to attack the false notion that there are “good” and “bad” capitalists; and that crisis could be avoided and capitalism perfected if the bad ones could be kept under control or swept away.

Den of thieves

This idea that bankers – particularly investment bankers – are any worse than other types of capitalists is not convincing to anyone aware that the revenue of *all* capitalists flows from same source: the exploitation of labour. The dirty little secret of capitalism is that the capitalist class as a whole, and all of the individual capitalists, enrich themselves thanks to workers adding more new value to the commodities they produce than the value of the wages received as payment for their labour-power.

Any party to this exploitation of labour – whether the capitalist who advances the investment funds, the capitalist who supervises the commodity production process, or the capitalist who is tasked with selling the commodities – is entitled to a piece of the action and merits an equal share of the blame. It is nonsense to argue that one type of capitalist is more or less culpable than the others.

The relations between capitalists are very much like those between a group of thieves, who cooperate to pull off a heist and then divide the loot among themselves. Conflicts easily arise from such an arrangement: as a bigger share for one means a smaller share for the others. Such squabbles, however, are of little concern to the person who has been robbed. Likewise, for workers, divisions within the capitalist class should be of secondary interest to the more fundamental conflict between the exploiters and the exploited.

Yet we need to do more than simply prove that the idea of “good” and “bad” capitalists is wrong: it is also neces-

sary to explain how this false ideology has a basis in reality that makes it seem plausible to many. That basis, as just touched on, is the antagonism that actually exists between different types of capitalists with regard to how surplus-value is divided between them. This fosters the notion that *fundamental* differences exist between capitalists and that some are more deserving of their revenue – an impression that is further deepened by the fact that revenue takes

different forms that appear to be independent of each other.

This means that we can better understand why money capitalists and industrial capitalists tend to be viewed differently by examining the division of surplus-value between them and the specific forms of their revenue. Marx does this in Volume 3 of *Capital*, where he examines “interest” and “profit of enterprise” – the former being the revenue that the money capitalist is entitled for loaning capital to the industrial capitalist, while the latter is the profit the industrial capitalist receives after paying that interest to the money-capitalist.

Marx’s discussion of “interest” and “profit of enterprise” is not directly related to the economic

activities of the now-disgraced stockbrokers, as they have made money in more imaginative ways than simply earning interest, yet his observations reveal why it is so easy for bankers to be cast in the role of villains, while those capitalists owning actual means of production appear in a more favourable light.

Magical money

We can begin by looking at *interest* – or “interest-bearing capital,” to be more exact. The loaning of money to function as capital is the first step in the overall circuit of capital, $M-C-M'$; and that money (M) is then used to purchase the labour-power and materials of production needed to produce commodities (C), which embody more value than the value of those inputs, making it possible to sell them for a greater sum of money (M') than initially invested. Part of this surplus in value generated through production is paid to the money capitalist in the form of interest.

With the form of “interest-bearing capital,” however, we only see the two extremes of the circuit above, or: $M-M'$. In other words, nothing more than the money capitalist loaning out money that returns eventually in a greater amount. Money seems to have the magical power to breed more money. Overlooked is the intervening process of production, which is the actual source of the interest earned. As long as interest successfully flows back to the money capitalist, whatever happens between M and M' is a matter of indifference. It thus appears at first glance – to this capitalist and others – that profits can emerge regardless of production.

This illusion is reinforced by the fact that individual money owners can indeed loan money for non-productive



uses. Everyone knows, for instance, that credit card companies make huge profits by charging ordinary “consumers” usurious interest rates. Yet that freedom to direct money towards non-productive sectors, or to engage in speculation on fictitious forms of capital, only holds true for individual capitalists. If a large portion of the industrial capitalists were to withdraw from production, so as to become money capitalists, the ultimate source of profit would quickly dry up and the rate of interest would plummet.

Nevertheless, if we view the capitalist world from the perspective of the individual interest-bearing capital, it seems that profits can materialize out of thin air, without actual production. Marx thus calls interest-bearing capital the “most superficial and fetishized form” of the capital relationship, where capital “appears as a mysterious and self-creating source of interest, of its own increase.” Instead of appearing to be one part of the total surplus-value, interest seems to arise from an inherent property of capital itself, so that any owner of it is entitled to interest.

With interest, we are one step removed from the actual process of production; and from the exploitation of labour that occurs within that process. This fact is at the root of the tendency for people to view money capitalists – and for them to view themselves – as inhabiting in a rarefied world where it is not necessary to get one’s hands dirty. The money capitalists who engage in this mysterious process, whereby money is able to breed more money, both dazzle and disgust those who must earn a living in more pedestrian ways.

Capitalist workers?

If the interest that the money capitalists earns seems to spring out of thin air, the industrial capitalists, in contrast, seem to earn their profits from the sweat of their brow. Their “profit of enterprise” – which is what remains after they pay money capitalists interest – appears to be the fruit of *functioning* capital, rather than the fruit of owning capital. Just as there is an abstraction from the actual production (= exploitation) process in the case of interest-bearing capital, in the case of profit of enterprise the production process is separated from capital itself, so that it appears merely to be labour process. Profit seems to accrue to industrial capitalists as payment for a useful function performed in that labour process.

There is in fact an important role played by the industrial capitalist, and that is to ensure that the production process is carried out in a manner that facilitates the greatest extraction of surplus-value from workers. Not exactly a noble calling, but exceedingly necessary under the class-divided capitalist system. The profit of the industrial capitalist thus seems to be a “wage” received for this supervision of labour. It appears, as Marx wittily put it, that the “labour of exploiting and the labour exploited are identical, both being labour.” If the former receives far better wages for that labour, it is said to be compensation for its more “complex” character.

This false impression that the industrial capitalist is a sort of worker seems plausible because the act of supervision, necessary in any class-divided society, is confused with the coordination function necessary when numerous workers engage in production together. We need to distinguish between the supervision needed to extract surplus-value from wage-slaves, and the coordination necessary in the case of combined or social labour. In the latter case, the workers themselves can quite easily work things out for themselves and determine the most appropriate way to

combine their labour – there is no need for the menacing supervisor. Under capitalism, however, there is a blurring of the two functions, so that it seems as if capitalists (or whoever is hired by them to supervise workers) are performing a necessary function that is intrinsic to the labour process itself.

The fact that industrial capitalists play an active role in the production process, however reactionary it may be in fact, provides a basis for the claim that they are preferable to the money capitalists who do nothing more than provide the investment. Yet even in the case of the industrial capitalists, who are disguised as wage-workers, the labour process is simply a means to an end. It is only because that process is the direct source of their profits that industrial capitalists take such a keen interest in it.

