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The case for a 'velvet revolution'

David Shayler interview

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Contents

The terminal crisis of capitalist democracy

Few would now dispute there is a crisis of capitalist representative democracy. Social scientists in Britain and the United States regularly chart the indicators, including: voter apathy, fall in party membership, plummeting levels of trust in politicians, disbelief in the effectiveness of government, inability to spot the difference between major parties, the election of maverick, populist or far-right politicians.

In Britain, the highly-regarded Joseph Rowntree Trust has set up the Power Inquiry (www.powerinquiry.org) chaired by Labour peer, Helena Kennedy QC. The inquiry says it "aims to understand why the decline in popular participation and involvement in formal politics has occurred and to provide concrete and innovative proposals to reverse the trend".

A conclusion few want to draw, however, is the distinct possibility that these observable trends are not actually reversible and that the crisis for our present form of democracy – but not democracy itself – is actually **terminal**. That is one of the key arguments in our new book, *A World to Win – a rough guide to a future without global capitalism*. We also suggest, however, that new **forms** of democracy that take us beyond our present restrictive institutions are not only viable but necessary. There is no reason, after all, why the existing democratic framework should be the end of history.

Shortly after the collapse of the Soviet Union, Francis Fukuyama's *The End of History and the Last Man* concluded that modern history had demonstrated that parliamentary democracy was the only viable system for the modern world. His Hegelian reasoning seemed attractive to many in the aftermath of the closure of the Cold War and the apparent triumph of Western-style capitalist democracy.

Ten years after Fukuyama's book, a Gallup International poll unveiled in November 2002, at the World Economic Forum in Davos, showed a massive swing towards distrust of corporations, governments, politicians

and democratic institutions. The poll, commissioned by global business leaders, interviewed 15,000 people in 15 countries and found that 48% expressed "little or no trust" in global companies. Some 52% expressed similar scepticism about "large national businesses".

The poll concluded: "Trust has been eroded far beyond the corporate sector. Two-thirds of those surveyed were of the opinion that their country was not 'governed by the will of the people'. Additional opinion polls coupled with declining voter turnout – particularly among the young – point to an increasing disenchantment with politicians and political institutions. The current breakdown of trust also reflects an uncertainty about contemporary values."

Gallup's findings touch on the real content of the causes of crisis for democracy, which financiers like George Soros acknowledge. In his *Open Society: reforming global capitalism* (Public Affairs 2000) Soros wrote: "Perhaps the greatest threat to freedom and democracy in the world today comes from the formation of unholy alliances between government and business... The outward appearances of the democratic processes are preserved, but the powers of the state are diverted to private interests."

The evolution of institutionalised representative democracy is bound up intimately with the development of capitalism in the 19th century. A modern state emerged to take on functions that business was unable to provide, such as public health, education, housing and, of course, empire building and fighting wars. It is not an accident that the British empire's expansion from 1860 coincided with the effective nationalisation of the East India Company. This imperialist period of history based on powerful and competing nation states is, of course, no more. And herein lies the source of the crisis of the current democracy.

Corporate-driven globalisation, with flows of capital, finance and trade transcending national borders, is producing a new form of state under capitalism – a market state. Decision-making has receded to remote regional and global forums like the World Trade Organisation. Nation-state governments have less and less influence over the shape of the economy within their borders. Whereas the welfare or consensual state that emerged after World War II tried to balance competing economic and class interests as best it could, the market state has other imperatives. The diversion of the powers of the state to what Soros calls "private interests" is illustrated by the Public Finance Initiative (PFI) in the UK.

This is championed by the capitalist New Labour government as a way of making public money "go further". In essence, it is a way of

guaranteeing the private sector vast profits from state funds. In London, for example, the part-privatised Underground system netted the track owners £100m in profits last year for a service that continues to deteriorate. Hospitals are now beginning to close whole wards because patients are being sent to private treatment centres. A study funded and published in 2004 by the Association of Chartered and Certified Accountants found that PFI companies made very high margins on the funds they received from public bodies: 68% in the case of roads and 43% in the case of hospitals. Their effective tax payable on profits was only 8%. The study found that the extra cost of PFI companies ate up 26% of the increase in public funding going into hospitals. Jean Shaoul, Professor of Public Accountability, Manchester Business School, and one of the report's authors, said in a letter to the *Financial Times* (December 3, 2004): "Far from levering money into the public sector, increasing efficiency or transferring risk to the private sector, PFI has redistributed public monies, not from the rich to the poor, but from the public at large to the banks and corporations."

The merging of the functions of the state more directly with business is not restricted to Britain, of course. In the United States, much of the war in Iraq is contracted out. Today well over 20,000 civilian contractors support US forces in Iraq. The privatisation of the armed forces has created on some estimates a $100 billion industry (*Corporate Warriors: the rise of the privatised military industry*, Peter Singer, Cornell University Press 2003). The interests of oil and other global corporations were powerfully represented in the first Bush Jnr administration. No wonder corporate sponsors paid over $40 million on parades, parties and pyrotechnics associated with the recent Bush re-inauguration! There is no attempt to hide the agenda, either. The business of government is business itself. At the same time, the state increasingly withdraws from areas like pensions, social security and healthcare, in favour of market-led "solutions". No wonder representative democracy is in such a parlous state, with the electorate more and more sceptical about the weight and quality of their vote.

The form and content of representative democracy have diverged to such an extent that the social system as a whole is under great strain. Some globalisation analysts like David Held argue passionately that new global governance arrangements are essential if democratic participation is to have meaning in the modern age. That approach presupposes that the economic system is rational and capable of reform. But the evidence

points in the opposite direction, towards a new world disorder. Governments and corporations are locked into dynamic yet unstable production and consumption cycles, causing irreversible ecological damage along the way. Calling a halt to the madness is simply not an option for the transnationals, the WTO or leaders in Washington and London.

Democracy is not synonymous with capitalism nor does it depend on it. Democratic demands precede capitalism by many centuries. The right to vote was, after all, one of the issues in the internal struggle in Cromwell's New Model Army, as well as the rallying call of the American and French revolutions of the late 18th century. Today, the representative democracy countless millions fought so hard to establish over the generations is increasingly an empty shell. The challenge, as we see it, is to acknowledge that parliamentary democracy is an historical stepping stone on the road to deeper and more meaningful systems of representation and participation. Transformed by the march of global capitalism, the state is unable and unwilling to uphold or sustain the democratic forms that have allowed it to rule over the majority for this long period. The state has lost much of its legitimacy and increasingly resorts to authoritarian methods while declining to meet social needs. The spurious "war on terror" is designed at least as much to re-establish state authority as it is to deal with a largely self-created threat.

Ordinary people want to shape their own lives and destinies. Far from abandoning democracy, their aspirations go beyond what is on offer today. Some are building digital communities while others flock to join environmental organisations. Millions marched against the Iraq war and just as many gave money when the tsunami struck Asia. *A World to Win* proposes a twin-track approach to **extending democracy**. First, we favour the democratisation of ownership of the corporations and the creation of self-managed units working together with consumers on a not-for-profit basis.

Then we propose national and international systems of government built from the bottom up in contrast to today's hierarchical regimes. New national, regional and local bodies would have executive as well as deliberative powers over major issues such as health, housing, education and overall economic objectives. Delegates to local, regional and national bodies would reflect the diversity in our communities with distinct voices, for example, for women, minority ethnic communities, older people, young people, workplaces, students and small businesses. All delegates

would be subject to recall while information and communication technology would be available free to every household to encourage and stimulate mass involvement in the new democratic process. There would be full information on proposed decisions and extensive consultation with voters *before* decisions are taken at any level.

Centuries of struggle have given us representation without power. The next stage has to be the creation of popular economic and political power with representation. This approach to change is made in the revolutionary spirit that brought modern democracy into being. We don't have to reinvent democracy - just deconstruct the economic and political framework that is threatening its very survival. In the coming general election we urge readers not to waste their vote on New Labour, which is the British-based management team for the global corporations. Instead, we should work on convincing working people of the case for our very own velvet revolution that transfers power out of the hands of the ruling economic and political élites into the hands of the masses.

PAUL FELDMAN, EDITOR

David Shayler, the ex-MI5 whistleblower, was jailed for revealing the illegal plot to assassinate the Libyan leader, Colonel Gaddafi. Before his trial in 2002, his lawyers were told that they would not be allowed to argue that what Shayler did was in the public interest. He also had to tell the prosecution in advance what arguments he would use in his defence and how his lawyers would cross-examine witnesses! From that moment, the outcome was a foregone conclusion. Now Shayler, who was active in the anti-war movement against the invasion of Iraq, is pursuing his claim for justice in the European courts. He talks to *Socialist Future Review* about his fears and hopes for democracy.

The case for a 'velvet revolution'

How do you estimate the state of democratic rights in Britain today?

It's a moot point whether Britain has ever been a democracy. We have never had a revolution to remove the people in charge. So we have pretended to have a democracy. The conflicts in this country have been between the monarchy and the aristocracy or the monarchy and parliament. The role of the prime minister has always been to represent the monarch's interest through parliament. We live under a concept called parliamentary democracy which means that parliament is sovereign but it also means parliament can legislate against the rights of the people. We've seen this time and time again. For example, take the Official Secrets Act passed in 1989. We had case law saying there was a public interest defence to the 1911 Official Secrets Act. But parliament was able to take away those rights because that's the way our system works.

The Human Rights Act is more window dressing – it doesn't really address that issue at all. We don't have a written constitution, we don't have a separation of powers. If you look at any objective assessment, then

we're not a democracy. Even on the most basic issue of democracy, the free vote in a secret ballot to elect your representatives, there is no reflection of democratic will. For example, the support New Labour got at the last election works out at about 40% of those who voted and yet Blair gets 60% of the seats in the House of Commons. So in terms of representative democracy we are not a fair or equal country. We are moving in the wrong direction. We have people in prison without trial and we are now in the bizarre position where the highest court in the land has declared that incarceration to be illegal. We are less democratic as a country than we've ever been and there are fewer and fewer rights that we enjoy over the state and our employers.

In the 19th century, there was a certain amount of republicanism in Britain. There was discussion in parliament but recent years have seen a movement of power away from parliament towards more autocratic rule. There is a parallel with Rome and the transition to empire, which resulted in decadence and corruption. This development is inevitable in any kind of society unless you have very strict rules about democracy and identify the issues that are likely to undermine democracy in the long term.

Some suggest that the increased power of the corporations over governments has tipped the balance even further towards the ruling élites and establishment circles?

Absolutely. I come from the north-east of England, from Middlesbrough, a town that did not exist before the industrial revolution. We now have the party of the man who is supposed to be representing constituents next door in Sedgefield [Blair], taking money from Lakshmi Mittal, the foreign steel magnate, at the expense of local jobs. That to me is the ultimate corruption. We have big business buying our rulers at the expense of the people, their jobs and their rights basically. It's going to get worse. I really do believe it's come to a time when we should actually pass laws saying that it should be illegal for firms and companies to make any kind of political donations whatsoever.

The government says the issue is not about democracy any more but about preserving 'our way of life' through the so-called war on terror. What do you think of this?

The threat from terrorism is real but exaggerated. How many in the West die from terrorism on average each year? Very few - it's about 500 or even lower. Compared to the number of people who die from car crashes it's

tiny. We should get it into perspective. There's never been an Al-Qaeda attack in this country so why do they need to opt out of the European convention on human rights to put people into prison without trial? I find it absolutely absurd that leaders can say we are engaging in this war on terror in defence of freedom when as part of that war they are compromising those very freedoms. It doesn't make sense. That's why I c ar to stand against Tony Blair in the election. At least with George Bush the American people had a chance to reject him. We can't reject Blair. We need to get rid of New Labour but the alternative is only something more right wing. I want to go to the people of Sedgefield and say "look, the feeling in the country is that we no longer trust this man. You are in a unique position. You can get rid of him".

So, in your view it's about remaking the state if we are to have a better democracy. Is that what you think ought to happen?

The answer is about going back to the basics of democracy. We need to start with the idea of a written constitution as a contract between the people and the state, which gives us rights as people living together. If you cast your mind back to when people lived in small communities, before we had giant cities, I would imagine people had much the same principles. There's got to be a social movement. Look at the last general election, where 41% of the people did not vote. We need to reject what's going on and make it clear that it is unacceptable. People can now communicate through the Internet in a way that they could never do before. That works in our favour. When the media and politicians use these systems, they use it to put out spin and anodyne messages. But people are becoming increasingly sceptical about all this. We have to have a mass movement that appeals to them and all other people who are disillusioned. The trouble is that the instruments of change – parliament and the media – are controlled by that very same big business. So it's a question of what do you do. We've almost come to the point where we need a kind of velvet revolution.

McKenzie Wark's *The Hacker Manifesto* argues that a new category of skilled workers, those employed in digital industries, are key to the future direction of society beyond global capitalism. He talked to *Socialist Future Review* about the ideas in his new book.

Breaching the limits of private property

Why have you redefined the word "hacker" to embrace a whole new category of labour?

There are already two kinds of productive classes in the world. First there is the agricultural class, which arises from the transformation of peasants into a farmer class which doesn't own land and has to pay rent. The biggest struggle going on in the world is over land, and this affects millions of people around the world. The second class is industrial labour. Why not a third?

Rather than talking about "late capitalism" or "information capitalism", maybe there is a bit of mutation in the *form* that the commodity economy is taking. What is central to that is producing information as a new category of labour. Can we extend and redeploy thinking about class and commodification to this new world? And my central category was *hacker*. Let's take a key form of labour in our time which is programming and see if we can view the production of information on that model. It doesn't matter if you are a musician, an author, a scientist. These are all forms of labour which produce information or intellectual property. We have a common interest as people who produce information but we don't own the means, but have to sell it to those who do. This is not to say that the farmers or workers disappear. Their struggle is central to the struggle over globalisation. But there is a third form of the commodity economy and we need to understand how that affects the whole struggle over production.

Is what you call the "vectoralist class" the opposite to the hacker class?
We treat capitalism as an ahistorical category now, as though it's always been there and always will be. But maybe we are in a new, third stage, and it's got some new rules. Maybe there is a new ruling class and it's not based on extracting rent from land or profit from owning many factories. It's based on the enclosure of information within private property. It's got different interests to the manufacturing-based ruling class.

