

Is there not an alternative?

Michael Barratt Brown

Michael Barratt Brown is the founding principal of Northern College. His many books include Young Person's Guide to the Global Crisis and the Alternative (Spokesman).

To discover an alternative to the economic mess we are in, it is necessary first to consider the nature of the mess. This is just what Stephen Armstrong does in his book *The Super-rich Shall Inherit the Earth*, showing the way the new global oligarchs are taking over our world, that is in both developed and developing countries, and creating a vast gap between the super-rich owners and controllers of capital and the rest of us mere consumers driven deeper and deeper into debt. He starts with the so-called BRIC countries – Brazil, Russia, India and China. The obscene wealth of the Russian oligarchs is well known, but what is less well understood is the extent of support from the state, which has, not only in Russia but also in the other BRICs, made their super-riches possible. Armstrong avers that most of the Russian cabinet have seats on the boards of private corporations. The oligarchs, he maintains, are ‘coming out of the recession well placed to act – a supportive state, better internal co-operation, and Western banks eager to help’.

The BRIC countries

It may seem surprising, perhaps, that London is where the super-rich from all over the world choose to live, until one realises what advantage the British tax system gives them. What is true of Russia is shown by Armstrong to be equally true of India, where, he quotes a former Indian senior civil servant writing that

‘... a nexus has been established between a section of industrialists, a section of politicians and a section of bureaucrats. The principle of market forces guiding or

dictating investments or of production targets being determined by demand and supply was given the go-by and everything was decided by administrative fiat.’

The best known Indian oligarch in the West, the world steel king Lakshmi Mittal, is said in India

‘to be nothing. He is not one of the big five families – the families like Birla who bankrolled independence ... you know how they made it; they kidnapped one of their main rivals.’

What about China? According to an experienced ‘Chinese hand’, quoted by Armstrong,

‘the country is effectively run by some 100 to 200 families, who see the state’s assets as their personal fiefdoms. They operate above the law – they’re effectively untouchable ... their sons and daughters are the Princelings, the children of senior Party officials.’

‘So deeply interwoven are the Princelings and the super-rich,’ Armstrong concludes, ‘that holding out against a rapacious Chinese take-over can bring the full force of the state down on your head’.

And Brazil? ‘Brazilian international expansion may not be treated with the same reverence as that of the three other BRIC countries, but it is beginning to become noticed,’ says Armstrong. ‘When it comes to Brazil’s super-rich,’ one oil man is quoted by Armstrong as commenting, ‘the private sector effectively runs its own state’.

The super-rich in the developing world are not limited to the BRIC countries. They are well represented also in Africa, the poorest of all the continents, but having the widest gap between the few rich and the masses of poor. John Christensen, in his contribution to the *New Internationalist* collection, *People First Economics*, quotes the World Bank estimate that some \$500 to \$800 billions flow each year from poor countries to the rich, arising from criminal activities, corruption and tax evasion. This is five to eight times what was provided in aid to the poor by the rich. President Abacha of Nigeria had a personal fortune estimated at \$5 billion to \$8 billion salted away in the West, much of it in Switzerland. The Nigerian Education Minister suggested that the Swiss should top the list of the most corrupt nations for harbouring this loot. In my own book on Africa’s trade, *Short Changed*, I cite the huge inequities of corporate transfer pricing and make the point that, in the much quoted examples of African corruption, one should look for the corruptor as well as the corrupted.

The US and UK Crises

John Plender, writing in the *Financial Times*, is quoted by Armstrong claiming that

‘The financial élites in Washington and London more closely resemble the corrupt élites of Third World countries – with the main difference being that in the US the corruption is conducted in plain view while in the UK it is still hidden and furtive.’

The *New York Magazine* journalist, Joe Hagan, is quoted by Armstrong, writing of the fatal credit crunch weekend of 12th-13th September 2008, that he saw America’s top bankers – from JP Morgan, Merrill Lynch, Citigroup, Credit Suisse, Morgan Stanley and Goldman Sachs – being driven into the basement of the Federal Reserve Bank. Other commentators have since asserted that US politicians do what the bankers want because they rely on them for their Parties’ finances. Even Barack Obama, they say, ‘dances to Goldman Sachs’ tune’. Timothy Geithner, Obama’s Treasury Secretary, and Larry Summers, from the Bush administration, are strong believers in Goldman Sachs bankers.