The real task

Strange things occur when surplus-value is divided up among different types of capitalists, taking the form of different types of revenue. It seems that each form exists independently and has a separate origin – with none of them traceable to the exploitation of labour. With this quantitative division of surplus-value,

as Marx notes, “it is forgotten that both [interest and profit of enterprise] are simply parts of surplus-value and that such a division can in no way change its nature, its origin, and its conditions of existence.”

The theory of surplus-value brings to light the connections that actually exist between capitalists, by revealing the ultimate source

of capitalist wealth, but that theory itself can be hard to grasp precisely because of the existence of those different revenue forms. Once we take those forms as fixed premises, without considering their origin, it seems natural to judge some capitalists more harshly or kindly than others.

If workers end up concentrating narrowly on the antagonisms between capitalists, it becomes harder to see the more fundamental conflict between wage-labour and capital; and harder to see the real solution to the problems faced. Here we have the old “divide and conquer” approach with a new twist: instead of dividing the working class, the internal divisions of the capitalist class are emphasized to deflect attention from the class divide.

The criticism of Wall Street today that is being voiced by defenders of capitalism is one example of that divide-and-confuse method in action. The current crisis is framed in terms of “Wall Street vs. Main Street” or “the financial world vs. the real economy” – never as a manifestation of the contradictions of class-divided capitalism. With so many criticizing the financial world, while singing the praises of good old commodity production and the capitalists in charge of it, we need to remind ourselves that the production process under capitalism is a process of labour exploitation, a means of generating profits for capitalists.

The task for socialists is not to drive out speculators from capitalism, so as to somehow perfect the system, but to move beyond a world where production is merely a means of capital accumulation. So yes – by all means – let’s chomp down hard on the middle finger Wall Street has been pointing at us all these years, but we should also keep an eye on the hand that robs workers every day on the job.

M. SCHAUETRE

“If workers end up concentrating on the antagonisms between capitalists, it becomes harder to see the conflict between wage-labour and capital”

Even 90 years after the Russian revolution there are still some who claim that the event shines as a beacon for socialism. We were able to say at the time that whatever was happening in Russia it was not a socialist revolution.



A representation of the seizure of the Winter Palace

The Russian Revolution recalled

In August 1918 the *Socialist Standard* pointed out that, while there were industrial towns in Russia, the country was largely agricultural with about 80 per cent of the population still living on the land. The answer to the question whether “this huge mass of people” (about 160 million), which indeed included some industrial and agricultural wage slaves, was “convinced of the necessity and equipped with the knowledge requisite for the social ownership of the means of life?” was “No!”; beyond the fact that the leaders in the November movement claimed to be Marxian socialists there was no justification for terming the upheaval in Russia a Socialist Revolution.

Our analysis of the situation was based upon Marx’s definition of capitalism as a relation of wage-labour and capital and on the conditions necessary for that relation to be ended and replaced by socialism. Before “the Communistic abolition of buying and selling, of the bourgeois conditions of production”, as the *Communist Manifesto* put it, can happen, there must be a sufficient development of the productive forces, and the class which has to sell its labour power in order to live – the working class – must fully understand what is involved and be ready to take the necessary political action.

The conditions envisaged by Marx to be necessary for the ending of capitalism and establishing socialism did

not exist in Russia in 1917, so why have the events been claimed as socialist?

Russia in 1917

The country had suffered huge losses during the war against the more heavily industrialised Germany, the economy was in a mess and there were food riots. The Tsar had been forced to abdicate in March 1917 – while both Lenin and Trotsky were out of the country – and the situation was confused. There was a provisional government which included capitalist and landowning representatives. In July Kerensky became leader with support from the Committee of the Duma (the Russian parliament) but with increasing support from the councils of Workers and Soldiers – the Soviets. However he continued with the war despite its unpopularity.

There was widespread discontent with soldiers, workers and peasants reacting against the adverse conditions, which the Bolsheviks were able to take advantage of the discontent. They gained control of the Soviets using slogans like “All power to the Soviets”, and crucially “Peace! Bread! Land!” In other words, this was what the war-weary, hungry workers and peasants wanted – they were not after socialism. That there was not a majority ready for socialism would not have concerned Lenin. The situation

fitted his vanguard theory that the working class by its own efforts is only able to develop trade union consciousness and needs to be led by professional revolutionaries. There were enormous difficulties including the backward state of the country and the civil war; also the expected uprisings in other European countries did not take place. The development of capitalism was all that could happen and the Bolsheviks as the new rulers would have no choice but to do their best to aid it.

That it was a minority revolution is illustrated by the way in which Lenin dealt with the political situation. The All-Russia Soviet Congress had met in November 1917 and had passed resolutions in favour of peace, ending landowners' rights to possession of the land, and the setting up of a 'workers and peasants' government, headed by Lenin and dominated by the Bolsheviks, pending the election of a democratic 'constituent assembly'.

However when the Constituent Assembly was elected the Bolsheviks did not have a majority and it was dissolved. Trotsky's excuses for this are instructive – the election had taken place too soon after "the October Revolution" and news of what had taken place spread only slowly. "The peasant masses in many places had little notion of what went on in Petrograd and Moscow. They voted for 'land and freedom'". Precisely, for that, not socialism. So, not only did the Bolshevik takeover not have majority support, majority support for socialism not present either.

By the middle of 1918 the Communist Party (as the Bolsheviks were now called) had firmly established its dictatorship and freedom of the press and assembly were restricted. The All-Russia Soviet Congress had ostensibly taken all power to itself but this was a façade. The Congress elected the 200 members of the Central Executive Committee but the credentials of delegates to the Congress were verified by Communist Party officials. Lenin claimed that what he called "Soviet Socialist Democracy" was "in no way inconsistent with the rule and dictatorship of one person; that the will of the class is at times best served by a dictator" and this was approved by the Central Executive Committee in 1918 (Martov *The State and the Socialist Revolution*, p.31).

Labour discipline

Raising the productivity of labour was a priority. In an address before the Soviets in April 1918 (*The Soviets at Work*) Lenin declared that not only was it necessary to halt 'the offensive against capitalism', they also had to employ capitalist methods which included strict discipline at work. They should immediately introduce piece work and measures which "combine the refined cruelty of bourgeois exploitation and valuable attainments in determining correct methods of work." The previously stated aim of equal wages for all was abandoned and a "very high remuneration for the services of the biggest of the bourgeois specialists" was agreed. State control was seen as the "means to establish the control and order formerly achieved by the propertied classes" and he chided those who considered the "introduction of discipline into the ranks of the workers a backward step".