Your manifesto sees "virtuality" as the realm of possibility and freedom. You end the book with the words: "There are other worlds and they are this one."
I stole that quote from Paul Eluard, the Surrealist poet. One strand I see is the historical avant-garde from the Dadaists through the Surrealists, to the Situationists, and further along that line. We were told in the 1980s that the avant-garde was dead and that art and creativity is not political any more. But I know there are people who continue on in that trajectory. Some people argue, "Well, books and theory are all very well, but what is the practice going to be?" My argument is that it is already going on!

We can understand tools, forms of software, computer applications as forms of culture. And what are the cultures by which we can share information in a living way? My experience of the labour movement has been, amongst other things, that it means democratising education and the ability of people to learn and to think for themselves. We need to reinvent that tradition, using new tools, new languages, new practices.

You speak about the "velvet revolutions" of 1989 as having a revolutionary side rather than signifying the triumph of capitalism as they are usually portrayed.
First of all, spontaneous popular movements are always to be embraced. They will always confront our understandings about what the people ought to do. They will always have their own idea about they should do. The other point is that there were two historical movements going on at that time. One was the collapse of the Warsaw Pact countries, which were the front line of the Soviet empire. At the same time as there was the popular uprising in Poland and Hungary, it was also going in South Korea and Taiwan. We have to look at those two phenomena together as a dual unravelling. They both expressed a desire for the democratisation of political life. The results may seem somewhat mundane in both cases, but there is this moment as an ongoing link in the chain of popular uprisings.

Your investigation of the abstraction process picks up from Marx's writings. You tackle quite tough concepts like that in your manifesto. You say that globalisation and the division of labour have produced a relentless "abstraction" – and a class in a process of becoming.

I got the idea of abstraction from Marx of course, and from George Lukacs' *History and Class Consciousness*. The thread might be that Marx's method is to look for where abstraction is at work in the world – and to see commodification as abstraction at work in the world. One doesn't just invent categories for convenience, unlike sociology which just invents categories and argues about them. What is much more interesting is that categories are actually imposed on the world, and that this is probably irreversible. There is a tendency to more and more abstraction and it might have stages and my argument is that we might be in a third one. Following some of the other historians of the commodity economy, I see the first stage as being agriculture, the enclosure of land, where land becomes an abstract property, where all that matters is its price. The second stage is something fungible and transformable – the notion of capital. The third stage is information – even more abstract, the enclosure of intellectual property. The newest and most viral phase of the abstraction of the commodity – the point where private property starts to reach its limit – this is the relatively novel argument in my book.

Information really does want to be free – as the famous phrase has it. It really does want to escape from scarcity. If I make a copy of my book on a CD and give it to you it really doesn't dispossess me of it. Your possession of it doesn't dispossess me of it. Whereas if I give you this macaroon cookie, I really no longer have it as there is a problem of scarcity in the material economy. But there isn't with information. It suddenly starts to escape and hits the enormous punitive legal structure being brought to bear at the moment to try and shove information back into this box. This is utterly contrary to the trajectory in which history wants to go. When I say "information", I mean it as a *social relation*, not as some abstract technical thing, as bits. Then we start to see the commodity economy really as a fetter on where history can go.

It's important to get that optimistic sense back into progressive politics. There is obviously a time and a place for resisting, but I don't think that resistance is all that attractive as a goal. I think we need a kind of vision that history could be something more than what the commodity economy makes available. It is one version of a kind of radical romanticism, but not

one that is hostile to technology or backward looking. As I read Marx, he sees modernity as a one-way ticket. There isn't any going back. We need to go forward, but there is a light at the end of the tunnel.

If today's economic reality – private ownership – has reached a limit, can we find a more advanced form of political rule? Should that be the aim and how can it be done?

Certainly, living in the United States as I do, we certainly seem to be living in dark times. The liberal democratic shell has cracked and has fallen apart. It could lumber on for another century. But the incredibly shrill assertion of the universal inevitability of democracy by the ruling class is the sure sign that they lack confidence in it themselves. But we must be wary of too quickly abandoning what was in part a historic achievement of past areas of struggle. Even in the United States there are substantial parts of a welfare state apparatus which was a compromise reached in previous eras of the class struggle that are not to be dispensed with lightly. We also have to experiment with other strategies by which popular interest can be organised at a time when there is little that can be said about the alternatives on offer.

On the question of the state you suggest that the way forward is to find forms of "expression" within the state, to "permeate it" as you put it – opposing "expression" to representation.

I originally came from Australia and saw it as a buffer, a defensive mechanism against the imperial system which is different than the United States which is an empire more than a country. I see states as having high water marks of pressure latent within them and one has to defend those. I didn't want my book to be programmatic in any sense at all. I want the book to be a machine for synthesising a whole set of global social forces in a speculative unity. It's not a book that insists that people arrive at the same answers. It can seen as a form of science fiction – you suspend disbelief. It either tells you something interesting or it doesn't.

It is refreshing to see that you don't conflate communism with Stalinism.

It was no accident that one of the first things that Stalin does is kill all the Marxists. There is a tradition that Stalinism not only differed from, but actively opposed and suppressed in order to consolidate its state power. I call the reading practice in the manifesto "crypto-Marxist" – as a bit of a

joke, borrowing from sectarian language in a humorous way! The book has a somewhat dogmatic cast in its language but it doesn't have to be taken seriously! I wanted to write in a way which would cut through so many books which say - on the one hand, and on the other and on the third! There's a reason to write in a style which tries to cut through and give a coherent view of a complex world in one slice, which is what a manifesto does, but it shouldn't be taken as a dogma for a sect.

The new world you describe has created the hacker class – it is different and yet its interests are the same as the other parts of the producing class. Is "The Hacker Manifesto" a call to arms to bring together these forces against the main enemy?

Yes. One of the Marxist heresies is the idea of a new class – so the book *is* heretical. But it is also trying to solve the other problem, which is the relationship of intellectuals to the labour movement. The construction of intellectual property is a very new idea. We've had patents and copyrights for a long time, but intellectual property really only goes back to the 1960s and it transforms what were commons and limited rights into absolute property rights. So there is a kind of new enclosure, enclosing information. That gives what was once a vaguely defined world of the petit-bourgeois intellectual a sharper contact with commodification. You start to see a much more concrete class basis of what it means to be a labourer, a worker with new forms of information. It is actually a new class but not necessarily the central class. I don't want to argue that it is the post-industrial society. Labour on the land and in the industrial world still goes on. There are 80 million industrial workers in China, and some of them are getting, dare I say it, a bit bolshie! Struggle over labour is alive and well.

I see the things in the book as already happening. People are coming from programming and the arts and sciences who are really concerned about how information can be freed from the property form and monopoly. There really is a social movement around these things. All I did was to construct a theory of it - there is no "What is to be done?", to follow. All these things are alive and well.

If these social movements exist, how can we collectively address the question of power? Do you see that as central?

That is the big question. We've lived through the post-modern moment which is all about stressing difference: how one person's situation is

different from another's, and that's important. But I think the dialectical movement now is back in the other direction – to synthesise difference, to see commonalities. Not to see them in the old way, and put everyone back in the same way. Unity in difference is the great problem of our time. So it's not an accident that there is a return to the category of class now. And the category of thinking "globalisation" – i.e. the commodity economy, enables people to see things as a whole, as a totality, without losing sight of and respect for difference.

Hacker Manifesto is published by Harvard University Press at £14.95.

A World to Win shows how capitalism has already developed many of the basic features of a fully-integrated system of production and distribution. A new democratic society serving the needs of the majority would ensure that the benefits of this production were made available to all.

A dynamic guide to the future

BY PETER ARKELL

Ask a university historian to identify our epoch or to map out the directions that history can take, and you will most likely get a lot of pessimistic words about the dangers of the present period and the uncertainties ahead. You are very unlikely to get any sense of the development of history or how it is that the world has arrived at a point where the richest 500 people have more money than the annual earnings of the poorest 3 billion; and a point in history where the rulers of two countries can make an illegal and unpopular war, killing tens of thousands of civilians, and still stay in power.

And you are not likely either to get an admission from your paid historian that the economy and the social system ouilt upon it might be unstable or even completely out of control. *A World to Win** takes up all these questions (including the one about why the "most brilliant minds" in the universe do not have the answers). It does so not with old platitudes and formulas, but by undertaking an examination of what is new, what has developed out of the old and where this leaves humanity compared to 20, 50 or 100 years ago.

The first part of the book lays bare the inner workings of globalisation by seeing where it comes from. It traces the changing role of the state as capitalism has developed, its regulatory role, its trappings of democracy,

ts posture of neutrality and so on. With the globalisation of the world economy and the production of commodities, so the role of the state has, inevitably, been transformed again. The transnational corporations (TNCs) and global banks become the real power in the world and the state becomes the instrument for this to take place effectively and efficiently.

Parliament becomes increasingly irrelevant and powerless, the prime minister and a few others become more and more like presidents or managing directors (CEOs as we must call them now). And the old welfare state is transformed into a market state, one of many in the world that now serve the interests of the TNCs and no longer, unless they coincide, the interests of the nation's capitalists. Education, health, culture, music, just about everything is broken up, turned into commodities and sold off. Science is increasingly tied to the interests of business and nature itself becomes a set of resources for turning a profit with no regard for the future of life on earth.

As the book puts it: "Now, in the 21st century, we have democracy as a shell with parliaments that are of more significance to tourists than working people..." Globalisation means that the old arrangement of political compromises between employers and working people, which is really what parliament represents, can no longer work, and "the long period of parliamentary politics is giving way to a new, authoritarian rule".

The book goes on: "Globalised capital is not in the business of making concessions or promoting reforms. The forces of production and finance transcend borders and this is sufficient to undermine nationally-based reformist policies and programmes. This process has produced New Labour as the unashamed champions of the free-market economy... The state, even if it wanted to, cannot contain or dictate to the corporations. It is also patently incapable of getting to grips with the growing ecological issues."

The authors show how the masses have been effectively disenfranchised and the state, under New Labour in Britain, as it gets tied ever closer to the TNCs, loses the possibility for reforming anything. Instead, the state resorts to the war on terror to bolster its rule, "knowing that this kind of conflict against an abstract phenomenon can never be said to have ended".

They go on to examine a fundamental contradiction thrown up by the growth of the globalised economy. While the state has given up economic and political powers to various unelected global bodies (such as the World Trade Organisation), it has strengthened its powers to oppress people at

home and abroad. The nation state remains the only route by which the TNCs can get what they want and in so doing it becomes exposed in the eyes of millions of people, losing much of its legitimacy and authority. A very great weakness and contradiction indeed.

And just in case anyone thinks that the globalised economy might be outside the laws of capitalist development, the authors give us a deft but accurate summary of Marx's labour theory of value to reveal what is and always has been the driving force behind the production of commodities for profit. The imperatives of capitalist accumulation and expansion and the tendency of the rate of profit to fall are bound to lead to fierce competition to defend profits, to reduce the cost of production especially that of labour, and to over-production.

This very lucid examination complete, the authors move on from understanding the world to the question of changing it – what needs to be done, what can be done and how. And it is Parts 2 and 3 of the book, looking at how a not-for-profit society could be run and how a revolutionary change is necessary and natural, that really distinguish this work. Unlike so many analysts, who have no answers apart from putting pressure on the our rulers to mend their ways, or who leave their readers completely in the dark to fend for themselves, Paul Feldman and Corinna Lotz put forward ideas and policies drawn from existing economic, social and political conditions.

They start out from what capitalism has already developed down the years and from the possibility of liberating human achievement from the straitjacket of capitalist social relations. This is not only necessary but possible. Yes, possible. "The means are already to hand, as we will show. The great achievements in terms of science, technology and human organisational skills... remain beyond conscious human control because they are owned privately, dependent on capital and its narrow objectives before they are brought into use.

"Alternative forms of ownership and work on a not-for-profit basis already exist within capitalism. Yet they are marginalised and isolated forms that stand no chance of becoming the dominant form within the existing order of things. They are all subject to the overwhelming pressures of market forces and the demands of capitalist states and governments."

They add: "...despite its appearance of permanence which it tries to reinforce whenever and wherever it can, capitalism is a relatively small blip on the timescale of 12,000 years of social history. It grew within

feudalism and emerged through social and political revolution and the violence of the industrial revolution. History demands that the system of private ownership itself is transcended in order to liberate the potential that it contains – and to halt the ecological destruction that actually threatens life itself. This force in the shape of human aspiration is knocking at the gates..."

The power of capitalism and its state is not quite what it seems to the the thinker who only goes on subjective impressions of the world. The policies of the capitalist states, determined now largely by the global corporations, meet resistance world-wide, whether it is a protest against the Iraq War, a struggle against water privatisation in Ghana, opposition to GM food, a strike against job losses or whatever. The NHS, one of the largest employers in the world, is living proof that the profit motive is not a necessary feature for providing health-care, and most people who work in the NHS are opposed to New Labour's plans to privatise it bit by bit. Half of all shares in the UK, about £650 billion worth, are owned by pension funds or insurance companies investing the money, nominally at least, for people's retirement. There are 150,000 charities in the UK that collect and spend several billions of pounds each year. There are co-operatives of all types all over the world, employee-owned companies, mutuals, credit unions, all functioning without shareholders and without the pressure to make profits. And there is open source computer software like Linux that is collectively owned and available for anyone who wants it.

The authors point out that capitalism has already developed many of the basic features of a fully-integrated system of production and distribution – and a new democratic society serving the needs of the majority would ensure that the benefits of this production were made available to all. In the chapter *Transforming the Economy*, surprisingly detailed strategies and policies are proposed. A set of principles as a way of acting globally by starting locally is put forward. How to identify and set priorities for need is outlined along with actionable first steps. These proposals include the use of the above-mentioned pension funds to develop self-managed and collectively-owned enterprises.