MIT professor Simon Johnson has expressed his fears over a US financial oligarchy – and the depths of Goldman’s links with the heart of the US Government may seem thousands of miles away to the British – but Armstrong suggests that there is no reason to feel smug. In November 2009, the *Daily Mirror* listed the super-rich backers of the Conservative Party: including billionaire broker Michael Spencer, hedge fund magnates Stanley Fink and Michael Hintze. Next boss Simon Walker and textile heir Andrew Feldman donated over £3 million between them. Even more famously, the ‘non-dom’ Party Chairman, Lord Ashcroft, handed over £1.8 million, and pointed out that the cut in inheritance tax would be especially beneficial to the then ‘18 millionaire members of the shadow cabinet’.

It is an important fact of world finance, and the place of the super-rich in it, that most of the world’s tax havens, where the rich can establish themselves to avoid paying taxes, are in British dependencies – Bermuda, Jersey, Cayman islands and Virgin islands. As one cynical, super-rich lady commented, ‘only the little people pay taxes’. Rupert Murdoch is said to pay no taxes on his vast income. ‘The problem’, as Philip Augar, a former equities broker, told a conference at the London School of Economics in 2003, ‘is that the influence of the City, the wealthy and business leaders reaches deep into the heart of pretty well every government’. The New Labour government cannot be excluded. Gordon Brown’s leadership

campaign was funded by private equity which, perhaps as a result, is exempt from normal company taxation.

Growing inequality everywhere

In 1986, according to the business magazine *Forbes*, there were 140 billionaires in the world. By 2008 the number reached 1,125, but dropped to 793 in 2009. Incomes everywhere grew between 1976 and 2006, but, according to Princeton Professor Raghuram Rajan, who was the International Monetary Fund's chief economist, more than half the growth went to 1 per cent of households in the US, making the country as unequal as it was before the Wall Street crash of 1929. Similarly, in the United Kingdom over the same period, according to the British analyst, Stewart Lansley, the top 10 per cent of earners saw their earnings rise 100 per cent, while those at the bottom rose by only 27 per cent. Such increasing inequalities are not only immoral; they are disastrous in their effect on the whole economy. Wilkinson and Pickett, in their book *The Spirit Level*, showed that in relation to a whole range of issues – mental and physical health, obesity, child pregnancy, longevity, crime and educational performance – more equal societies do better than the less equal. Their conclusions are reproduced in their chapter in the *New Internationalist* collection.

The effects of growing inequality are more serious even than that. Just as in the 1930s, increasing inequality can be shown to be the direct cause of the slump. This was the conclusion of J.K. Galbraith in his book *The Great Crash 1929*, which I referred to in my own 1999 study of *The Global Crisis* in arguing that increasing inequality was the major threat to the present economy. Raghuram Rajan was one of very few leading economists who foretold the coming of the 2008 crash, and accepts, with David Blanchflower, writing now in the *New Statesman*, that a double dip recession is the inevitable result to follow from the Coalition Government's proposed cuts in public spending and from the rehabilitation of the bankers. It was widely reported, in 2009, that Lord Mandelson had holidayed with Lord Rothschild on his Greek island, but less publicity was given to the fact that George Osborne, the new Tory Chancellor, was there too.

Tory policy, which combines cutting public spending and leaving the banks to replenish their assets, not only ensures a deepening of the recession, but its repetition in another decade or so. The clear insight of Keynes' analysis, that there was no natural level of full employment, to which economies will return, has been forgotten. Private capital investment in production depends on rising demand for goods. Even

lowering rates of interest will not ensure new investment if there is not the demand in the economy for goods. Governments have to step in with public spending, best of all in capital projects, if economies are to be dug out of recession. Building pyramids would do, or arms orders, as in the 1930s, so long as men and women are set to work and start buying more goods. And this is just what is not happening under the current Coalition policies of public spending cuts. Rather the reverse.