In January 1920 the Bolshevik government abolished the power of workers' control in factories and installed officials who were instructed by Moscow and given controlling influence. Democratic forms in the army had also been abolished.

The need to use capitalist methods to control and dis-

cipline workers in order to increase production, illustrates the absence of the absolute pre-requisite for socialism – the conscious participation of the majority of the working class.

State capitalism

In 1921 the Bolshevik government adopted a New Economic Policy. In proposing it Lenin argued that permitting some private industry and allowing peasants to keep surpluses were not dangerous for socialism. "On the contrary, the development of capitalism under the control and regulation of the proletarian state (in other words 'state' capitalism of this peculiar kind) is advantageous and necessary in an extremely ruined and backward peasant smallholder country...in so far as it is capable of immediately improving the state of peasant agriculture."

Our criticism of Lenin, Trotsky and the Bolsheviks is not that they did not achieve what was not possible at the time, i.e. socialism. It is rather that they adjusted theory to suit the circumstances: seeing the necessity for capitalist development they claimed that state-monopoly capitalism was socialism. In *Can The Bolsheviks retain State Power?* Lenin wrote about the "big banks" as the "state apparatus" needed to bring about socialism. "A single state bank...will constitute as much as nine-tenths of the socialist apparatus".

It was also Lenin who said in *The State and Revolution* in

August 1917 that the first phase of communism was usually called socialism, when Marx made no such distinction between the terms. (In the 1888 Preface Engels refers to the *Communist Manifesto* as the most international of all *Socialist* literature). In Marx's conception of the first phase of communism there was still common ownership, an end to buying and selling, and no money. (Marx mentions the possibility of labour time vouchers despite their obvious drawbacks). What happened in Russia did not qualify even as a "first phase of communism".

Contemporary Trotskyists still call their aim of state capitalism socialism. The former Militant Tendency (now called SPEW) think that nationalising 150 big corporations would express in today's language the demand in the *Communist Manifesto* for the "abolition of private property". They also support Lenin's vanguard theory that a revolutionary minority can by their leadership turn protest movements into a 'socialist' revolution. So it is hardly surprising that they claim the events in Russia in 1917 to have been a socialist revolution, blaming the backward state of the country, civil war and Stalin for what went wrong.

Both Lenin and Trotsky thought that democracy was not appropriate to their situation. Having taken power in a minority revolution they had to rule by force. This included the use of secret police – the Cheka. Trotskyists excuse Lenin's red terror on the grounds that it was the outcome of civil war necessity, likewise with the measures taken to deal with the problems of production. However, it was precisely the conditions and the absence of a majority for socialism that made capitalism the inevitable outcome.

The rule of Lenin supported by Trotsky paved the way for Stalin. The legacy of the Russian Revolution, of Lenin and Trotsky, is that socialism/communism has come to be identified with state capitalism. It was not a victory for the working class, but a tragedy since it brought socialism into disrepute and diverted attention away from the vital need to reject capitalism in whatever form.

PAT DEUTZ

"The peasant masses had little notion of what went on in Petrograd and Moscow. They voted for 'land and freedom', not socialism."

Socialists and the First World War

This month marks the 90th anniversary of the end of WWI. We recall the socialist opposition to it.

The historian George Haupt has written that in July 1914 the workers movement did not consider war a possibility. Speaking six years later the German Social Democrat Karl Kautsky admitted that:

“It is surprising that none of those present at the meeting thought of raising the question of what to do if war broke out...or which attitude the socialist parties should adopt in this war” (cited in Georges Haupt: *Socialism and the Great War: the Collapse of the Second International*. Oxford, 1972. p. 220.)

Haupt comments that it is impossible to say whether the leaders of the International were “captives of their own myths or whether their reaction was the classical manifestation of that characteristic trait of the Second International: Reformist practice screened behind verbal radicalism.” (ibid. p. 221.)

The parties of the Social Democrat Second International shared our view that capitalism causes war and, like us, called for the international solidarity of the working class but when war broke out in August 1914 this proved to be mere talk.

To their disgust, but not to their surprise, the members of the Socialist Party saw workers and their leaders line up behind their respective governments ready to take part in the slaughter. Labour leaders such as Keir Hardie, Ramsay Macdonald and George Lansbury assured the government that “the head office of the Party, its entire machinery, are to be placed at the disposal of the Government in their recruiting campaign.” (*Labour Leader* 3 September 1914)

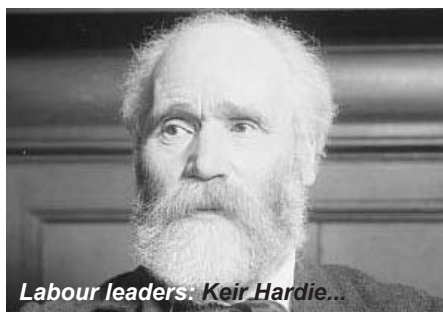
The British Socialist Party (successor to the SDF) war manifesto declared that it recognised:

“...that the national freedom and independence of this country are threatened by Prussian militarism and that the Party naturally desires to see the prosecution of the war to a speedy and successful issue.” (*Justice* 17 September 1914 cited in H. W. Lee and E. Archbold *Social-Democracy in Britain: Fifty Years of the Socialist Movement*. London, 1935. p.225.)

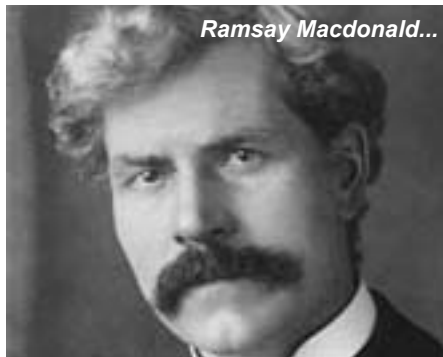
The Socialist Party on the other hand denounced the war as none of the workers business. It was a war of capitalist interests,

“...the workers’ interests are not bound up in the struggle for markets

wherein their masters may dispose of the wealth they have stolen from them (the workers), but in the struggle to end the system under which they are robbed....The Socialist Party of Great Britain...declaring that no interests are at stake justifying the shedding of a single drop of working class blood, enters its emphatic protest against the brutal and bloody butchery of our brothers in this and other lands...