There are sections on switching to production for need, one on self-management and on redefining the market. The authors insist: "Production for need based on planning is possible, but it cannot and should not completely replace the expression of consumer preference through the market." And a conscious or "thinking" market is put forward as a possibility, using sophisticated modern technology to ensure that

production and distribution is responsive to individual wants within the limits of possibility agreed collectively. The authors follow this up with an imaginary interview about the way in which the health services have been transformed after the power of the global corporations has been broken. This again emphasises the possibilities for health-care and for research into diseases in a not-for profit environment, globally. It is a fictitious scenario, but convincing and, yes, possible.

The last part of the book, titled *A revolutionary change is necessary*, takes up the question of ideology and the importance of challenging the all-pervasive ideas of corporate globalisation, much of which, the authors point out, is straight lying (as with the Iraq war and some advertising), and all of which reinforces the individualism and isolation of human beings one from another. It is inconceivable that a serious challenge to the capitalist class can be mounted without developing a "flexible and unprejudiced theory of knowledge that grasps inter-connections and complex processes", the authors argue. In a rapidly changing world, this is the decisive issue when it comes to planning revolutionary change.

There follows an intelligible, in fact, a virtuoso exposition of materialist dialectics, with examples from the world of today, of how a dialectical approach can lead to a deepening of thought and understanding when analysing a phenomenon or an event. The aim is to arrive ever closer in thought to the movement, development and change in the objective world beyond thought. There is no magic in this, but it does involve a conscious effort to grasp the difference between the lazy prevalent thinking that tends to jump to conclusions and to impose pre-determined views onto new situations, and dialectical thought that can draw conclusions from the continuous changing world.

The entire argument of the book is that no serious change in society is possible outside the struggle for political and economic power, for which a revolutionary party is needed, whose aim is to organise and lead this change. Such a party is discussed in some detail in the book, how it can be built, how it functions, how it intervenes, the importance of democratic discussion within the party and the requirements of the party for training and educating its members, for research, developing policies, communications, monitoring progress and for holding the leadership accountable.

And here, too, lessons can even be learned from the latest management techniques within capitalism. These techniques, where management encourages their workforces to see the company as theirs and to

participate in decision-making processes, although designed in the final analysis to increase profits, do hold lessons for the building of a party. Working in an open collective way helps to locate and confront the tendencies of bureaucracy and conservatism that you get in any organisation.

A World to Win is a real eye-opener for anybody who wants to see and learn. It re-makes the case for the social transformation of society, and, far from just dismissing capitalism and its latest stage, globalisation, as just a kind of plague on mankind, it seeks to understand its development, to identify the positive aspects that have developed within it, in order the better to be able to facilitate the transfer of power and the birth of a new social order.

A great merit of the book is its refreshing non-dogmatic, non-sectarian approach. And because the authors have such a deep comprehension of the issues, they are able to write lucidly, making complex processes and thoughts, intelligible and accessible to all. Through the pages of the book, they employ the use of boxes with interesting facts, statistics, stories, quotes and graphs as a counterpoint to reinforce the main argument and this turns out to be a brilliant device. And they have sections on the Internet, the music industry and culture in general to make this an inclusive and comprehensive critique of the society in which we live, and of the possibilities for the future.

There is enormous distrust of global corporations, of governments and of politicians within society as a whole and people are profoundly disturbed by the apparent contempt that our rulers show for the poor of the world and for the planet itself. The contradictions that are piling up under globalisation are dividing the ruling classes, making them weaker and unsure of themselves. While the appearance might be that the working classes are quiet and docile, the history of this country, with the Peasants Revolt, the English revolution, Chartism and the building of the Labour Party, the 1926 General Strike and the 1984-5 miners' strike tells us that they will not remain so.

A World to Win: a rough guide to a future without global capitalism. By Paul Feldman and Corinna Lotz. Lupus Books 2004, £9.99

See page 15 for how to buy.

Control over an emerging communications technology is pitting corporations against communities, private profit against public access to information. In a story that originally appeared in *The New Standard* [http://newstandardnews.net], Michelle Chen looks at trends on the wireless horizon.

Battle lines drawn for Wifi

BY MICHELLE CHEN

NEW YORK, January 3, 2005 — A teenage public housing resident searches the web for scholarship opportunities while her mother looks up tips on starting a small business. A public art space lets visitors download a multimedia exhibition onto their laptops, which are simultaneously linked to a dozen other galleries around the city. A local Independent Media Centre breaks news before the major network affiliates by sending a report instantly to thousands of home computers sharing a wireless network.

You may not be able to see into the future of digital democracy, but you may already be breathing it; the new frontier, say activists and technophiles, is on the air. Broadband access and its wireless digital "ether" are giving rise to a new technological geography that defies spatial boundaries and historical precedent.

Wireless is not a traditional technology, but in fact a concept defined by the absence of traditional technology. The laptop's answer to the cellular phone, wireless internet connects computers equipped with "WiFi" devices through the electromagnetic spectrum, commonly known as the public airwaves, untethering users from the cables and plugs that characterise older computer networks.

What makes wireless networks so attractive is their openness, which

blasts conventional concepts of internet access, mobility and cost. Combined with high-speed internet or broadband, WiFi spans uncharted territory in networking, enabling people to send and receive information, often free of charge, from anywhere within range of a WiFi base connection – a coffeeshop, park, a house or street corner.

On the ground, countless non-profit organisations, government agencies and corporations large and small are racing to establish networks using wireless technology. In the realm of policy, meanwhile, advocates are pushing to expand the unlicensed electromagnetic spectrum for community use. In both arenas, groups advocating for free public networks face resistance from corporate players that have long dominated the nation's telecommunications landscape.

WiFi's visionaries believe the technology is more than an extension of the internet; it is a whole new level of information exchange. Sascha Meinrath, president of the Champaign-Urbana Community Wireless Network (CUWiN), an Illinois-based urban networking project, surmised: "The internet wired geographical locations. Wireless connects individuals, and it's a very different phenomenon." Meinrath said he sees a "battle brewing" between the major telephone and cable companies on one hand and a rising generation of digital progressives who champion community-based networks.

Service providers who dominated the market in the days of telephone internet connections have reason to worry about the virtually limitless networking capabilities of WiFi, because a single access point or "node" can support a housefull of simultaneous users. Jonah Brucker-Cohen, a programming researcher with the Disruptive Design Team of Trinity College in Dublin, Ireland, notes that under the wireless regime, corporations "don't make as much profit anymore. Not every person using it has to have an account with them."

The difference in revenue is like the difference between a hundred people sharing a public swimming pool and a hundred individuals each buying their own backyard pools.

Jeffrey Chester, executive director of the advocacy group the Centre for Digital Democracy (CDD), predicts that the impending showdown between corporations and communities over new access technologies will determine whether the internet will become merely an "interactive commercial and advertising and movie and music machine" or the "central nervous system of our democracy."

In the 1980s and '90s, the Federal Communications Commission (FCC)

spurred the growth of wireless broadband in a few spasms of apparent generosity, when it liberated huge swaths of underused spectrum on the broadcast airwaves. By designating several bandwidths for open public use, the FCC gave start-up capital to thousands of wireless service providers and community-based networks, dramatically expanding the matrix of gadgetry, software, and content known as the "digital communications platform."

These bandwidths were previously considered "junk bands," occupied by the signals of household gadgets like garage door remote controls and cordless phones. But they were rediscovered in the 1990s through a radio technology protocol known in the industry as IEEE 802.11, or Wireless Fidelity, which turned junk spectrum into a precious medium for high-speed data transfers via wireless base connections.

Ben Serebin, director of NYC Wireless, a group that brings together technophiles and the non-profit world to develop wireless solutions for New York City, said the government made an unprecedented "economic and social difference" by deregulating part of the spectrum: "This is the opposite of capitalism — literally, just giving away spectrum that they could sell."

Policy analysts and think tanks like the New American Foundation say that opening the spectrum to the public generates fresh markets and innovations, which in the long run will actually be much more lucrative for society than the conservative alternative: auctioning bandwidths to corporate bidders at astronomical prices.

With increasingly intelligent technology, more and more users are employing unlicensed airwaves to make new connections to the internet and to one another. Wireless networks have mushroomed in cities and the suburbs, in pubs and the projects, rapidly expanding access to the internet. The FCC reported that from 2001 to 2003, the number of high-speed internet subscriptions tripled from 5.9 million to 20.3 million lines. World-wide wireless equipment sales reached $2.5 billion in 2003 and are expected to increase nearly 50 percent by 2007. According to the WiFi information service JiWire.com, more than 21,000 wireless networks or "hotspots" now dot the United States.

As the connections become faster and the networks more elaborate, both the public and private sectors have scrambled to stake out space on the digital horizon — and it's too early to tell who will come out ahead.

The concept of a so-called "spectrum commons" is not as simple as getting something for nothing. Within a few years, WiFi has engendered

a new industry, incurred the wrath of telecommunications moguls, and opened a Pandora's Box of political fights. Proponents of open access are rapidly learning that even a nominally "public" resource can be garrisoned by big business, inflexible regulations, and ingrained social inequalities.

For all its promise, consumer and community advocates warn, unlicensed spectrum is not a level playing field. Major corporations have the capital and political connections to quash grassroots, non-commercial wireless initiatives that offer more affordable access. In response, WiFi activists strive to expand local non-profit networks and simultaneously protect them from corporate interference through political advocacy and community solidarity.

Telecommunications giants have wielded a combination of political and market influences to shape local access policies. In November, Verizon effectively extinguished the potential for independent municipal networks in Pennsylvania when it challenged the city's plan to set up a low-cost local broadband service, claiming that the government had an "unfair" advantage over commercial service providers. Backed by the corporate lobby, Governor Ed Rendell signed a bill giving incumbent telecom companies automatic priority as city-wide network service providers. Pennsylvania thus joined over a dozen states in passing laws that limit the ability of local government to deploy municipal telecommunications networks in service of their constituents.

Activists argue that recent efforts by cable companies to gain so-called "bottleneck control" – the ability to monopolise and act as a gatekeeper to the broader internet – pose an additional threat to the emerging communications renaissance.

The CDD and other media democracy organisations are currently battling the cable industry lobby over a federal court ruling in the Brand X v. FCC case, which established that cable companies could not restrict customers from choosing independent internet service providers (ISPs). On December 3, the Supreme Court agreed to reopen the case in response to a petition by the FCC supported by cable corporations, and a new ruling is expected by the middle of 2005.

According to CDD's Chester: "You now have an emerging duopoly in terms of broadband access in the United States with cable and the big phone companies. They do not believe in any kind of regulatory safeguards. They don't believe that communities should have any kind of authority over these systems as well."

Chester fears that total control over connectivity would allow cable

companies to dominate the whole broadband communications structure, thereby undercutting community-based open networking initiatives. If the government gives in to corporate interests, he said, "I think you'll see the internet becoming a much more commercialised medium."

Speaking at the New American Foundation last year, FCC Commissioner Michael Copps, who has denounced his own agency's corporate-friendly policies, cautioned, "those with bottleneck control will be able to discriminate against both users and content providers that they don't have commercial relationships with, don't share the same politics with, or just don't want to offer access to for any reason at all."

Still, the corporate stronghold has not dimmed hopes for non-commercial networks, which can thrive on minimal equipment and a little creativity. A local networking project might take the form of a WiFi co-operative in rural town of 3,000 — or a downtown wireless system bringing free internet to the aisle of a vintage bookstore and the bar of a jazz club.

Meinrath's project, CUWiN, is preparing to launch a network throughout Champaign-Urbana offering everything from independent website hosting to instant local news. From his perspective, this merger of guerrilla technology and community advocacy — a geek radicalism of sorts — has grown exponentially in recent years because "thousands of people have realised ... we can actually do better, with off-the-shelf equipment and our own know-how, than our internet service provider [can]."

For activists, the success so far of grassroots community networks, despite industry monopolies and meagre funds, may prove that in the frenetic process of revamping the telecommunications infrastructure, the scrappy underdog will inevitably outstrip the old guard.

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Through the process of globalisation the ageing American economy and the expanding newly-developing countries have become entangled in a deadly embrace which will end in economic slump. The crisis is expressed in the continuing decline of the dollar.

'The balance of financial terror'

BY GERRY GOLD

The three-year slide in the value of the dollar, together with the ballooning United States' budget deficit, are but two of the indicators which reflect the changing relationship of the American economy with the world system. Whilst the US remains the world's largest economy and therefore influential, like all countries it has become subordinate to the movement of capital around the world in search of cheaper labour. The dollar's decline signals the end of a period of global economic growth. This resulted from the transfer of production by transnational corporations from the older developed economies to countries offering more favourable conditions for profit generation.

For the US, the end-game began at the turn of century, with the collapse of the dot-com bubble in which share values had risen to absurd levels. The enormity of that bubble reflected the extent of the gap between the real value of productive capacity and the vast sums of make-believe capital then swirling around the networks of the newly-created world financial markets.

The contagious currency crises which swept around the global economy from East Asia, to Russia and Latin America had already revealed the symptons of the underlying problem. Whilst globalisation opened up new markets and new sources of labour during the latter part of the 20th century it has reproduced the problem of over-production many times over. Today, seemingly ever-cheaper commodities are

churned out by corporations operating in the newly developing countries like South Korea, China, Mexico and now India in quantities which far exceed the capacity of the world market.

Although its domestic manufacturing has declined, the figures show that America's economy has continued to grow. How? The Bush administration has pumped out huge quantities of dollars in its attempt to prevent a slump. The US Federal Reserve Bank, has kept interest rates low for a long period, thereby creating enormous amounts of cheap and easy money. This policy has fuelled the consumption of increasing volumes of imported goods. Meanwhile, the Federal Reserve has actively pursued a policy of monetary inflation – shrinking the value of the dollar – by printing nearly $1.5 thousand billion [trillion] a year. These policies have artificially created huge and growing simultaneous credit, property and stock market bubbles.

To support inward investment and encourage the growth of exports to their main market in the United States, whilst preventing their currencies from increasing against the dollar, Asian governments have soaked up as many of the surplus dollars as they could. They have bought enormous quantities of US Treasury bonds – issued by the Bush government to finance its spending deficit - at very low interest, and amassed perilously large foreign exchange reserves. To protect their currencies they have tied them to the dollar. As the dollar falls, so does the value of their holdings.