Alternatives within a capitalist framework

It is a surprising fact, noted by Harry Shutt in his book *Beyond the Profits System*, that not one of the mainstream economists today is recommending the fundamental changes in the capitalist profit system, which were being considered in the last similar crisis in the 1930s. That is because of the subsequent failure of the Soviet system to achieve the alternative, better world that was promised in the 1930s. There is now a widespread belief among economists that ‘sooner or later recovery will occur and the capitalist system – based on the pursuit of private profit maximisation – will be restored to health’. As recently as August 2010, John Redwood was claiming this in a BBC Newsnight television programme. But this really beggars belief, and runs contrary to all the lessons taught by Keynes in the 1930s. The decline in fixed capital investment in face of falling consumer demand, despite a previously unheard of rise in consumer debt and minimal interest rates, has led to the folly of increased speculation in a deregulated market. And not only to folly, but also to the criminality of much financial manipulation.

It is unfortunate for Kevin Doogan’s *New Capitalism?* that the book was completed well before the economic crisis of 2007-8. There is only a brief preface, dated October 2008, which takes this into account, and his statistical tables end with 2002. For, while Doogan is critical of the free market trends of the previous three decades, and favours a return to a more regulated system, the purpose of the book is to demonstrate that it is not capitalism *per se*, in its latest globalised form, that is at fault, but the ideology of neo-liberalism. The major part of Doogan’s study concerns the labour market. His statistical series between the 1980s and early 1990s do not show an increasingly precarious condition for labour, following rapid technological and demographic change and the globalising of the labour force as cheap labour from China and elsewhere has been introduced. This is supposedly the ‘new capitalism’ which gives the book its title and the question mark. Add another few years to the statistical tables, and the picture is much less hopeful. A minor point, perhaps, for any one deciding

to read Doogan's book – they should be warned that, although it is said to be aimed at 'upper level' students, the sentence construction and length of words – such as 'exogenistical', 'transformationality', 'autonomisation' – are likely to put many readers off.

More importantly, even some of the writers with a much more critical stance than that of Kevin Doogan, those represented in the *New Internationalist* collection, see some possibility of recovery through greater financial regulation on an international scale, the taxing of bank profits, the reduction of bank size and the outlawing of tax havens, even a carbon tax and encouragement of private investment in 'green' energy, not to mention measures to support women, indigenous peoples and other marginalised consumers. Ann Pettifor of the New Economics Foundation makes not only her regular denunciation of the burden of debt hanging over developing countries, but also promotes the merits of the New Green Deal, which provides an alliance between the labour movement and the green movement. Most of the writers in this collection, however, and both Harry Shutt in his *Beyond the Profits System* and John Holloway in *Crack Capitalism*, go beyond mere regulation and amelioration to envisage a radical revolution in thought and practice that would end the determination of economic activity by the return to capital

Many of the authors under review see possible alternative directions and uses for economic growth, even within the capitalist framework – house insulation, wind turbines, heat and power systems, solar energy and other green measures. Several of the *New Internationalist* writers argue for such a switch, and there is no doubt that this would be possible even under capitalism. It does not appear, however, from what we can see of Tory Coalition policies in the United Kingdom, or even of the Obama Presidency proposals in the US, that this will happen. Coalition policies in the UK, as revealed in *The Guardian* newspaper of 14 August 2010, suggest the destruction of even those quite limited green measures that have been introduced by previous administrations up until now.

Alternatives beyond capitalism

Those who look beyond the limits of capitalism draw much encouragement for radical change from the evident collapse of the system in 2007-8 and subsequent failure of any signs of long-term recovery. This should be the moment for revolutionary change, they say. There are many suggestions in the *New Internationalist* collection. David Ransome, the *New Internationalist* editor, recalls that the G20 summit in London, on 2 April 2009, was met on the previous weekend by a demonstration of some

160 movements in Britain across the social and environmental divides, as well as by some direct action cracked down upon by the police leading to one death. This very large number of movements represented reveals one problem for revolution. Despite various attempts, there is no single unifying organisation or party of revolt in each nation state, let alone internationally. Similar protests have been recorded in other nation states. The nation state, as Ransome points out, remains the only institution with the necessary tax raising powers to take action, as was shown in the recent bail-outs. But it is combined international action that is required, and this is not even being supplied by capitalist governments, let alone by revolutionary movements.