Labour leaders: Keir Hardie...



Ramsay Macdonald...



... and George Lansbury

Having no quarrel with the working class of any country, we extend to our fellow workers of all lands the expression of our good will and Socialist fraternity, and pledge ourselves to work for the overthrow of capitalism and the triumph of Socialism.” (‘The war and the Socialist position.’ *Socialist Standard*, September 1914)

In common with most political parties the Socialist Party carried on a vigorous programme of in-door and out-door meetings. From street corners and open spaces Party speakers on platforms propounded the socialist case against war. In his memoirs R.

M. Fox (an early member of the Party) recalls the almost mesmeric effect of one Socialist Party member, a man called Anderson, who could project his voice above the noise of a brass band hired by local shopkeepers to drown him out. (R. M. Fox: *Smoky Crusade*. London. 1938.)

But even the most redoubtable speaker could not withstand the onslaught of a crowd whipped into fever pitch by jingoistic propaganda. There survives in the Party archive a bound minute book recording outdoor meetings held in North London. It records in a neat italic hand each meeting held by the branch giving details of date, time and speaker and chairman. Also recorded are the size of audience and occasional comments as to the kind of questions asked and the temper of the audience. Audience size seems to have fluctuated between 100 and 250. The meetings in August 1914 increased in size and the entry “Many questions mainly about the war. Good meeting” occurs a number of times. On Sunday August 30th a member named Wray addressed an audience this time of around 800:

“Many questions mainly about the war...Hostility shown by the audience so soon as the speaker began to reply to the opposition and the police closed the meeting leaving Party members to get away with the platform amongst the hostile audience that had closed around it and damaged it one side of the steps torn away and lost thus rendering the platform useless for further propaganda meetings.”

A later entry for September 20th records:

“Opposition by Grainger of Daily Herald League [sympathetic to the Labour Party] supported by several members of B.S.P. [British Socialist Party] in the audience with design of raising prejudice against the SPGB and so of breaking up the meeting.”

On a Sunday in mid September one Hyde Park meeting was the subject of a concerted attack. The organiser of the meeting reported

“...There was a determined attack made to smash up the meeting. Just as Elliot was closing the meeting the police intervened and told him to close down. As he did not close down as quick as they wished they arrested him. Elliott was however, charged with insulting the British armies and fined 30/-. The crowd numbered over

a thousand and the organised opposition attempted at the conclusion of the meeting to smash [the] platform but only succeeded in doing a little damage to it."

At a meeting held on 11 October the speaker replied to questions about the war but "On the speaker replying to the opposition the audience started the National Anthem and the raising of cheers" and the meeting had to be abandoned. It says a great deal for the character, optimism, and bravery of these early members that they could face hostile audiences week after week. Undeterred the branch repaired the platform and were by the end of the week again holding meetings.

Some branches reacted to the threat of physical attack by banding together to continue open air meetings sometimes at new venues. In West Ham three branches got together to hold a meeting in Stratford Grove, an area not previously covered by the Party and its limited resources. It was possibly chosen to avoid marauding gangs of jingoists who were well aware of all the regular meeting places where anti-war sentiments might find expression.

Other branches had better luck. The secretary of East London branch reported that they had abandoned a meeting at Victoria Park after an obviously sympathetic Park Keeper

had informed him that there were eight plain clothes men present for the purpose of arresting the Speaker and the Chairman as soon as the meeting started. It would appear that some anti war meetings were having some effect and it is likely that the Party's informant had listened to the speakers over a period of time, and was at least unwilling to see our views suppressed.

But speakers did not have to oppose the war from the platform to get into trouble. A member named Baggett reported that he had been arrested and bound over in the surety of £50 to keep off the platform for six months. The reason being that he had read out an British Army circular issued by Lord Roberts regarding the supply of prostitutes to the British Army in India.

In view of increasing hostility, and the fact that a number of branches had ceased to hold meetings on account of the difficult situation, the Executive Committee had to consider the suspension of outdoor political activity. Every effort had been made to maintain outdoor meetings but had to recognise the

"...brutality of crowds made drunk with patriotism. The prohibitions by the authorities, and the series of police prosecutions of our speakers, compelled the rank and file of the

Socialist Party to put an end to the fruitless sacrifices of their spokesmen by stopping outdoor propaganda." ('A Year of War.' *Socialist Standard*, August 1915.)

A further consideration was the issue by the Government of stringent Defence of the Realm Regulations outlawing the uttering of statements likely to cause disaffection. The decision appears to have been a difficult one as the minutes record that it was taken after a discussion lasting about two hours. The Party at a special meeting held to discuss the situation ratified the decision. There was clearly a small number within the Party opposed to this course of action and willing to "tough it out" but a motion approving of the Executive Committee decision was carried by a substantial majority.

Explaining that "...our object was not to bid defiance to a world gone mad, but to place the fact that in this country the Socialist position was faithfully maintained by the Socialists." (*Socialist Standard*, January 1915.) The Party continued as best it could, male members, under tremendous social and economic pressures, took what measures they could to avoid being called up. Those not so lucky ended up in Dartmoor prison.

GWYNN THOMAS



Cooking the Books 2

M - C - M'

The person who wrote the editorial in the *Times* of 17 September must have had their dictionary of quotations handy. At the end of the editorial, entitled "Crisis and Capitalism" and which argued that "the Lehman collapse shows, paradoxically, that the mechanisms of the market are working. What is not needed now is government intervention", they tagged on a quote from Marx:

"Capital is money, capital is commodities . . . By virtue of it being value, it has

acquired the occult ability to add value to itself. It brings forth living offspring, or, at least, lays golden eggs".

The relevance of this quote is not clear but the editorialist seems to see it as a justification for leaving the capitalists – described as "rational actors in the marketplace" – alone in case they stop creating new value, stop laying golden eggs. Marx of course never held that it was capitalists who create new value. He identified the source of capital's "occult ability" to increase itself as the exploitation of the unpaid labour of the workers capitalists employed. It was their labour that added value to the original money capital. They were the ones that laid the golden eggs.

The quotation is taken from Chapter IV of Volume I of *Capital* on "The General Formula of Capital". The formula for the simple exchange of commodities, Marx explained, is C - M - C. A person starts with a particular commodity (C), sells it, i.e. converts it into money (M), which they then use to buy a different commodity, some use-value they need. In other words, they sell in order to buy.