Despite the falling dollar, which according to text-book theories should boost exports and reduce imports by dampening demand at home, November was the seventh month in 2004 in which the US trade deficit with the rest of the world - the amount by which imports exceed exports – widened to a new record. In that month imports into the US rose 1.3% to $155.85 billion, while exports surprised analysts by falling 2.3% to $95.55 billion. The extent to which external deficits continue to rise despite the diminishing value of the dollar is a measure both of the impact of globalisation on national economies and of the weakness of the end-of-history economic theories which see capitalism as the only viable form of social relations.

At its current pace, the widening trade gap approaches 6% of gross domestic product. This figure is substantially higher than it was in the late 1980s when world financial markets reacted adversely to the declining dollar and the US stock market crashed. This unsustainable trend can continue only as long as non-US producers remain willing to

accept dollars for their products. But Russia, for example, has been considering pricing its oil exports to Europe in euros. Other oil-exporters have indicated that they will follow if Russia leads.

The US annual deficit, funded by borrowing from abroad, was set to breach $600 billion by the end of 2004, more than confirming the status of the US as the world's most highly indebted country. The net amount Americans owe foreign creditors has soared over the last eight years from $360 billion to more than $3 trillion. The latter amount is equal to almost 30% of the country's annual economic output. To finance its current account deficit with the rest of the world, America has to import $2.6 billion in cash every working day. Some call this the biggest aid programme in history.

But as the buying power of the dollar declines against other currencies, investors – particularly private ones – are increasingly looking elsewhere. It is they who stand behind the corporations and who directly represent the interests of the gargantuan sums of fictitious capital which take the form of complex financial products including hedge funds, which are used to gamble on movements in the market. Far, far larger than the foreign reserves held by Asian governments, speculative decisions about the best current home for these funds owe no allegiance to any country.

As the dollar falls, pressure on the US administration to raise interest rates to retain overseas investors grows. And when the administration gives way to the market, the impact on highly indebted US consumers will be catastrophic. According to Stephen Roach, chief economist at investment banking giant Morgan Stanley, America has no better than a 10% chance of avoiding economic "Armageddon". Towards the end of 2004, the US had $38 trillion in debts, and a $54 trillion federal funding gap – the difference between what the government is committed to pay out and what it will receive in tax revenues.

Federal Reserve Bank of New York President Timothy Geithner notes that the "expected trajectory for this imbalance produces a dramatic deterioration in our net international position and cannot be sustained indefinitely". His politely worded but chilling warning to the Bush administration was issued at the Global Operation Risk Forum of the Risk Management Association on 13 January 2005. He said: "The present fiscal trajectory entails an uncomfortable scale of borrowing and little insurance against possible adverse outcomes in an uncertain world." This funding gap and the unprecedented and increasing debt-

to-GDP ratio are features of most of the major economies all of which are subject to powerful global forces beyond their control.

It has become a common experience worldwide that global corporations exported low value, labour intensive manufacturing and latterly service jobs from developed, relatively high wage countries like the US and the United Kingdom to low-wage countries like Mexico, and more recently China. More than 1.5 million US jobs have been lost since 1989 to the trade deficit with China which grew twenty-fold over the last 14 years, from $6.2 billion in 1989 to $124 billion in 2003. The figure for 2004 was expected to have surpassed $150 billion. Much of the widening US trade gap arose from importing consumer goods now made abroad, as well as agricultural products and oil to satisfy its seemingly insatiable cheap credit-led expansion.

Policy makers in the US had counted on retaining high-tech, high profit production in such industries as aerospace and car manufacturing, which have provided the foundations of the US industrial base for generations and the newer computing and telecommunications industries. But even these are now reducing with production moving to China as its infrastructure rapidly gears up to the needs of corporations operating in these sectors. The sale of IBM's personal computer business to a Chinese producer was reported recently without surprise, almost as a footnote. China's exports to the US of electronics, computers and communications equipment, along with other products that use more highly skilled labour and advanced technologies are growing much faster than its exports of low-value, labour-intensive items such as clothing, shoes and plastic products. As a result, the demand for high-tech workers and skilled professionals in the US is declining rapidly.

So what are the prospects for the coming period? Through the process of globalisation the ageing American economy and the expanding newly developing countries have become entangled in a deadly embrace which Larry Summers (former Secretary of the US Treasury, and chief economist of the World Bank) has called the "balance of financial terror". Each depends on the other's growth to avert a slump. Action by China to protect the value of its holdings against the falling dollar by exchanging them for euros or other strong currencies could trigger a global financial earthquake. The increased US interest rates needed to ensure continued investment will trigger a slowdown in America, reducing demand for Chinese-made products, inducing a slump which

will also reverberate around the world.

Some commentators argue that the falling dollar is a deliberate act of the Bush administration - the US waging economic war on its competitors. But the unexpected, contradictory failure of the trade gap to respond to the falling dollar reveals something else: the declining ability of governments – even the previously mighty US, to do anything other than accede to the movement of capital. Having survived the election Bush must now force the cost of American labour down to prevent the jobs' haemorrhage. He has already begun to reduce federal funding for a range of programmes including housing, health and social security. A new assault on the value of pensions is underway. And indeed the falling dollar is tempting some Canadian and even Japanese car manufacturers like Honda to set up shop in the United States, as it begins to take on the relative attractions of a low-wage, no-benefits developing country.

January 1, 2005 saw the end of a 30-year period of an international system of trade protection in textiles and clothing. Although originally designed to protect manufacturers in North America and Europe from foreign competition, the Multifiber Arrangement (MFA) – an international system of import quotas - actually provided export opportunities to undeveloped countries with large, unskilled workforces. Now that the last provisions of the MFA have ended, countries in Latin America, Africa and Asia will be exposed to a new round of free-market logic. The end of the quotas has triggered what trade experts believe could be one of the largest migrations of production in history, jeopardizing Cambodia's 220,000 clothing jobs. Hundreds of thousands more are threatened in Bangladesh, El Salvador, Lesotho, Mauritius and other countries which have benefited from the quota system. Exposure to the demands of the major purchasers such as Wal-Mart, the world's biggest and most powerful corporation, will force the concentration of production into the intensive, high productivity factories of China and India with their new transport and communications infrastructure. This will launch a surge of cheaper clothes onto the world market as wage levels are driven down. To stay competitive with China, El Salvador's business leaders want to reduce the $5 dollar a day minimum wage; in the Philippines they want to exempt garment makers from paying the minimum daily wage of $3.75. Indonesian trade union leaders believe that country could lose as many as half a million jobs.

Having fallen around 16% since its peak in February 2002, some analysts say that a further 15-20% drop in the dollar will be needed to reduce the budget deficit to a more manageable $300 billion in a controlled way over a five to ten year period. But as the dollar declines, American workers are deprived of purchasing power as the value of their pay follows the dollar downward. They are also deprived of the ability to pay off their monumental personal debts. Twenty years ago the total debt of US households was equal to half the size of the economy. Today the figure of 85 percent is a 'debt bubble' of unprecedented proportions. And the expected rise in interest rates necessary to retain foreign investment will massively increase the burden of repayment on Americans who are already spending a record proportion of their income servicing the debt. These rises have already begun. The bubbles can already be heard bursting. The consumer boom is nearing its end, and series of shocks must follow. Sooner rather than later, the global crisis of overproduction will give way to recession and slump in the USA and in the global economy.

The Association of Certified Chartered Accountants seems an unlikely body to reveal the real story behind New Labour's PPP – public-private partnerships – policy. But a report written by four members of the Manchester Business School at the University of Manchester* does just that. It reveals in cool, accountants' language how PPP is a euphemism for the massive transfer of capital to the private sector by the state.

PPP - a licence to print money

BY PAUL FELDMAN

The emerging market state that New Labour presides over functions to enhance the role and interests of corporate and financial enterprises, whatever the consequences. There are countless examples of this in action, from the part-privatisation of the London Underground to the use of private treatment centres at the expense of the state-funded NHS.

By creating a market within the NHS, New Labour is undermining the health service in a fundamental way. Even the conservative British Medical Association is alarmed by the prospects of "patient choice" announced by health secretary John Reid in February 2005. James Johnson, BMA chairman commented pointedly: "In a market economy such as we now have in the NHS, it is inevitable there will be winners and losers. If this forces some hospitals to close, NHS capacity will decrease. Patients will lose more than surgical beds: where will they get the A&E departments, the round-the-clock care, the intensive care beds, and where will new doctors and nurses be trained? There is much more at stake here than the Secretary of State seems to acknowledge."

On the news that the next wave of independent treatment centres may (like the first wave) be guaranteed a volume of work and may be paid

more for operations than the national tariff set for NHS hospitals, Johnson said: "The government intends to finance hospitals through Payment by Results. This can only work equitably on a level playing field and not one skewed in favour of private sector providers. Even then it does not cover the additional services provided by an NHS hospital."

Johnson, a vascular and general surgeon, said that ministers and senior officials had no answers to what would happen if hospitals began to close because new, neighbouring private treatment centres were taking their business. That was beginning to happen, he said. An orthopaedic ward at Ravenscourt Park Hospital, west London, had been closed and Southampton University Hospital was in difficulties. "There is no Plan B. I keep asking, What happens then? I have asked this at the very highest level. The Department of Health does not seem to have a plan for failing hospitals under this new regime." He added: "There will come a time quite soon when the patients moving to the treatment centres will de-stabilise the entire hospital. The NHS does not seem to be able to withstand surplus capacity, in other words empty beds. So it closes them down, sacks the nurses and the plurality of provision has failed."

The diversion of health work to the private sector goes hand-in-hand with the involvement of business in building and then owning public assets. The ACCA report points out that the introduction of partnership working, known as the Private Finance Initiative (PFI), was heralded with much enthusiasm by the then Corservative government in the early 1990s and was later adopted with even more joy by the incoming Labour government in 1997. New Labour "re-branded" the policy as public private partnerships (PPP) and widened it to include several different forms of which the PFI is but one, say the report, adding:

"Under the PFI, the public sector procures a capital asset and non-core services from the private sector on a long-term contract, typically at least 30 years, in return for an annual payment. Subsequently ministers, government officials and others with financial interests in the PFI policy have claimed much success for projects. However, numerous IT PFI projects have failed. Several PFI/PPP projects have had to be bailed out, some have been scrapped and others have been the subject of widespread criticism. The National Audit Office (NAO), the Public Accounts Committee (PAC), the Audit Commission and Accounts Commission have been circumspect about the levels of success, and identified various lessons to be learned."

At least three PFI/PPP schemes have had to be bailed out: the Channel

Tunnel Rail Link, the Royal Armouries Museum and National Air Traffic Services, while others have been scrapped. Front line public services such as health and education have required and/or been accompanied by extensive closures and rationalisations that have proved unpopular, say the authors. Lastly, the refinancing of PFI projects after construction has generated extra profits that have led to widespread fears that the private sector is profiteering at the expense of cash-strapped services.

The ACCA's research study focuses on the actual performance in two sectors, roads and hospitals, which have substantial commitments to partnership financing and projects that have been in place for some years. In roads, where PFI projects are known as design, build, finance and operate (DBFO), the eight projects signed in 1996 represented about 35% of all new construction in the roads sector between 1996 and 2001. In the government's 10-year national plan, 25% of the £21 billion allocated for the strategic highway network will involve private finance. In the health sector, there has been a continuous expansion of private finance since the first health contract was signed in 1997 and by 4 April 2003 some 117 schemes had been approved by the Department of Health with a value of £3.2 billion.

Annual payments for the signed deals alone were expected to be £2.9 billion in 2000/1, rising to £6 billion in 2007 or £105 billion over the life of the contracts. The ACCA report explains: "Since these payments relate largely to new deals, rather than to the replacement of existing outsourcing arrangements, the money available to pay for them is what remains of public expenditure after welfare payments and the purchase of external goods and services - the public sector wage budget. Annual payments will therefore divert about 6-7% of the current wage bill, which has declined from 72% of public expenditure (after the welfare payments and external purchases) in 1977 to 38% in 1999, and this is set to increase as new deals are signed ."

In relation to roads, the report finds that:

- the government guarantees the Highways Agency's payments to the DBFO companies, which reduces the risk to the private sector
- the Highways Agency paid a premium of some 25% of construction cost on the first four DBFO roads to ensure the projects were built on time and to budget
- In just three years the Highways Agency paid £618m for the first eight projects, more than the initial capital cost of £590m
- because the full business cases are not in the public domain, there has

been little external financial scrutiny of the deals, and post implementation it is unclear how the actual cost of DBFO compares with the expected costs

- the special purpose vehicles (SPVs – companies created for the project) report an operating profit before interest and tax of about two thirds of their receipts from the Highways Agency and this is after subcontracting to sister companies.

The report adds: "Although the amount of tax payable by the SPVs over the whole period was only 7% of operating profits, even this overstates the actual tax paid since this includes an element of deferred tax. This low tax rate, in the early years at least, challenges an important part of the Treasury's new appraisal methodology for PFI, which assumes that tax payable will be about 22%, which will in turn distort the VFM analysis in favour of PFI. The SPVs' interest rate of 11% in 2001 and 9% in 2002 and the high level of debt, which is greater than the construction costs, means that the DBFO contracts are considerably more expensive than the cost of conventional procurement using Treasury gilts at the current rate of 4.5%."

The ACCA points out that in the absence of arrangements to ring-fence the post-tax profits so that they remain available for future commitments, should the DBFOs fail for whatever reason later in the contract, the Highways Agency could find that it has to bear the remaining and higher cost of private capital and the maintenance costs that it thought it had already paid for!

In relation to hospitals, the ACCA report notes that the annual cost of capital for trusts rises with PFI by at least £45m over and above the cost of a new hospital directly funded by the state, even though the hospitals are considerably smaller than the ones they replace. This underestimates the additional cost of PFI, since the construction costs include an amount of up to 30% to cover the cost of private finance, transaction costs and so on. "Conservatively estimated, the trusts appear to be paying a risk premium of about 30% of the total construction costs, just to get the hospitals built on time and to budget, a sum that considerably exceeds the evidence about past cost overruns. Nine of the trusts report off balance sheet schemes, as the Treasury had originally intended, implying that most of the ownership risks have been transferred to their private sector partners. But as none of the corresponding SPVs report their hospitals on balance sheet either, this creates uncertainty as to who has ultimate responsibility."