All the alternatives that go beyond capitalism require some agency of change, and it is hard to see where that might come from. The strongest movements are the labour and green movements and the feminists, but movements for radical change are hard to organise and to keep going in times of crisis and unemployment. Most people are struggling then to keep their jobs, often in competition with fellow workers and with workers from other countries. Solidarity is hard to sustain in such conditions, and the special needs of women and excluded groups take second place. Strikes and labour unrest, protest marches and parades and other demonstrations of dissent, even mutinies, go so far, but require some leading force or uniting interest to take them into revolutionary activity.

Noam Chomsky, in his *New Internationalist* essay, sees hope for radical change coming from Latin America. Evo Morales, President of Bolivia since 2006, lays down a 'Ten Point Plan to save the world, life and humanity', which he presented to the UN. The points were principally directed to the problems raised by climate change, but they include an emotional appeal for unity in diversity, between white, brown, black and red, and much emphasis on the need for change to come from the bottom up rather than from the top down. This is in effect the central message of all the *New Internationalist* contributors, as well as that of Paul Shutt and John Holloway. The implications of this approach need to be examined closely.

When Harry Shutt comes half way through his book to propose a 'new model', he subtitles it 'ending the tyranny of production'. In this he includes the ending of the aim of what is called 'economic growth', which supposedly justifies the incentive of capitalist profit making. Economic growth has been shown to have grossly unequal results in income distribution and to be destroying the planet. Shutt's alternative model, like those of some of the other writers reviewed here, involves the development

of social ownership and wide community partnership in decision making. The idea of expanding the commons is developed by Nicola Bullard and Derek Wall in the *New Internationalist* collection, just beginning with town planning, to provide for common space instead of private gardens, as Adiya Chakraborty has been proposing in his 'Brain Food' articles in *The Guardian*.

The question to be answered by all those who favour common ownership and popular control of the earth's resources and of human labour is where to begin. Co-operatives in both distribution and production get a brief mention, including the Co-operative Societies and the John Lewis Partnership in the UK, and *stadtwerke* in Germany, and the mutual savings institutions such as the UK's Nationwide Building Society. But these are comparative small fry in an ocean of big fish.

John Holloway, in his *Crack Capitalism*, starts from a fundamental critique of the way we live our lives. His thesis is that, however much we may hate the system, we create it all the time by allowing ourselves, albeit unwillingly, to be used as 'alienated' labour. He takes the term from Marx's analysis of capitalist production, in which labour is divided into useful or concrete labour and abstract or alienated labour, which the capitalist employs. Holloway develops the division to distinguish our doing things as a self-conscious satisfying activity and labouring in a way that alienates us from what we do.

A New Way of Living

How, then, can we move beyond alienation? Most of the *New Internationalist* writers make lists of what to do, but most of them are, in effect, negative – to stop doing what we are doing. George Monbiot has one really interesting positive suggestion, based on a number of experiments in different parts of the world, described by Bernard Leitaer in his book *The Future of Money*. All these experiments involved the use of an alternative money to that created as a monopoly by the central banks and then manipulated by the giant banking corporations. The most successful alternative currency systems include 'demurrage', that is a fee for keeping the money. In one such system the bank note has twelve spaces on it where you put a stamp each month to keep the note valid. After a year the note is withdrawn from circulation. As it becomes less valuable the longer you hold on to it, this encourages you to invest rather than hoard. Our obsession with money would be greatly reduced. Any scrip would do so long as it was widely trusted, and no organisation, public or private, could exercise monopoly.

Holloway suggests that there are cracks in capitalism to be exploited.

This is the meaning of the book's title. It is not purely hortatory but descriptive. Revolutionary activity consists in finding the cracks and seeking to open them up to enable us to develop more and more useful doing. In arguing for his thesis, Holloway rejects the idea of socialism as an alternative imposed by replacing the power of the owners of capital by the power of organised workers. That was the great error of Soviet planned economy. He is looking for a different way of living, with different social relations spreading from below up and not imposed from the top down. It will begin in the cracks in capitalism, where we can all find satisfying things to do with our neighbours and friends – community gardens, alternative radio stations, patient managed health centres, parent run schools, pensioner organised old people's homes.