Under capitalism, Marx went on, the aim is rather to buy in order to sell, M - C - M, but this is pretty pointless if you are just going to end up with the same amount of money as you started with. So, in fact, the aim under capitalism is not just to buy in order to sell, but to buy in order to sell at a higher price, to end up with more money than you

originally had, or M - C - M':

"More money is withdrawn from circulation at the finish than was thrown into it at the start. The cotton that was bought for £100 is perhaps resold for £100 + £10 or £110. The exact form of this process is therefore M-C-M', where M' = M + ΔM = the original sum advanced, plus an increment. This increment or excess over the original value I call 'surplus-value.' The value originally advanced, therefore, not only remains intact while in circulation, but adds to itself a surplus-value or expands itself. It is this movement that converts it into capital."

Marx commented in a passage the *Times* could have quoted more relevantly:

"As the conscious representative of this movement, the possessor of money becomes a capitalist. His person, or rather his pocket, is the point from which the money starts and to which it returns. The expansion of value, which is the objective basis or main-spring of the circulation M-C-M, becomes his subjective aim, and it is only in so far as the appropriation of ever more and more wealth in the abstract becomes the sole motive of his operations, that he functions as a capitalist, that is, as capital personified and endowed with consciousness and a will. Use-values must therefore never be looked upon as the real aim of the capitalist, neither must the profit on any single transaction. The restless never-ending process of profit-making alone is what he aims at. This boundless greed after riches, this passionate chase after exchange-value, is common to the capitalist and the miser; but while the miser is merely a capitalist gone mad, the capitalist is a rational miser. The never-ending augmentation of exchange-value, which the miser strives after, by seeking to save his money from circulation, is attained by the more acute capitalist, by constantly throwing it afresh into circulation."

So, the capitalist – or whoever personifies capital, these days, the top executives of capitalist firms – is more a "rational miser" rather than a "rational actor in the marketplace" (who, presumably, would go for C - M - C). Not that "the appropriation of more and more wealth in the abstract" can be described as rational. Doubly irrational is the behaviour of finance traders who think that golden eggs can be laid independently of the "occult" activity of production.

Socialist Party Merchandise

Teeshirts:

Blue with polar bear and 'If you were a polar bear, you'd be a socialist' plus party website address.

Yellow, with blue and green globe 'The world is a treasury for all' plus party web site address on.

Sizes: Small, Medium, Large, Extra Large.

Mugs:

One style: 'Duet' - Red and white with 'Only sheep need leaders' (pictured) and website on,



with "Famine? War? Pollution? Capitalism is the Problem. World Socialism s the Solution" and party tel. number on.

Pens:

Blue and white, with blue ink 'Only sheep need leaders' and a sheep plus party website

Red and white, with blue ink 'Workers of the world unite' plus party website
Black with black ink. 'Only sheep need leaders!' and a sheep plus party website

Baseball caps:

navy blue, with embroidered "World Socialist Movement" on.

Balloons:

different colours, with "World Socialist Movement" on.

Prices:

Tee shirts £7.00 each (**state size when ordering**). Mugs £5.00 each. Pens £0.50 each. Baseball caps £5.00 each. Balloons 15p each.

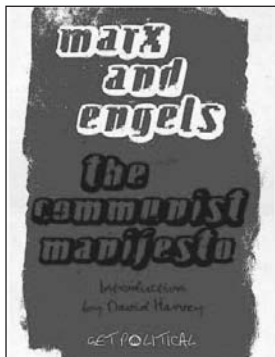
Postage and packaging

£2.50 for the first £10 and then £1.50 for subsequent £10 worths or part thereof. Please send cheque or postal order (no cash) made payable to SPGB SW Regional Branch, c/o Veronica Clanchy, FAO: South West Regional Branch, 42 Winifred Road, Poole, Dorset. BH15 3PU. Any queries, please phone 01202 569826. Please include own phone number or other contact details.

Book Reviews

What revolution?

The Communist Manifesto, by **Karl Marx and Friedrich Engels**. Introduction by **David Harvey**, Pluto Press, 2008. £7.99.



The publisher's blurb on the back says: "This book truly changed the world, inspiring millions to revolution." Unfortunately, this is not true:

this book has not changed the world, nor has it inspired millions to revolution. The *Manifesto of the Communist Party* (to give it its original title) has been republished many times since its first publication in 1848. And now, 160 years later, in this edition it has a new Introduction by David Harvey. The *Manifesto* needs to be understood in its historical context, in order to sift out the immediate demands of 1848 from its timeless communist content. Marx and Engels emphasised this point in their 1872 Preface where they argued that already part of the *Manifesto* dealing with immediate demands (at the end of Section Two) had become "antiquated", a point which was repeated in the 1888 Preface.

Harvey acknowledges this point but then goes on to claim that some of these immediate demands – such as free education for all children in state schools, a heavy progressive or graduated income tax – are still "wholly sensible proposals ... to rid ourselves of the appalling social and economic inequalities that now surround us". But that was then and this is now: however progressive those reforms appeared then, it is clear now that reforms of capitalism do not reduce social and economic inequalities. Harvey argues that eradicating class privilege requires an organised association of workers backed by democratic control of the state, and then adds in brackets "this is as far as the *Manifesto* goes". But this is untrue: in the paragraphs preceding the immediate demands the *Manifesto* calls for the revolutionary "communist abolition of buying and selling" and other specifically *communist* demands. Astonishingly, Harvey has nothing to say about this.

Harvey refers to the collapse after

1989 of "actually existing communisms" without irony and asserts that the former Soviet Union succumbed to "capitalist counter-revolution". But there is nothing in the *Manifesto* which would warrant such claims. The Soviet Union and similar regimes did not institute the abolition of buying and selling and are best characterised as state capitalist dictatorships over the proletariat. Harvey has an online course "Reading Marx's *Capital*" (<http://davidharvey.org/>), but in this Introduction he alleges that crises can be brought about through underconsumption (lack of effective demand), an economics theory which Marx emphatically rejected. Harvey's Introduction is very disappointing, but the *Manifesto* itself is still an inspiring read.

LEW

Fighting for Profit

Stephen Armstrong: War plc. Faber and Faber £14.99.



In a world of privatisation and globalisation, it is perhaps only to be expected that combat and security activities should also be outsourced. Private military companies are being increasingly

used to guard both people and places.

Oil companies, for instance, are starting to set up their own private armies. Aramco is establishing a security force to protect oil and gas fields and pipelines in Saudi Arabia, while the Russian parliament has given permission for gas and oil companies to raise corporate armies of their own. But for the most part it is a matter of private companies that hire their employees out to corporations and governments, companies like Sandline and Blackwater. The latter has its own vast training camp in North Carolina and possesses helicopter gunships and armoured personnel carriers.