Within a few years of financial close, PFI charges are in some cases much higher than anticipated, the report finds, adding: "This raises questions about the reliability and validity of the Value For Money (VFM) case that was used to justify the decision to use private finance. The high cost of PFI means that about 26% of the increase in income in between 2000 and 2003 is going to pay for PFI charges for new hospitals."

For the companies, it is all good news, however. The report reveals that they made a post-tax return on shareholders' funds of more than 100% in each of the three years 2000-02, far higher than elsewhere in the industry. "This financial analysis is likely to underestimate the total returns to the parent companies because the SPVs subcontract to their sister companies and some of these subcontractors benefit from additional income via user charges for car parks, canteen charges, etc." Six out of the 13 trusts analysed are in deficit, and four of the nine trusts with off balance sheet PFI projects had significant net deficits after paying for the cost of capital. "Assuming that the financial performance of trusts is a proxy for affordability, then the fact that hospitals with PFI contracts were more likely to be in deficit than the national average in the period 2002-03 suggests that PFI is not affordable. This has potentially serious implications for service provision and access to healthcare."

The report did well to find out what it did. As it points out, financial information about PFI is "opaque", partly because of government-imposed confidentiality. In addition, private sector organisations use complex structures with PFI projects spread between various entities and thus disguised. The ACCA concludes: "Not only is there a lack of explanation for the treatment of PFI assets/liabilities and income/expenditure in both sectors, but neither the treatments nor the amounts match across the public and private sectors. Some PFI projects are accounted for on balance sheet but others are off balance sheet and there has been a change in accounting policy in relation to some projects.

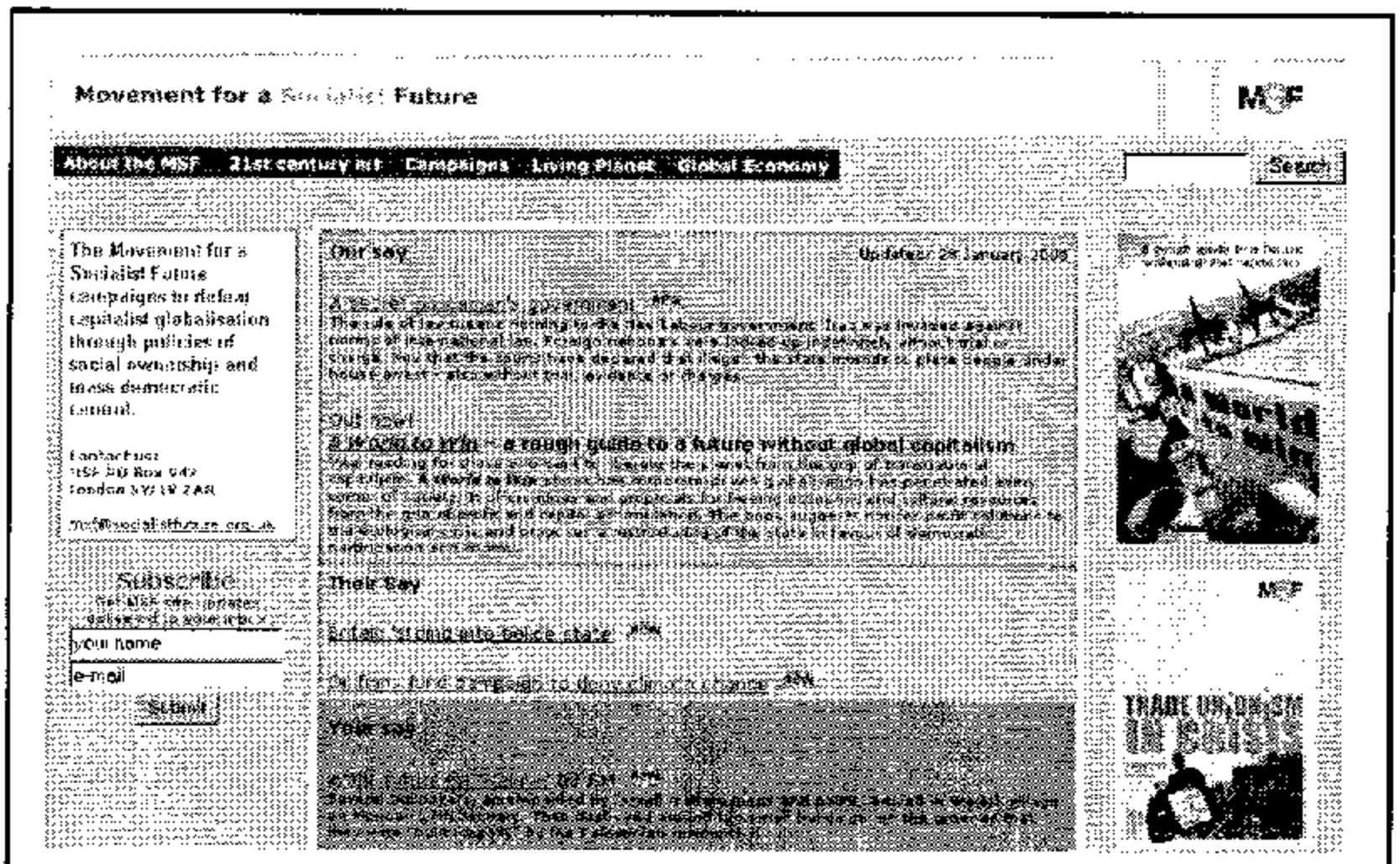
"The net result of all this is that while risk transfer is the central element in justifying VFM and thus PFI, our analysis shows that risk does not appear to have been transferred to the party best able to manage it. Indeed, rather than transferring risk to the private sector, in the case of roads DBFO has created additional costs and risks to the public agency, and to the public sector as a whole, through tax concessions that must increase costs to the taxpayer and/or reduce service provision. In the case of hospitals, PFI has generated extra costs to hospital users, both staff and patients, and to the Treasury through the leakage of the capital charge

element in the NHS budget. In both roads and hospitals these costs and risks are neither transparent nor quantifiable. This means that it is impossible to demonstrate whether or not VFM has been, or indeed can be, achieved in these or any other projects.

"While the government's case rests upon value for money, including the cost of transferring risk, our research suggests that PFI may lead to a loss of benefits in kind and a redistribution of income, from the public to the corporate sector. It has boosted the construction industry, many of whose PFI subsidiaries are now the most profitable parts of their enterprises, and led to a significant expansion of the facilities management sector."

So, behind all the rhetoric about making public money go further, the ACCA report shows the reality behind New Labour's policies. There is a relentless transfer of wealth to capitalist interests through PFI/PPP while the state guarantees payment and assumes much of the risk. This is the market state in operation and is a graphic confirmation of the role of New Labour as the state management team for big business. Welcome to Britain PLC, where the state will give you a licence to print money.

Evaluating the operation of PFI in roads and hospitals. ACCA Research report No.84 [www.accaglobal.com/research/summaries/2270443]
Authors: Pam Edwards, Professor of Accounting; Jean Shaoul, Reader; Anne Stafford, Lecturer; Lorna Arblaster, Research Assistant; Manchester Business School, University of Manchester



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The question of challenging global capital can only occur through the struggle to transform the state. But this fundemental question is avoided in a new study that examines the relationship between globalisation and national states.

Skirting round the question of the state

BY PHIL SHARPE

The development of an integrated market and global based economic activity is often characterised as globalisation. The role of the nation state in this process has not, however, become redundant. Far from becoming powerless, the state has been an active participant in removing barriers to the global movement and accumulation of capital.

According to Leo Panitch, in his introduction to this important collection of essays*: "Correspondingly, then, nation states have increasingly abandoned their former role of reproducing domestic social compromises through 'welfare state' regulation to embrace the economic requirements that come with being part of the new global economy, and to share with other states and international institutions the political responsibilities for managing the global system."

The political consequences of the contemporary role of the state involve increased repression and imperialist war, social and political polarisation. These results demonstrate that the social democratic strategy of class compromise has become historically exhausted. What is required is a challenge to the wealth, power and irrationalities of capitalism. Only mass mobilisation to realise genuine democracy can start to establish a serious political alternative to the alienating power of global capital. Panitch himself calls for "nothing less than a massive shift in social power within each country" through mass mobilisation to "transform states everywhere

so as to genuinely democratise them and thereby enhance the efficacy of new solidaristic international strategies to confront and transcend capitalist globalisation".

There are some real problems with this strategy, despite Panitch's intention to reject political compromise with global capital. What he does not make clear is whether the struggle for socialism in the contemporary era requires precise and explicit revolutionary objectives. Thus words like "transform" and "democracy" become a linguistic ruse to evade the question as to whether a revolutionary strategy is still valid or, alternatively, if a type of popular mass reformism is more appropriate. This most important of questions continually reoccurs in the various essays of the book and is never really dealt with. In other words, the various authors generally know what they oppose - the power of global capital. But they seem to be uncertain about how to develop a credible strategy that can effectively represent an alternative.

In his own essay, Panitch argues that there has been a one-sided reaction to global economic development. This has taken the form of the contention that traditional national political perspectives are now outmoded, and that only with new international strategies can popular democracy be realised. Panitch shows how it is impossible to by-pass the role of the nation state when it comes to political intervention. Rather globalisation is a process that occurs under the auspices of the nation state, and the contemporary state still has a vital role in upholding the functions of capital, such as supporting the power of the major international companies. He insists: "... Global class interpenetrations and contradictions needed to be understood in the context of specifities of the nation state's continuing central role in organising, sanctioning and legitimising class domination within capitalism."

Consequently, Panitch argues that the view of Robert Cox - that the state has become transformed from the role created by the post-war Bretton Woods agreement as a mediator between the requirements of the international economy and domestic economy into a direct and passive transmission belt of the imperatives of global capital - is too one-sided. Instead the state is being restructured, which means its mediating role is being transformed. Those aspects of the state that emphasise the importance of competitiveness and the role of markets are increasing in status, whilst welfare functions are rapidly losing status, according to Panitch. Thus the state still retains an important national form, but the very institutions of the state retain their structural significance on the

basis of a relation to global capital.

These connections between the national state and the requirements of economic competitiveness also mean that it is an illusion to expect the same state to act as a political alternative to the requirements of global capital. This very point is illustrated by the experiences of countries like Japan, France and Germany which, despite their different state forms, are also being restructured in terms of the competitive imperatives of globalisation. In other words, the bourgeois state remains consistent with the process of capital accumulation. So the question of challenging global capital can only occur through the struggle to transform the state.

In this context, Panitch states: "It is necessary to try to reorient strategic discussions on the Left towards the transformation of the state rather than towards transcending the state or trying to fashion a progressive competitive state... The first requirement of strategic clarification on the Left must be the recognition that it must seek the *transformation of the material and ideological capacities* of states so that they serve to realise popular, egalitarian and democratic goals and purposes. This does not mean attempting to take the state as it is presently organised and structured and trying to impose controls over capital with these inappropriate instruments. Nor does it mean trying to co-ordinate such controls internationally while resting on the same state structures. The point must be *to restructure the hierarchy of state apparatuses* and reorganise their modus operandi so as to develop different material and ideological capacities." [emphasis added]

At first glance, this standpoint seems to represent an intransigent and principled position of opposition to the role of the contemporary bourgeois state and its expression of the requirements of global capital. But the demand is to "transform" and "restructure" the state in order to establish a different economic, social and political content. There is no explicit argument for replacing the existing state with an alternative state based upon organs of popular and mass working class political power. One can only conclude that radical reorganisation that is articulated by Panitch is still compatible with a reformist rather than a revolutionary change within society.

These are not academic questions. Meaningful reforms are increasingly unlikely in a situation where health and education, for example, are measured against what is possible according to the logic of competitive market requirements. Panitch is aware of this point, and yet he is still unable and unwilling to support a revolutionary strategy in non-

ambiguous fashion. He clearly remains sceptical about the viability of such an approach and unable to draw the logical conclusions from his own analysis. His call for the reorganisation and transformation of the priorities of the existing state represents a vacillation between the politics of left reformism and the revolutionary alternative.

Neither is the ambiguity in Panitch's approach overcome by his call for democratically-organised political collectivities and democratic planning, and control over the movement of capital. This strategy is defined as a nationally-based one backed up by international solidarity and support. The point is that these types of demands are traditionally compatible with a left reformist view that holds that the existing state can be made to act in a different way under mass democratic and popular pressure. In this way, the socialist logic of collective planning ends up being projected on to a type of capitalism. What is effectively state capitalism becomes defined as socialism.

An essay by Constantine Tsoukalas that addresses similar themes argues that the dominant fraction of the national bourgeoisie is an "interio bourgeoisie" and not the traditional national bourgeoisie. The development of an "interio bourgeoisie" expresses the dynamic of internationalised capital accumulation and the increasingly trans-territorial mobility of productive and commercial activity, Tsoukalas explains.

National states still represent recognisable territorial units, and power struggles based on inter-imperialist antagonisms remain. But what is increasingly dominant is a transnational market logic that imposes a transnational will. This means that the most influential fractions of the bourgeoisie have become subordinated to a de-localised global capital. What remains of a truly national bourgeoisie is peripheral and marginalised. The economic functions of the state in realising a deregulated, competitive economy, become progressively fused with its ideological and repressive functions. Furthermore, the ideological apparatus of society, the schools, trade unions, media and so on, have become geared to meeting the imperatives of international productivity. This shows how the national state has become vital to the interests of global capital. As Tsoukalas says:

"On the contrary, national states provide the necessary mechanisms and take charge of the interest of the dominant imperialist capital in its development within the 'national' social formation. Indeed, on the material level, deregulation, labour fragmentation, productivity and profit

maximisation can only be ensured within a juridically-given territorial context. In this sense, far from dispensing with national states' functions and services, the extended reproduction of the accumulation of international capital is totally dependent on their constant intervention.

"Thus the institutional and economic prerequisites of capital accumulation rest on the national states's capacity to guarantee the new forms of accumulation internally. It is precisely in this sense that the political and ideological cohesion of social formations, still materialised only by and through states, provides the basis for reproducing the (interchangeable) coherent socio-economic and legal environments necessary for any productive organisation."