Some of this sounds surprisingly like Mr Cameron's 'Big Society'. The main difference must lie in the possible sources of finance. Mr Cameron will certainly retain control of the funding, but Holloway's whole aim is to 'break the walls that close us', and that would start with the Treasury as well as with 'tyrant capital', as Holloway calls it. A fatal weakness in his book, however, is that Holloway never says anything about taxation and finance. Local taxation has lost its credibility as a result of local government corruption and the demands on the state in a globalised world economy. Suggestions that we should all be free to use our own money privately, just as we will, must suffer from the enormously unequal distribution of wealth. Some have proposed a state grant of a certain sum at birth for every child, to be invested securely and only redeemable after some twenty years. But such an invention of infant capitalists would hardly recommend itself to those trying, precisely, to free us from the capitalist system. We have to end this review of the economic alternatives with the sad conclusion that no one has yet come up with a complete answer, and we may have to concentrate on making the existing system more acceptable and on working away at our own several cracks in the system, to move towards a fairer and more sustainable world.

References

- Stephen Armstrong, *The Super-rich Shall Inherit the Earth*, Constable, 256 pages, paperback ISBN 9781849010412, £8.99
- David Ransome & Vanessa Baird, *People First Economics*, New Internationalist, 208 Pages, paperback ISBN 9781906523237, £9.99
- Richard Wilkinson & Kate Pickert, *The Spirit Level: Why More Equal Societies Almost Always Do Better*, Penguin, 368 pages, paperback ISBN 9780141032368, £9.99

- Raghuram Rajan, *Fault Lines: How Hidden Fractures Still Threaten the World Economy*, 272 pages. Princeton University Press, hardback ISBN 9780691146836, £18.95
- J.K.Galbraith, *The Great Crash 1929*, Penguin, 240 pages, ISBN 9780141038254 (new edition), £9.99
- Michael Barratt Brown, *Young Persons' Guide to the Global Crisis and the Alternative*, 128 Pages, Spokesman, paperback ISBN 9780851246208, £9
- Kevin Doogan, *New Capitalism? The Transformation of Work*, Polity Press, 240 pages, paperback ISBN 9780745633251, £16.99
- Harry Shutt, *Beyond the Profits System: Possibilities for a Post-Capitalist Era*, Zed Books, 144 pages, ISBN 9781848134171, £12.99
- John Holloway, *Crack Capitalism*, Pluto Press, 272 pages, paperback ISBN 9780745330082, £17.99

Ken Coates – A subscriber writes

I never met Ken Coates, but I feel I knew him quite well. From the first, I was impressed by *The Spokesman* itself; always readable, even entertaining, and always informative (and there are not many 'political' publications about which that can be said). I was impressed, as I still am, by the high quality of the writing of its contributors and, of course, one of the best was Ken himself. His articles and editorials were masterpieces of clear, concise prose. They were hard-hitting as he expressed his anger and outrage at the injustices and cruelties of the world and what might be done about them. But he never 'preached' at you or lost his 'cool'. Rather, he seduced you round to his way of thinking – controlled anger is often far more effective than an ear-bashing, self righteous blast of rage. He is up there with the greats, alongside his friend, Kurt Vonnegut, George Orwell and Noam Chomsky.

There is a personal side to all this, of course. I once wrote to *The Spokesman* and was surprised to get a letter from the Editor, a real letter rather than a standardised one. I replied to Ken's reply, and was even more surprised when he replied to that. So began a reasonably regular correspondence. We discussed the problems of the world, but not just that. He showed interest in me, and told me a little about himself. His letters were witty, warm, generous, and full of humanity. I used to ask myself, 'How does he do it? Here is a man who mixes with the good and the great, who has many commitments, and he still finds time to write to me'.

I shall miss his letters and sending mine off to him.

Nigel Potter
Honduras