The invasion and occupation of Iraq has fuelled the growth in private military companies. In 2006 there were 100,000 private contractors (as they're called) in Iraq, and Donald Rumsfeld regarded them as an official

part of the US war machine. They have increasingly taken on combat roles, and in September last year a Blackwater convoy killed seventeen Iraqi civilians in Baghdad.

Contracting out security tasks supposedly frees up government soldiers to do more actual fighting, though the private forces are, as just seen, getting more involved in combat operations. It is also claimed that they perform a useful service because new states may not at first have properly organised armed forces of their own. They also mean big profits for their owners, partly brought about by hiring cheap labour from Latin America, including former thugs from Pinochet's Chile. And like other companies, they are concerned about their image: one boss interviewed here says, 'Even though it was making us lots of money at the time, we took a view of Iraq and the margins and felt it was dragging our brand down.'

If any contractor is killed or injured, the company employing them will fight tooth and nail to avoid paying compensation. The soldier's family will find their struggle made far more difficult by the complex web of ownership: a person from country X, fighting in Y for a company based in Z but officially registered elsewhere.

Making a profit from war is perhaps the ultimate expression of the profit motive. Armstrong's book gives a good account of these developments, though notes and/or references would have made it more useful. And the publishers have a nerve charging this much for a 250-page paperback that doesn't even have an index.

PB

Anti-war

***Our Country Right or Wrong.* By William Morris. Edited by Florence Boos. William Morris Society, 2008. 95 pages. £7.50.**

Before he became a socialist in 1883, Morris had been a Liberal, towards the end on its Radical wing. As such he was in favour of trade unions, reforms to help the working class and a non-aggressive foreign policy. As this is the text of a talk given in January 1880 he was then still a Liberal, as can be seen from his praise of Gladstone as "a great statesman" and his raising of the Liberal slogan of the day of "Peace, Retrenchment and Reform" ("retrenchment" being what today would be called "cutting back

on government spending", a policy the modern Liberals have recently re-adopted).

Basically, this is a plea for opposing your country's foreign policy if it is "wrong". So, not "my country right or wrong", but only "my country if it is right", by which Morris understood anti-imperialist and anti-war. For him,



Morris

Britain, under the then Tory government of Lord Beaconsfield (Disraeli), was wrong to support Turkey against Russia in the Balkans, to attack the

Zulus in South Africa and to invade Afghanistan (which ended in disaster). Incidentally, in saying that Britain should oppose Turkey (because of its massacre of Christians) Morris was taking up the exact opposite position to that taken by Marx (who thought Turkey should be supported against Russia), not that Marx is a model to be followed here.

Later, after he had become a socialist (partly from disillusionment with the Gladstone Liberal government that came to power later in 1880), Morris argued that war and imperialist adventures could not be avoided by a change of foreign policy – a moral or ethical foreign policy was impossible under capitalism, a lesson the "Stop the War" movement of today has yet to learn.

Florence Boos, in her introduction (which is as long as the text), argues that Morris's position at the time was influenced by the 19th century peace movement, whose origin and history she outlines. She seems to exaggerate the extent to which Morris could be regarded as a pacifist. After all, the chapter "How the Change Came" in *News from Nowhere* does envisage violence even if started by the ruling class. But she does quote from a lecture on "Communism" that Morris gave in 1893 in which he argues:

"The change effected by peaceful means would be done more completely and with less chance, indeed with no chance of counter-revolution . . . In short I do not believe in the possible success of revolt until the Socialist party has grown so powerful in numbers that it can gain its end by peaceful means, and that therefore what is called violence will never be needed."

That's not a bad way of putting it.

ALB

Meetings

London

FILM NIGHTS

Sunday **9 November** 4pm

Zeitgeist

Sunday **23 November** 4pm

The War on Democracy

Socialist Party Head Office, 52 Clapham

High St, London SW4 (nearest tube:

Clapham North)

Chiswick

Tuesday **18 November** 8pm

Discussion on the Economic and Financial Crisis

Committee Room, Chiswick Town Hall,

Heathfield Terrace, corner of Sutton Court

Rd, W4

(nearest tube: Chiswick Park).

London

Public Debate

Saturday **22 November**, 6pm

Have we evolved to make money?

Yes: Terence Keeley (author of *Sex,*

Science and Profits)

No: Bill Martin (Socialist Party)

Room 407, Birkbeck College, Malet St, Bloomsbury, London WC1

(nearest tubes: Russell Square, Euston

Square, Euston)

Manchester

Monday **24 November**, 8.30 pm

Discussion on The Great Bank Bail-Out

Unicorn, Church Street, City Centre

East Anglia

Saturday **29 November** 12 noon to 1pm branch business.

1pm to 4pm lunch followed by discussion including on economics.

Venue: The Conservatory, back room of the Rosary Tavern,

Rosary Road, Norwich. All welcome

IMAGINE

The Fall 2008 issue of the journal of the Socialist Party of Canada has now arrived. A copy can be ordered for £1 (cheque made payable to "The Socialist Party of Great Britain") from the Socialist Party, 52 Clapham High St, London SW4 7UN.

inely intervene in the overall capitalist interest. A classic case was state intervention in the 19th century to regulate the working day. Having machines which could be kept going 24 hours a day, seven days a week, and faced with a glut of factory fodder, capitalist factory owners profited from laissez-faire to extend the working day. A large part of Marx *Capital* is devoted to describing what he called “capital’s drive towards a boundless and ruthless extension of the working day” and how “the immoderate lengthening of the working day produced by machinery in the hands of capital

leads later on to a reaction on the part of society, which is threatened in the very sources of its life, and, from there, to a normal working day whose length is fixed by law” (*Capital*, Vol I, Ch.15, section 3c). Society was threatened “in the very source of its life” in that factory owners so ruthlessly overworked their workers that their wealth-producing capacities, on which the future of society depended, were being undermined. Marx supported state intervention to stop this happening but he did not regard it as being in any way socialist. Others did and socialism and state intervention

unfortunately became associated.

It seems to be a pattern that, whenever capitalists are given a free hand to do what they want, they exaggerate and go for short-term benefits, even at the expense of their long-term interest so that eventually the state has to intervene to restrain them in their own interest. This seems to be the situation that has been reached today after twenty or more years of deregulation of financial markets. The banks and other financial institutions are now widely seen by other sections of the capitalist class as having abused their freedom and thus landed the world capitalist system in the crisis it now finds itself in. This is why the cry is going up for the re-introduction of a stricter state regulation of financial institutions and dealings. And not just from the usual suspects on the Left, but from open supporters of capitalism such as Sarkozy and Gordon Brown.