This emphatic and erudite summation of the relationship between the national state and the requirements of global capital would seem to suggest the urgency, importance and necessity of a revolutionary strategy. However, the author is not able to come to this conclusion because of a basic pessimism that can only define the structural role of the working class in terms of a social fragmentation. This has meant that the possibility of opposing the power of global capital is still fragile and uncertain. In Tsoukalas's view, "the combined effect of a global reduction in growth rates and the deterritorialisation of productive activities acted to disarticulate and disorient working class organisations everywhere". What he calls "de-proceduralisation" of labour conflicts has undermined solidarity and further disorganised class affiliations. "Even more to the point, the gradual but uncontainable increase of unemployed and unemployable masses led to a further fragmentation of the working class."

Tsoukalas outlines important reasons and trends as to why traditional class activity has been undermined by the structural development of globalisation. But this is presented in a one-sided manner that seems to deny the continued historical and economic dependency and relation of capital to labour. In this context, the process of atomisation, fragmentation and undermining of traditional working class organisation cannot be a perpetual social condition of globalisation. The structural flux of recent developments has to solidify and create the objective basis for the renewal of the combative role of the working class. Indeed, the very intensification of the internationalisation of the world economy creates the objective and material conditions for new forms of working class solidarity and types of struggle against the alienating power of global capital.

In this context, it has often been the rotten and increasingly decadent trade union bureaucracy that has acted to undermine the possibility of international class struggle. Bureaucrats nationally and internationally have sought to connect the role of the working class to the requirements of global capital. Consequently, it is extremely one-sided to portray the working class as the inherent and inevitable "victims" of a mechanical process of the development of the role of global capital. The balance of class forces is not simply a product of new economic and technological processes, but rather the impact of these processes is mediated by conscious and important struggles and their outcomes. The real objective possibility for a renewal of class struggle can create the basis for challenging the impact of trends such as social fragmentation and social differentiation. Despite some strong analysis, scepticism and pessimism about the future runs through this thoughtful collection of essays.

* *The globalisation decade*. Edited by Leo Panitch, Colin Leys, Alan Zuege and Martin Konings. Merlin Press 2004, £16.95

Scientists and the state: a troubled relationship in times of trouble

BY A SPECIAL CORRESPONDENT

On August 2, 1939, the greatest physicist of the 20th century, Albert Einstein, wrote to the President of the United States, Franklin Roosevelt. "Some recent work by E. Fermi and L. Szilard, which has been communicated to me in manuscript, leads me to expect that the element uranium may be turned into a new and important source of energy in the immediate future," he wrote. "This ... would also lead to the construction of bombs, and it is conceivable - though much less certain - that extremely powerful bombs of this type may thus be constructed."

Einstein – a lifelong pacifist – had sent the letter that would spur the American government to commence the Manhattan Project, which produced the world's first atomic bomb. He had been persuaded to send the letter by fellow physicist Leo Szilard, a fellow Jewish refugee from Nazi Germany. Both men had reacted according to their consciences, under conditions of mass persecution, torture and murder by the Nazis, and in the lead up to World War 2.

But by the end of the war, Szilard was petitioning the new American President, Harry Trueman, *not* to use the atomic bombs created at Los Alamos, where the Manhattan Project was carried out. Szilard feared the consequences of bombing the civilian targets of Hiroshima and Nagasaki. He was right to do so. This well known story shows up a fundamental contradiction: scientists, whose work can make the difference between life and death in situations of extreme crisis, are forced to work through social relationships that concentrate power and wealth, and mechanisms of state that have their own aims and objectives, which can be very

different from those of the scientists concerned.

In later life, Einstein said that writing the letter to Roosevelt was the worst mistake of his life, and tried to make amends. He participated in the Pugwash movement of scientists for peace, founded by Joseph Rotblat. In 1955, for example, he signed – along with British philosopher Bertand Russell and others – the Einstein-Russell manifesto. "Shall we put an end to the human race; or shall mankind renounce war?" the manifesto demanded.

"In view of the fact that in any future world war nuclear weapons will certainly be employed, and that such weapons threaten the continued existence of mankind, we urge the governments of the world to realize, and to acknowledge publicly, that their purpose cannot be furthered by a world war, and we urge them, consequently, to find peaceful means for the settlement of all matters of dispute between them," the scientists urged. Their words, though brave, had little effect on the governments of the world, however.

Science, as we know it, has developed under the social relations of capitalism for most of its existence. But the professed ethos of science – communalism of effort and knowledge, universalism in the validity and applicability of that knowledge, the disinterested search for the truth, and an organised scepticism in challenging received wisdom until it is supported by overwhelming evidence – are almost by definition at odds with the individualistic greed and nationalistic jingoism that underpins capitalist philosophy. No wonder, then, that the relationship between science and the state is so uneasy – as the scandal over the death of David Kelly for speaking up about so-called weapons of mass destruction has so vividly demonstrated.

With this being the centenary year of Einstein's great discoveries in 1905, much has been and will be said, written and broadcast about his humanism and statesmanship. Einstein, however, is only the best known of a much larger group of scientists who – while working for national victory during World War Two – were able to maintain a distance between their objectives and those of their military masters, and speak out when they felt the need to do so.

One such was Professor Patrick Maynard Stuart Blackett. And a new book on his life by historian of science Mary Jo Nye throws light on the way in which scientists have historically taken their stand.

Blackett was born on November 18, 1897, into a middle class London family. He entered the Naval College on the Isle of Wight when he was

just 12, and when the First World War broke out, was immediately sent to sea. He saw action at the Battle of Jutland, in 1916. Towards the end of the war, his ship was badly damaged and had to be towed to port. By then, Blackett had had enough of navy life and resigned his commission.

Blackett's scientific career took off when he went to Cambridge University - at that time one of the most exciting centres for physics anywhere in the world. His envelopment in science was accompanied by a change in his politics from Conservative to Labour. Blackett came to London's Birkbeck College in the 1930s, at a time when there was a growing band of radical socialist and communist scientists, which included the likes of J B S Haldane, J D Bernal and Lancelot Hogben.

Along with some of these, Blackett organised the group For Intellectual Freedom, in 1935, as an anti-fascist group. When the Second World War broke out, Blackett was among those advocating the maximum use of science and scientists, as part of his anti-fascist position. In parallel, thus, with Einstein and Szilard, Blackett saw the use of the latest science as vital to ensure that the "right side" won.

Blackett's particular contribution to the British war effort consisted in the application of what became known as "operations research" to military activities. This involved working out with mathematical models how efficient various tactics would be. For example, Blackett calculated that it was worth sending up just a few fighter planes to intercept the Luftwaffe's bombing missions, when the Air Force considered they could only be effective if they had large numbers of fighters available. He was right.

Blackett was at odds with the air force over the blanket bombing of civilian targets in Germany. His opposition was partly founded on operational research. But it also had a strong moral and ethical component: "So far as I know, it was the first time a modern nation had deliberately planned a major military campaign against the enemy's civilian population rather than against his armed forces. Never have I encountered such fanatical belief in the efficacy of bombing."

After the end of the war, Blackett was involved in committees advising the British government on the development of nuclear weapons. He was often a lone voice in those committees, arguing that not only should Britain *not* develop nuclear warheads, but that it should take a stand of neutrality in the developing Cold War between the United States and the Soviet Union. Such views made him a target for the security services in both the UK and USA. And as his views developed - in the 1950s and early

1960s – he expressed them more and more openly, making use of outlets such as the Left Labour *New Statesman* magazine.

Nye's book produces little evidence that Blackett's scientific career was unduly hampered by his political views, however. The advent of the Labour government in 1964 saw many of Blackett's ideas for science being adopted as part of Harold Wilson's "white heat of the technological revolution". He ended up as Head of the Physics Department at Imperial College, London, and served as President of the Royal Society, Britain's premier scientific institution.

But the book does shed light on the very contradictory positions that scientists find themselves in – and the intellectual tools they use to make sense of them. Blackett was not an ideologue like J D Bernal, who supported the Communist Party despite the pact between Stalin and Hitler, for instance. Blackett's opposition to what he saw as misuses of science was moral, ethical and logical. So he never developed a clear political understanding that would challenge the social and political structures that – in the name of private profit and national advantage – were abusing science and the scientists who generated it.

Blackett: Physics, war and politics in the Twentieth Century, by Mary Jo Nye. Harvard University Press, 2004 £25.95

John le Carré's latest novel is a brilliant tour de force, spanning 40 years of history, taking us from the Berlin of 1968 to the invasion of Iraq and the "war on terror".

Globalised spooking

BY LAURENCE HUMPHRIES

John le Carré has written a perceptive and sardonic book about two friends and their political development beginning in the late 1960s and taking us right up to the present day, encompassing all the politics of globalisation, and finally the "war on terror".

Le Carré's storytelling is masterful and at every step he keeps the reader interested in all the twists and turns of the politics of the Cold War. We are first introduced to Ted Mundy a British expatriate born in Pakistan in 1947.

As so often in Le Carré's novels, the father figure, in this case a hard-drinking and brutish former British army major, is at the centre of the hero's development. We follow Mundy through school, where a substitute father figure introduces him to the beauties of the German language - shades of Smiley and Le Carré himself. At Oxford, Mundy falls in love with a Hungarian revolutionary who has been part of the student movement in Berlin. When Mundy goes to Berlin for his study year, she suggest he track down Sasha, one of the leaders of the movement. When the two meet - the tall shambling Englishman and the small, dynamic German thinker - it becomes the central relationship of Mundy's life. From then on he is tied to Sasha, whatever the cost to him personally.

This is the time of student revolt against the Vietnam war. He and Sasha spend long hours together, discussing the philosophers of the Frankfurt school like Marcuse and Horkheimer. Sasha's background is different from Mundy's. His father was a pastor who ostensibly became a Nazi sympathiser and therefore hated by his son. The Communards led by Sasha organise a demonstration at the Free University which is violently

attacked. Mundy, after saving Sasha from a beating, is expelled from West Germany. Sasha never forgets this heroic act and their friendship is sealed.

In the intervening years Mundy at first becomes a journalist and eventually joins the British Council where he acts as a representative for performing arts groups in other countries. Mundy has met and married Kate, a deputy head teacher, and a Labour Party member who "deplores the infiltration of the party she loves by Trotskyists" and who eventually evolves into a Blairite.

Mundy, meanwhile, visits Eastern Europe with a school theatre group and it is here that he once again meets Sasha , who now works for the Stasi. Mundy too becomes a spy and they both live their complex, double lives. Their lives are transformed overnight by the collapse of Stalinism, and with the German state unified, former spies find themselves on the shelf.

Finally, the book moves to the present day, after September 11 and the invasion of Iraq. Mundy is a tour guide in Germany who hates New Labour, Bush and free-market capitalism and makes no bones about it. After another apparent chance encounter with Sasha, the pair are drawn into a deadly conspiracy which exploits Sasha's continuing idealism and Mundy's inability to say no to him. It links shadowy figures from the East European mafia and the American fundamentalist right in a plot to force the German state willy nilly to join the so-called war on terror.

Le Carré brilliantly captures the new dimension of corporate involvement in the business of government and international relations as the story takes new twists and turns towards its explosive climax. He has written a thought-provoking book asking questions about politics, the Cold war and globalisation. He is a pessimist, however, seeing all the cards stacked in favour of the corporations and self-serving politicians. For Le Carré we are just pawns in the games played by absolute friends, which restricts his world view to spooks who always get their way. We shall see.

**Absolute Friends* by John le Carré. Coronet Books £6.99

Porcelain that challenged the world

REVIEW BY CORINNA LOTZ

Flying in the face of the received wisdom that revolution and art are uneasy bedfellows, a small display of porcelain and drawings is proof that political transformation can inspire outstanding artistic achievement and vice versa. The "agit-porcelain" on show in the Hermitage Rooms at London's Somerset House was created during a brief but astonishing period in the history of art that followed the October 1917 revolution.

Some pieces bear the stamp of their traumatic birth. Dishes and vases by Maria Lebedeva, for example, were fashioned to raise funds to relieve the famine that was ravaging the Volga region in 1921. In style, their rainbow colours and generosity of feeling belie the desperate harshness of the times, but the message on them is clear.

Like the other commemorative plates and more functional objects, Lebedeva's style seems vibrantly contemporary. All of these splendidly crafted and beautifully preserved objects glow with colour. They speak eloquently of the social and artistic turmoil surrounding their creation. There are so many artists, especially women, who we could not appreciate before as artistic personalities, but we can now.

The participation of outstanding artists of the revolutionary period, such as Kazimir Malevitch, Vassily Kandinsky and Petrov Vodkin, in the design and production of chinaware was not a bizarre accident of history. It was the result of an arts policy adopted by the Bolshevik government. The Tsar's Imperial Porcelain factory was transferred to the Department of Fine Arts of Narkompros, the People's Commissariat of Enlightenment in March 1918. It was nationalised in June by a decree signed by Lenin, and renamed the State Porcelain Factory.

The appointment of Anatoly Lunarcharsky as head of Narkompros, a post he held from 1917 to 1929 was a master stroke by Lenin, who believed that "in matters of culture, nothing is as harmful and pernicious as hate, arrogance and fanaticism. In these matters, great care and

tolerance must be exercised".

Lenin opposed the invention of a new "proletarian culture". In his dialectical point of view he brought together the old and the new. At a meeting of the Politbureau in 1920, he insisted that "the best models, traditions and results of the existing culture had to be developed in the light of the needs of the masses".

The combination of the best of old traditions and skills with the new style and social order is what makes the objects produced between 1918 and the mid-1920s so aesthetically and politically exciting. Production continued, making use of the porcelain forms produced under the old regime, but now decorated in new styles and using new themes and motifs. A dish with a portrait of Lenin painted by Zinaida Kobyletskaya in 1924, for example, shows the use of blanks which had survived from the Tsar's regime.

While its new task was to supply porcelain to "the people as a whole", the State Porcelain Factory was provided with funding for crafts and skills training. An outstanding graphic artist, Sergei Chekhonin was elected to the post of artistic director in the autumn of 1918.