It looks as if the opponents of “neoliberalism” might well get their way, at least as far as financial sector of capitalism is concerned. But there will be nothing anti-capitalist about this. Just a return to the “regulated capitalism” that used to exist in this sector.

ADAM BUICK

The Labour Party Conference



The Labourites went to Scarborough this year, but having arrived, they had nowhere else to go. Why should they? Apparently Labourites have not yet grasped the fact that after the 1945 term of office they had no claim to be considered in the eyes of the voters as an alternative government. In 1945 they went in on a wave of post-war enthusiasm. They put into effect what was for Capitalism a necessary reorganisation of certain sectors of British industry via nationalisation. They initiated the necessary policies for restoring the debilitated condition of the post-war economy and bringing the social services in line with the requirements of Capitalism.

What else was left in their political ragbag? Only dull odd remnants which did not show up

so well with the more brightly coloured Tory jumble sale, and now to vary the metaphor the Labour Party’s only appeal to the voters: “Play the game, you chaps, you’ve put the other side in twice, let us have a turn at batting.”

Nationalisation, which was once the great plank of the Labour Party, is now a heap of sawdust and shavings which was quietly swept up. Even the 50 odd year Labour project, land nationalisation was rejected.

Nationalisation, which once helped to float S.S. “Labour,” is now in danger of sinking it. Nationalisation rouses no enthusiasm among electors and is a source of disillusionment to the Labour rank and file.

(From article by E.W., *Socialist Standard*, November 1958)



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Declaration of Principles

This declaration is the basis of our organisation and, because it is also an important historical document dating from the formation of the party in 1904, its original language has been retained.

Object

The establishment of a system of society based upon the common ownership and democratic control of the means and instruments for producing and distributing wealth by and in the interest of the whole community.

Declaration of Principles

The Socialist Party of Great Britain holds

1. That society as at present constituted is based upon the ownership of the means of living (i.e., land, factories, railways, etc.)

by the capitalist or master class, and the consequent enslavement of the working class, by whose labour alone wealth is produced.

2. That in society, therefore, there is an antagonism of interests, manifesting itself as a class struggle between those who possess but do not produce and those who produce but do not possess.

3. That this antagonism can be abolished only by the emancipation of the working class from the domination of the master class, by the conversion into the common property of society of the means of production and distribution, and their democratic control by the whole people.

4. That as in the order of social evolution the working class is the last class to achieve its freedom,

the emancipation of the working class will involve the emancipation of all mankind, without distinction of race or sex.

5. That this emancipation must be the work of the working class itself.

6. That as the machinery of government, including the armed forces of the nation, exists only to conserve the monopoly by the capitalist class of the wealth taken from the workers, the working class must organize consciously and politically for the conquest of the powers of government, national and local, in order that this machinery, including these forces, may be converted from an instrument of oppression into the agent of emancipation and the overthrow of privilege, aristocratic and plutocratic.

7. That as all political parties are but the expression of class interests, and as the interest of the working class is diametrically opposed to the interests of all sections of the master class, the party seeking working class emancipation must be hostile to every other party.

8. The Socialist Party of Great Britain, therefore, enters the field of political action determined to wage war against all other political parties, whether alleged labour or avowedly capitalist, and calls upon the members of the working class of this country to muster under its banner to the end that a speedy termination may be wrought to the system which deprives them of the fruits of their labour, and that poverty may give place to comfort, privilege to equality, and slavery to freedom.



Lamont - When Cameron Got It Wrong

“Short-lived and relatively shallow”

David Cameron is in the habit of sprinkling his speeches, like throwing stale currants into a stodgy spotted dick, with unfunny jokes intended to persuade us that a ruthlessly ambitious, manipulative politician can have a harmless sense of humour. Remember the crack in what was called his keynote speech at this year's Tory Conference, that he respects entrepreneurs and he knows what he is talking about because he goes to bed with one every night and – in time to get the laughter rocking again – wakes up with the same person every morning. The eagerly tamed audience were enthralled as well as amused and Cameron was able to forget that his bedtime entrepreneur – who, for those who have not been paying attention is his wife Samantha – is a very rich one; her father is an Old Etonian stockbroker and 6th Baronet, her parents are divorced and her mother is now Viscountess Astor. Lucky Samantha showed she has the common touch when she said, in reply to a reporter's question, that she lived “near Scunthorpe”; it would have gone some way to expunge the image of a blackened steel town summoned up by that misinformation if she had mentioned that the family's home is Normansby Hall, a lush 300 acre estate which they have owned since the late 16th. Century. Clearly, the Cameron family's bit of what the Tory leader calls “this broken society” is comfortingly intact.

Lamont

In that same speech Cameron raised some embarrassed titters among the laughs when he shyly admitted to having been an adviser to Norman Lamont when he was Chancellor of the Exchequer. The Labour Party, he said, never let him forget this episode in his climb up the greasy pole. Quite right too – all Tories would like to forget Lamont, the memory of whose time in charge of the Treasury tends to undermine any theories about a Conservative government being inherently more able to tame capitalism's crises than a Labour one. Lamont was at Cambridge with some rising stars of the Tory governments of the 1980s – Michael Howard, Kenneth Clarke, Leon Brittan John Gummer. How many fantasy careers, climaxing in occupancy of Number Ten, were sketched out on the backs of cafe menus in those impatient days? Lamont held a succession of jobs until the Men in Grey Suits did for Thatcher; as Major's Chief Secretary to the Treasury he acquiesced in, and so had some responsibility for, the policy of Britain being part of the European Exchange Rate Mechanism (ERM). When Major put himself up in the contest to succeed Thatcher Lamont managed his campaign and he was then rewarded by Major with the Chancellorship.

Lamont's time as Chancellor was not noteworthy for its controlled tranquillity and optimism; indeed his public standing was so abysmally low that years later he recalled a London cabby telling him that one

of his passengers, on seeing Lamont crossing the road, offered five hundred pounds to run him down. (He was not to know, of course, that it could be left to Lamont's political friends to bloodlessly get rid of him later). He was associated with a recession rated in some quarters as the worst since the end of the war and his blithe assurance that it would be “short-lived and relatively shallow” did not inspire any more confidence than his later claim to descry “the green shoots of recovery” all around – although they were not apparent to his struggling colleagues. This fixation with mouthing statements so unwise that they could only haunt him throughout his career was typified by his telling the Commons, in May 1991, that “Rising unemployment and the recession have been the price that have had to pay to get inflation down. That price is well worth paying”. (He did not view his own projection into unemployment, when it came, in quite so positive a light).



Norman Lamont, former Chancellor of the Exchequer.

Panic

The big crisis in Lamont's time so near to the top of the greasy pole was “Black Wednesday”, that day in September 1992 when he oversaw Britain's withdrawal from the ERM. This was especially embarrassing for him because only weeks before he had given a categorical assurance that nothing of the kind would happen: “There are going to be no devaluations, no leaving the ERM. We are absolutely committed to the ERM. It is at the centre of our policy” (26 August 1992). Little wonder that Lamont was looking so unkempt when, on 17 September 1992, he emerged into Downing Street to face the voraciously waiting hacks. Amid the panic that day interest rates were dizzily raised from 10 per cent to 12 per cent and 15 per cent, then brought back to 12 per cent. The Treasury was not alone in its panic; workers who were buying their homes through a mortgage were desperately worried about how they were to afford the higher payments and whether there were more, similarly chaotic, days to come. They were probably too anxious to notice on their TV screens, as Lamont came through the door of Number 11, that he was followed by a shadowy figure, caught briefly and fuzzily by the cameras. It was his “political adviser” – David Cameron, future Leader of the Opposition, who would one day bellow his scorn at Prime Minister Brown for floundering among the multi-crises of capitalism and who would then be anxious to conceal his association with the ludicrous failure who was once his boss.

Habitual optimists may rejoice that a new age of transparency and candour has dawned with Cameron's confessed embarrassment at the memory of his time with Lamont. But forgetting a fretful past has been developed to a very fine art by suitably ambitious politicians. There would be, after all, an awful lot of embarrassment for them to misremember. Judge for yourself if this is likely to happen or whether they will continue to see their future as survival through concealment and deceit.

IVAN



Voice from the Back

KIDS AND CAPITALISM

The author of the Harry Potter books JK Rowling recently donated £1 million to the Labour Party because she thought they were doing more to solve the problem of child poverty than the Tories would. She obviously could have not seen the following news item. "Millions of children in the UK are living in, or on the brink of, poverty, a report claims. The Campaign to End Child Poverty says 5.5 million children are in families that are classed as 'struggling' - 98% of children in some areas. The campaign classifies households as being in poverty if they are living on under £10 per person per day. ... The Campaign to End Child Poverty is a coalition of more than 130 organisations including Barnardo's, Unicef and the NSPCC. According to its research, there are 4,634,000 children in England living in low income families, 297,000 in Wales, 428,000 in Scotland and 198,000 in Northern Ireland. It says 174 of the 646 parliamentary constituencies in Britain have 50% or more of their child population in, or close to, the poverty line." (BBC News, 30 September) JK Rowling may be a very good writer, but obviously she is not a great thinker.



Living in, or on the brink of, poverty

to Future Combat Systems. It's just a question of adjusting as the world changes, and as the need changes,' Army Secretary Pete Geren told reporters at the annual Association of the U.S. Army meeting. ...The Army's FCS program is a family of 14 manned and unmanned aerial and ground systems, tied together by communications and information links." (Yahoo News, 6 October) Lots and lots of money to kill, bugged all for starving kids. That is how

capitalism operates.

A MUCH BETTER IDEA

Robert Reich, former US secretary of labour, commenting on the recent economic crisis showed that he understood that China was a capitalist country when he said "There are still only two kinds of capitalism. There's authoritarian capitalism as in China and Singapore, and there's democratic capitalism as in US and Europe. If there's anyone out there who has a better idea, I'm sure the world would love to hear it." (Newsweek, 13 October) If someone can get us Mr Reich's address we will send him a subscription to the *Socialist Standard* so he can learn about the socialist alternative. Although we don't think he would be too impressed, because we want to get rid of the exploitative system that gives him a privileged existence.

PUTING HIS FOOT IN IT

Last year when he was Chancellor of the Exchequer Gordon Brown outlined his annual budget speech with these words - "Britain's growth will continue into its 60th and 61st quarter and beyond ...Inflation has fallen from 3% to 2.8%, and will fall further this year to 2%

...Looking ahead to 2008 and 2009 inflation will also be on target. And we will never return to the old boom and burst." (quoted in *Time*, 13 October) He was warmly applauded by the Labour benches and praised by the press for his sagacity and prudence. What a difference a year makes. Inflation stands at about 4.7 percent, banks mortgage lenders have been taken over on the verge of bankruptcy and a deep economic recession looks likely. Capitalism is an anarchic, uncontrollable system. Boom and burst are the very foundation of capitalism. No doubt a future Conservative Chancellor of the Exchequer will in turn pretend that he can control this mad profit system. Capitalism makes fools of the politicians who claim to be able to control it.

ANOTHER REFORM OF CAPITALISM?

When socialists see workers cram into buses and underground trains on their way to work, we often remark that if cattle were crammed into transport like that on their way to the slaughterhouse there would be a public outcry



A prod in the right direction?

by Animal Rights groups. Workers are often treated worse than animals but this latest outburst against the working class takes a bit of beating. "An Australian politician has

used his first speech to parliament to call for unemployed idlers to be stung with a cattle prod to get them to work. John Williams, a former truck driver, shearer, farmer and small business owner who only took his place in the Senate on July 1, said he had seen many people living on employment benefits who were 'determined not to work'. 'They are simply getting a free ride on behalf of tax payers of Australia and it is about time they received a touch on the backside with a cattle prod to get them off their butts and actually do some work,' he said." (Yahoo News, 16 September) To use his fellow Australians use of the language - what a bahstard!

CAPITALIST PRIORITIES

We live in a society where millions try to survive on a \$1.25 a day, where children die for the lack of clean water and yet this society spends billions of dollars trying to find more efficient ways to kill people. The priorities of socialism would be to feed, clothe and shelter its citizens but capitalism has other priorities. "Top U.S. Army officials on Monday said a \$160 billion Future Combat Systems modernization program managed by Boeing Co and SAIC Inc was 'on budget, on track,' but could see changes over time. Army Chief of Staff Gen. George Casey said the Army was going through a detailed review of 14 separate weapon systems included in the program to ensure that the technologies involved were on schedule. 'We're committed

Free Lunch in the Future