Chekhonin brought a brilliant group of artists into the factory, which was viewed by the factory's directors at the time as a "breeding ground for artistic porcelain culture not in forcing [artists] to work in a specific artistic sphere, but rather, if one could so put it, in the 'provocation' of the people's genuine creative force".

Curator Tamara Kudryavtseva refers to the avant garde artists who arrived at the factory as "knights of the revolution". They included talented painters like, for example, Alexandra Shchekotikhina-Pototskaya, who had trained in Paris and worked in the theatre under Diaghilev. She joined the painting department of the Porcelain Factory in 1918.

Pototskaya seemed "to ignore all the rules of painting on porcelain," in Kudryavtseva's words. "She fearlessly distorted and broke up perspective, building compositions according to her own rules, crossing the boundaries of form."

Designs by Chekhonin are amongst the revelations in this exhibition. His plate showing a large star with a wheatsheaf uses iconic images of the Soviet state. There is an extraordinary freedom of style, a sureness of touch and spontaneity in his work. We feel the unrestricted hand and skill of the artist in the lovingly applied feathery flames.

Lev Bruni, another Paris-trained artist, also displays a flowing brushwork which enlivens a group of pencil and watercolour drawings for

the Red Birds tea set. The birds take flight around plates, cups, and a creamer with a rococo delicacy and humour.

Draughtsman Nikolai Yankin worked in the new Suprematist style pioneered by Kazimir Malevitch. His subtle gradations of grey, violet, mauve and textured brown of Yankin's cosmic drawing were faithfully reproduced on the porcelain plate. The marks on the back provide an intriguing record. We find the following: "AIII 92" beneath a crown, an abbreviation for Tsar Alexander III who ruled in 1892, plus a hammer, sickle, part of a cogwheel, plus the monogram "KNP" - the Commissariat of People's Enlightenment with the dates 1918, 1923.

Hard as it was to transfer the freshness of each artist's individual skills into large quantities, printing techniques were introduced in the attempt to step up production and reduce costs. Against those who were critical of the avant garde style, Lunarcharsky said: "There is no harm if the workers' and peasants' rule has provided significant support to innovative artists: they were indeed cruelly rejected by their elders. ... the Futurists were the first to come to the aid of the Revolution, and were, of all the intelligentsia, the most kindred and the most responsive to it."

Working conditions in the factory were tough in the first years of Soviet power. The import of raw materials was cut off as the revolution was isolated and punished by the imperialist powers. Nevertheless, a team of outstandingly talented and dedicated people turned out objects of rare beauty and originality. They were assisted by chemist Karl Keller, who established a brilliant new range of colours and established local production of kaolin clay, which previously had to be imported from England.

Kudryavtseva writes: "This was a period of intense creativity. Perhaps never before or after - even in more prosperous and peaceful times - would the painting workshop of the Porcelain Factory produce so many new designs at once. But then at no other time were there to be so many outstanding talents gathered together in the factory workshops."

Items of daily use, such as cups, plates and teapots, ordered in large quantities by the Commissariat for Food and other Soviet bodies, suddenly become vehicles for political messages as well as artistic manifestos and outstanding skills. They were made in a broad range of styles, from the traditional to the extreme avant garde. But all of them convey a feeling of infectious excitement, superb quality and singing colours.

When art historian Nikolai Punin took over as artistic director in 1923, he commissioned designs from Malevich, Kuzma Petrov-Vodkin and

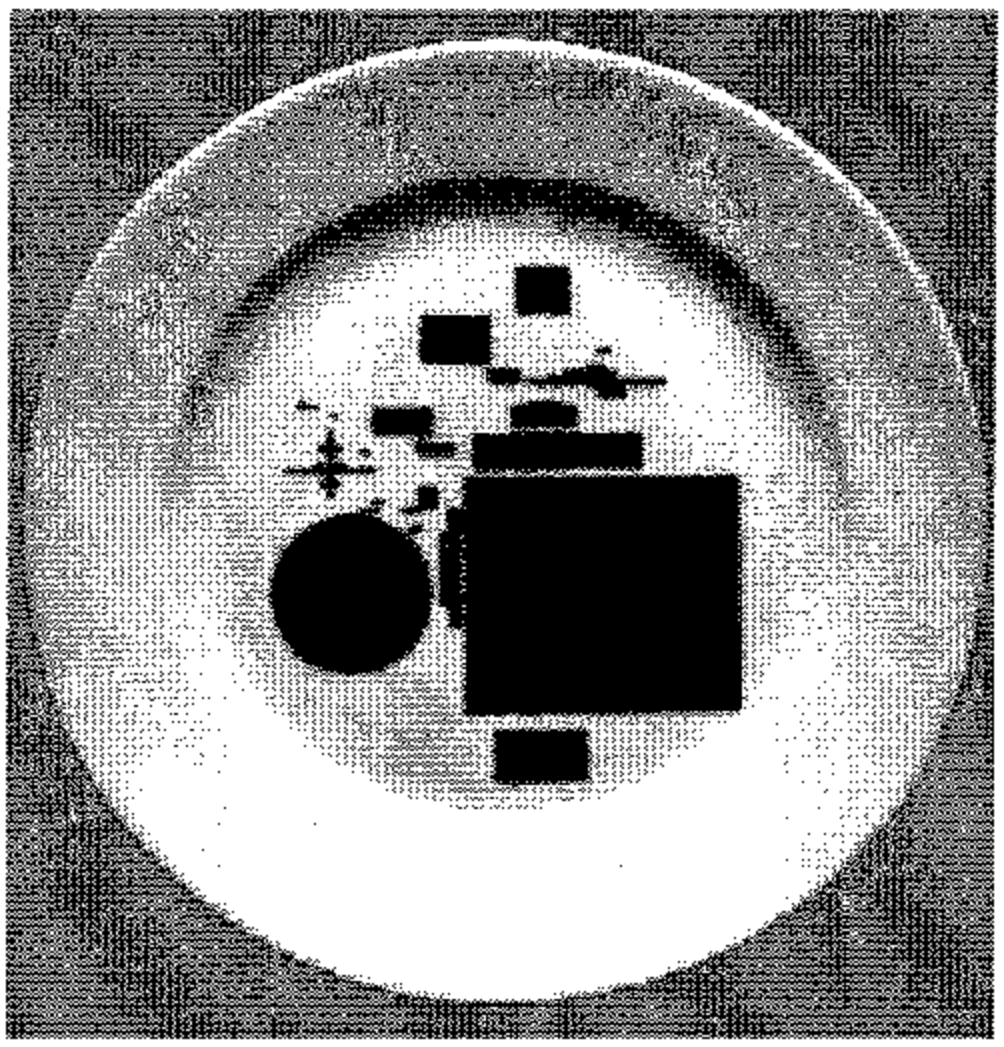
Alexander Matveyev. But Malevich's best known followers, Ilya Chashnik and Nikolai Suetin, were made redundant in April 1924, three months after Lenin's death. In 1929, sculptor Yelena Danko noted that despite the high appreciation enjoyed by the Suprematist designs, the artists themselves had been sacked and the factory "only repeats their old models".

The innovative artists were suffering the same fate as the revolution itself, as the Stalinist bureaucracy tightened its grip. In 1934 the state dogma of socialist realism was imposed on all artistic production, ostracising anyone who refused to conform.

The exhibition catalogue documents the history of the State Porcelain factory from its foundation in 1744 and its transfer under the Bolsheviks into public ownership in 1917, as well as events up to 1936. But the account then skips forward 50 years to 1985. The factory was privatised in 1993. But even under private ownership, the works turn out collectors' pieces using the revolutionary designs of the early 1920s.

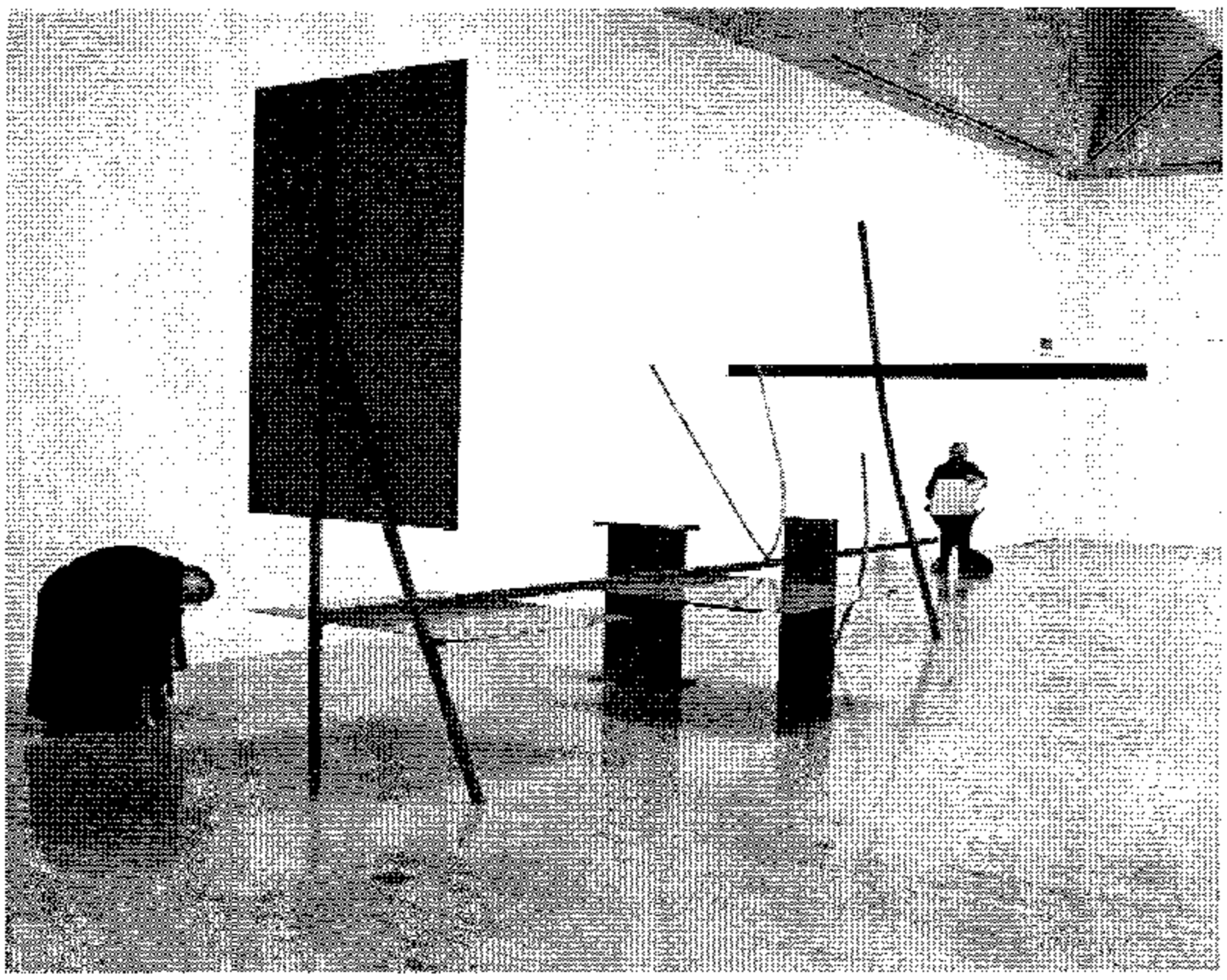
Circling the square: Russian avant-garde porcelain is accompanied by an illustrated catalogue (Fontanka, £20) by Tamara Kudryavsteva, head of the Porcelain Museum at The State Hermitage Museum until her sudden death earlier this year. The exhibition runs until 31 July in the Hermitage Rooms at Somerset House. Open daily 10.00 am to 6.00 pm, last admission 5.15 pm. Admission £5 /£4
www.hermitagerooms.org.uk 020 7845 4630

Avant-garde artists from eight countries including the former USSR feature in a touring exhibition from the Hayward Gallery which arrives in London in March. It brings together over 140 rare posters, book designs and photomontages created between 1918 and 1934. Artists include John Heartfield, El Lissitsky, Gustav Klucis, Lazlo Moholy Nagy, Kurt Schwitters, Theo van Doesburg, Solomon Telingater. On view at the Estorick Collection, 39a Canonbury Square, N1, March 9-June 5. www.estorickcollection.com Admission £3.50/£2.50. Tel: 020 7704 9522. The Estorick will also host a show of Futurist art from Russia in September called "A Slap in the Face"



Above: *Plate: Red rectangles and circle*, Nikolei Suetin 1923-4

Below: *Early One Morning*, Anthony Caro 1962



With admission charges thrown to the winds, we can enter into dialogues with 50 pieces of Anthony Caro's work in both intimate and grand spaces at Tate Britain. Corinna Lotz reports on a long overdue retrospective for a sculptor who continues to challenge.

The angry man of sculpture

Anthony Caro, it seems, was unhappy with the idea of the show being bisected into paying and free sections. In any case, it is impossible to restrict entrance to the Tate's central areas. The happy result is a truly public sculptural installation which even so strains to go beyond the interior spaces to the outdoors.

The opportunity is long overdue. Over the past decade, major Caro retrospectives have been held internationally, but not in Britain, and certainly not in spectacular public settings. A small display of photographs at the beginning of the Tate's promenade provides some clues to the splendour of such events.

In 1992 the Trajan Forum in Rome formed a triumphant backdrop. Then, in 1995, the Tokyo Museum of Contemporary Art opened with a 114-work Caro show. Athens and Thessaloniki staged major displays in 1997, followed by Venice (1999), Bilbao (2000), and Barcelona (2000). The last London showings were at Kenwood in 1994 (*The Trojan War*) and the National Gallery in 1998. And even then his 3-D interpretation of Van Gogh's chair got a very mixed press.

But Caro is no stranger to bold actions or risking displeasure from those who would like artists to conform to accepted fashions and dogmas. After an initial training at the traditionalist Royal Academy Schools, Caro knocked unannounced on Henry Moore's door in 1951 to ask if he could work under him. "I actually did very much try to get inside his head and learn everything I could from him... it was fabulous," Caro recalls.

The carved and modelled human forms which were the norm in Moore's work and that of most contemporary sculpture, were grossly distorted and stretched and pushed to extremes by his former assistant. The podgy, deliberately awkward *Man Holding His Foot, Man Taking Off His Shirt* and *Pulling on a Girdle* of the 1950s are above all physically present. They are clumsy, stumpy and funny – deliberately flouting notions of how we might relate to sculpture.

A total metamorphosis then occurs. The squidgy brown worm turns into a butterfly. Caro's oxyacetylene welded steel *Twenty Four Hours, Sculpture Seven, Early One Morning,* and *Month of May* are a revelation and a seeming release from the weight of the mass. This is solid steel - and by balancing the delicate with the heavy, the focus is now on sensations arising from pure colour and form.

The change from the lumpy figures to the airy constructions of the 1960s seems unbelievable. And yet, there is a connection. Caro looks at how we experience the life of an intensely-lived present moment *from within*, not from its outer surface, captured with gusto and humour.

The wonderful, hovering *Early One Morning* of 1962 was acquired by the Tate as early as 1966 and no one can now challenge its innovative qualities, not to speak of its aesthetic pleasures. Welded steel sculpture has become part of the 20th century way of seeing the world, ingratiating itself into the collective psyche.

It is difficult today to appreciate quite what a breakthrough bringing this industrial technique into British fine art was in its time. In the post-war period, Moore and Barbara Hepworth were the patron saints of British sculpture. Caro's break with his teacher Moore symbolised a sea change in British – and international – culture. The last cobwebs of war-time austerity and repressiveness were swept away. A new generation was breaking loose.

The crucible for contemporary British sculpture – and ideas about art - now became the 25-year collaboration between Frank Martin and Caro at St Martin's School of Art. Recruited in 1953 by the visionary teacher Martin, Caro decided he was going to "teach as a student"[1]. "I made it clear that we were all engaged on an adventure, to push sculpture where it has never been."

It was a great enterprise which transformed not only sculpture but a whole approach to art education. As another member of St Martin's, Tim Scott, has explained: "Frank Martin's teaching policy was based on the idea of informal argument and discussion between staff and students, the

famous St Martin's crits... Martin saw that there was a hidden treasure in the cultural life of the country ... the sculpture school was above all a partnership with Caro that established a new ethos of breaking with tradition and thinking freshly about sculpture."

Caro made his first trip to the USA in 1959. Meeting abstract painters like Kenneth Noland, seeing the abstract steels made by David Smith and exchanging ideas with critic Clement Greenberg revolutionised Caro's approach. As John Golding has written: "He recognised that developments in American painting were in advance of those in contemporary sculpture."[2]

Cut-out sheets of steel, pipes, rods, sickles, propeller-like twisted oblongs, grilles and grids, semi-circles and cylinders all move around in exciting combinations. They probe and go beyond the limits of what could be done on the edge of plinths and tables. From the painted steel of the 1960s, Caro then went on to use great sheets of rusted steel in the 1970s.

From 1982, Caro began to organise the Triangle Artists' Workshops in upstate New York with his wife Sheila Girling and critic Robert Loder. Initially they involved artists from the US, Britain and Canada. The project was extended to Barcelona in 1987. Over 90 workshops in 28 countries have been organised since, taking forward the idea of collective work with active critical debate which was begun at St Martin's.

It was a way in which Caro and those with whom he worked could reach beyond themselves and make sculpture into a social and community enterprise. He refused to stand still. From steel he moved into other media, including wood, bronze, brass and stoneware.

His *Child's Tower Room* of 1983-1984 was a spiralling, diagonal climbing toy just under four metres high. Its curving, sensuously grained Japanese oak brings softer, baroque qualities into play. But a modernist, constructivist content is also present. The piece is a revival of the pioneering *Monument to the Third International* made by Russian Constructivist Vladimir Tatlin in 1920. A photograph of an architectural/sculptural "village" made with Frank Gehry, Girling and Jon Isherwood in 1987 shows the utopian aspirations even more powerfully.

After visits to Greece and India, Caro found new impetus and inspiration from great masterpieces of the past. From abstract classical rectilinearity, Caro introduced curves in the 1980s. Then perhaps through his inspiration from other artists such as Manet, Picasso, Rembrandt and Rubens, he returned to a new kind of figuration. In the 1990s, Caro began to experiment with stoneware and wood, learning techniques from

ceramicist Hans Spinner. A series of *Book Sculptures* (not shown at the Tate) were a kind of build-up to the dramatic contrasts of texture and material that were taken onto monumental level in *The Last Judgement.*

He has a grand vision but he expresses it with down-to-earth means and images as well as a wicked sense of humour. Caro has retained his ability to shock and awe. Many people have found it a lot easier to admire the abstract steel constructions which marked his greatest wrench from the past. But even while he approached his 80th year Caro declined to rest on his laurels. Critics, both favourable and disparaging, have spoken of the "human" qualities which suddenly and perhaps strangely speak out from his work, even the most abstract constructions.

Caro has refused to comply with the fashionable post-modern convention that artists are not supposed to have strong political views. He wants to comment on humanity's triumphs as well as its horrors. His *The Last Judgement* which has provoked a lot of negative press, is full of allusions to monstrous events conceived in a theatrical, operatic way. "I felt oppressed by the political and moral bankruptcy of people's attitudes," he remarked in 1999. "I just felt the need to do it."

Speaking on the eve of this show Caro said in an interview: "Politics suddenly came into my work. I'm disgusted by the way things are happening. I think that Bush and Blair are war criminals. I wouldn't shake hands with Blair if I had the opportunity to do it. He has no honour at all. I found myself getting intimate with politics with *The Trojan War.* But what is the narrative about? Is it about the Trojan War or is it about the Kosovan war? It's difficult to know. I think it probably went over the top a bit in The Barbarians. I don't want to preach. But I'm angry."

Anthony Caro at Tate Britain. Until 17 April. Daily 10-17.50. Admission free

[1] Anthony Caro, edited by Paul Moorhouse with essays by Michael Fried and Dave Hickey. Tate Publishing. £24.99

[2] Caro at the National Gallery. From Painting to Sculpture by John Golding. 1998

At last a film that grasps the nettle. There are plenty of challenging political thoughts and arguments in Hans Weingartner's second feature film, and yet it is nuanced, humorous and has a superb lightness of touch. *The Edukators* depicts a rite of passage, love story and history lesson all rolled into one. Looking deeper into the director and actors' own lives and experiences, it can be viewed as symbolic of post-1989 Germany.

A quest for freedom in unified Germany

After the fall of the Wall, youths from east and west Germany moved into empty buildings in East Berlin as rents skyrocketed. A Squatters' Council was formed representing more than 120 squatted buildings. During the 1990s, squatters and police were at loggerheads as the youth were cleared out of one building after the other.

Weingartner, who is 33, says *The Edukators* is about the last ten years of his life. "There are lots of themes in the film, but the theme of revolution, of rebellion is the key one. For my generation, the problem is that we don't know how to translate our desire for revolution into action; we don't know how to fight against the system."

Back in the 1990s, when he was a physics student, he lived in a Berlin squat. "We felt the whole system was wrong. It was bad for the exploited and bad for the exploiters too. It was not only unfair, it was alienating for everyone. All my friends felt the same way, but none of us ever found a political group we could stick with. We didn't want to be regimented. Like Jule [the film's heroine], we wanted to be free."

His squat experience ended with a massive police raid: "They tossed my belongings out of the window. They treated us like dangerous criminals. They destroyed the whole building. When I recovered I promised myself I would

incorporate politics into a movie. I have always been interested in socially conscious cinema. I admire Michael Moore, Mike Leigh and Costa Gavras. *The Edukators* is a film about the scope for political change, but it cannot give answers because there are no clear answers to give."

The film was shot 100% digitally with no artificial light. "The decision to shoot exclusively with hand-held cameras was important. We were able to explore the space and give actors licence to go wherever they wanted. We ended up with something very mobile, with cast and camera dancing around each other.

"Everything is down to the actors," Weingartner says. "The camera must follow them, so that it looks like they are determining the shape of each shot. They must look and feel free to move as they please. The position of the camera can never determine what they do. This notion fits in with the film's impulse towards freedom, spontaneity and lightness."

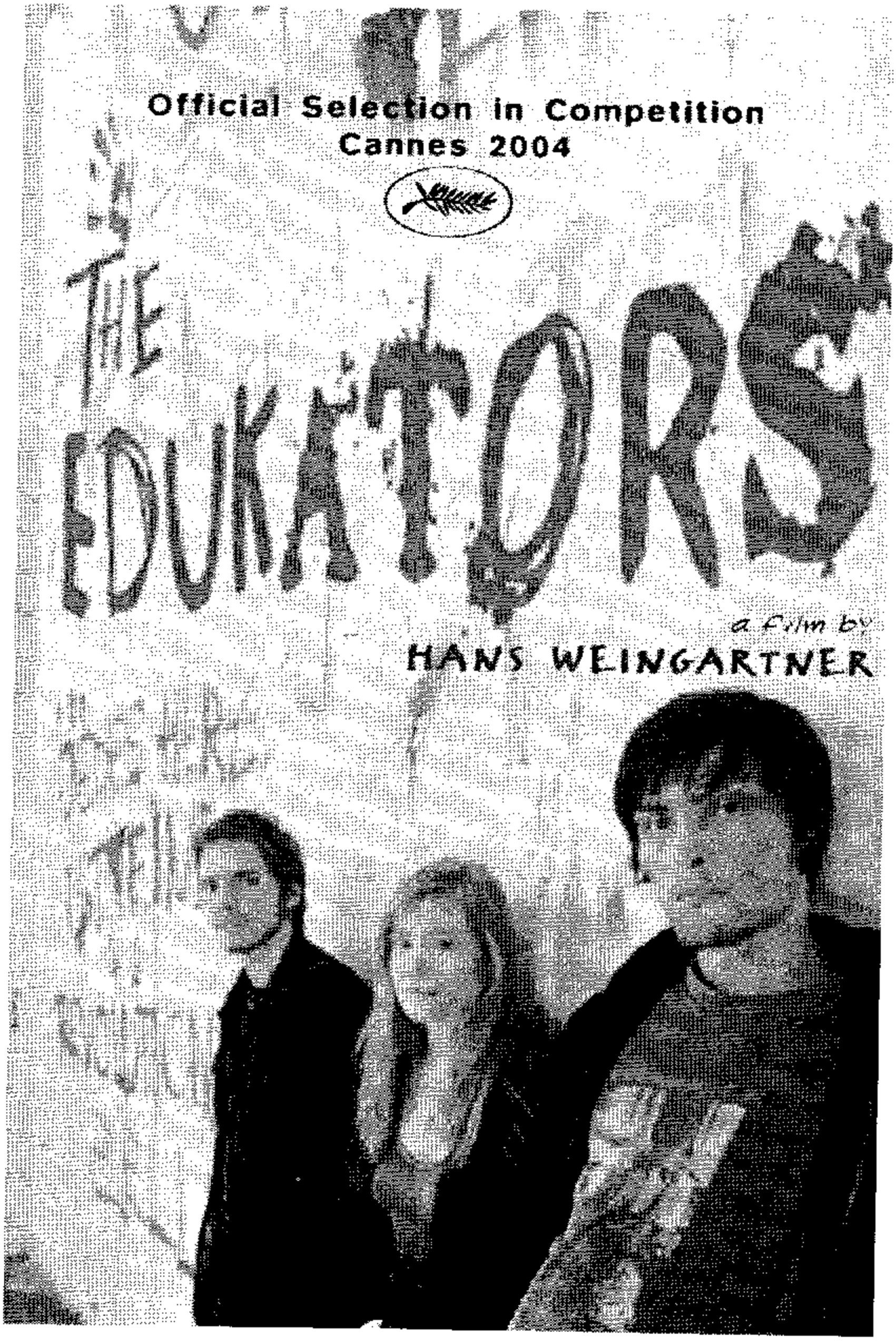
Daniel Brühl who starred in Weingartner's first feature film *The White Sound*, and has gone on to make *Ladies in Lavender* with Judi Dench and Maggie Smith, is the quiet but determined centre of the storm. Our view of Brühl's character, Jan, is coloured by his role in the 2003 hit, *Goodbye, Lenin!* where he played a sympathetic son who wanted to make time stand still to keep his mother happy.

Julia Jentsch, who plays the girl loved by two young men, trained at Berlin's Ernst Busch Academy, the toughest and most prestigious theatre school in Germany, named after the singer and actor who worked with Eisler and Brecht. Croatian-born Stipe Erceg as Peter, the second in the trio of rebels, is totally convincing.

Like *Goodbye, Lenin!*, *The Edukators* expresses an intense desire for a different kind of world. But instead of recreating the past, it looks at the injustices of the present. Jan and Peter are political activists who seek to subvert the status quo. They break into the homes of the rich to "rearrange" their possessions, creating a chaotic kind of art form.

The story is a denunciation of the inhumanity of corporate control and in Weingartner's own words "an economic system in which human beings mean nothing and money is everything". Jule, Peter's girlfriend, has her own problems, and knows nothing about her boyfriend's acts of "edukating". She is weighed down by a huge insurance claim debt, keeping down her job as a waitress and paying the rent.

Successful businessman, Hardenberg (Burghart Klaussner), whose villa is invaded by the Edukators, is himself an ex-1960s rebel. With shades of Joschka Fischer and other Sixties rebels who are now pillars of the system, he


Official Selection in Competition
Cannes 2004
THE EDUKATORS
a film by
HANS WEINGARTNER

rationalises his political degeneration. He thaws out when forced to live cheek by jowl with the rebels, but is manipulative and perfidious to the core.

As the story develops, the three young people are drawn deeper and deeper into defiance of the law. At the same time, their own friendship spins dangerously near destruction. The film deliberately flouts the gloomy view of relationships which Weingartner says dominates most German movies.

In many ways *The Edukators* does not go beyond the realm of protest – and yet this makes it true to its subjects and its time. But the rebels have a vision and a loyalty to their ideals that show that another world is indeed possible. The film is an inspiring contribution to the current flowering of a new German language cinema.

The Edukators – Die Fetten Jahre sind Vorbei (The Fat Years are Over) opens in the UK in April.

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