

**ECONOMY**

# What is the capitalist strategy?

Hillel Ticktin looks beneath the hype about 'recovery' to expose the bankruptcy of the ruling class

**H**ardly a day goes by when the broadcast media do not talk of the recovery and the tabloid newspapers attempt to document it with headlines and photographs. At the same time, governments continue to maintain an official policy of austerity. Expenditure continues to be restricted and private investment remains static. In the entire four-year period from the official downturn in 2008 down to the present, money has continued to pile up in the corporations. If one substituted a period during the great depression of the 30s, it would not look very different.

It seems that the top 2,000 global companies had \$4.5 trillion of gross cash in 2013, but spending this year will decline by half a percent on top of a one percent decline in 2013. The situation for the third world is worse. Capital expenditure by emerging-market companies is going down, declining by four percent in 2013 and another four percent expected this year.<sup>1</sup> Much of actual expenditure relates to metals, mining and energy, and hence to the third world - even if the companies like Vale, Rio Tinto Zinc, BHP Billiton and the oil companies are first-world.<sup>2</sup>

The euro zone is in the gravest trouble, with deflation on the cards. An editorial in the *Financial Times* cites the International Monetary Fund, which refers to the low growth, high debt and low inflation there. It then continues, crucially: "Even without such instability, vulnerable countries are, on present policies, condemned to needlessly high unemployment for many, many years."<sup>3</sup> It goes on to call for quantitative easing and hence the buying of sovereign bonds. Since such buying amounts to helping fund government deficits, this would be controversial, especially in Germany.

The United States is in a better position, in that there is positive jobs growth and overall growth in GDP. However, the situation is anything but rosy. Although employment is picking up, skilled workers who lost jobs disproportionately in the downturn are not getting them back. Long-term unemployment, and "a declining participation in the labour force" have been a feature of the US labour scene. Wages are static.<sup>4</sup>

The actual growth level is low - something already true before 2008. This is a feature widely discussed among newspapers and journals. They point to declining levels of participation in the labour force and lower immigration, but also to lower levels of productivity per worker.<sup>5</sup> *The Economist*, conservative as it is, naturally argues that less regulation and lower corporate tax would raise investment and boost productivity.<sup>6</sup> Clearly productivity would rise with more investment all round, and government spending in areas additional to infrastructure could make a big difference. However, the failure of the capitalist class to invest, and continuing government inability to increase investment itself, is a feature of both this and the last depression.

This failure has been given much greater publicity with the decision of Lawrence Summers, former economic advisor to Barack Obama, to revive the discussion around the question of stagnation,<sup>7</sup> as put forward in Keynesian theory. It was subsequently taken up by Paul Krugman and other Keynesians.<sup>8</sup> The argument, as put forward by Keynes and his followers, is simplistic in real terms, however sophisticated the economic language. It basically states that, given inequality in incomes and the tendency of the



**Swallowed up: small and medium-sized firms**

rich to save, demand for goods and services will be restrained. As income inequality is soaring, demand within the economy can only be limited. The conclusion is that wages and salaries should be raised and incomes of the rich consequently taxed.

The point, though, now put forward by Summers and endorsed by Krugman, is that the economy is chronically in trouble as a result and needs 'bubbles' to boom at all.<sup>9</sup> Krugman states that the economy has been chronically depressed since the time of Reagan, only saved by so-called bubbles, amounting to special stimuli.

The theoretical problem with these statements is that they assume a number of things and ignore others. Firstly, they presume that the rich only exist as atomised entities deciding to save and not spend. In reality the rich are only rich because they own businesses or other wealth-creating - or rather wealth-controlling - entities, which provide them with their income. The decision to spend is not about buying luxury items, but re-investing in their own or other firms. In other words, the question is posed in the wrong form.

Secondly, it is posed in the usual terms of an abstracted economic structure. It is assumed that the rich, who, of course, are part of the ruling class, will agree to be taxed in order to increase government expenditure and to redistribute income, rather than organise a powerful opposition. Thirdly, the specific way in which the surplus is pumped out of the population is wholly ignored. The role of the cold war, and so the acceptance of the state in what is called military Keynesianism, is not taken into account. The flow of money from the third world to the imperial power is also avoided and its particular role is left out. Finally, the change of strategy to one of finance capital is regarded as a technicality and hence its specific and controlling role is not discussed.

Basically, the bourgeoisie is not investing for a number of reasons. In the first place, because there is no medium- to long-term perspective which allows it to do so. Given the depressed state of the economy, even short-term investment of substantial amounts may be dubious.

In the second place, it is not prepared to go for long-term investment which will end up with full employment. The change mentioned by Krugman referred to above reflected the decision of the bourgeoisie to end the post-war settlement, and ensure efficient controls over labour. It is not going to return to full employment, with the

government playing a substantial role in ensuring an economy that provides for it. The government and the central banks are explicit in setting a target of a minimum of 5% unemployment, which has in practice meant double that figure.

In the third place, the policy of austerity means that the state is not providing the opportunities or the guarantees normally required. Underlying the problem is the fact that we do not live in the 19th century with a high level of competition, where firms control the market and further investment involves special conditions, requiring both innovation and substantial re-equipment. Both are less necessary under conditions with very limited competition.<sup>10</sup>

The upshot is that there is no chance that the situation will change in the short term. In the US, the Republican Party is opposed to government expenditure on, for example, subsidies for private firms, and the Tea Party endorses that line.

## Ruling class strategy

What is the strategy of the ruling class at the present time? It has learned the lessons of the failed war in Iraq, but it cannot invest and it imposes austerity. Is the ruling class now supporting depression as the economy of the future? Its current line follows and partially advances the route taken when it switched to finance capital at the end of the 70s.

The fundamental way in which capital rules is through its control over the surplus product, which involves maintaining the form of wage labour. That is done through the two economic forces of commodity fetishism and the reserve army of labour. In mature capitalism they suffice to ensure the stability of the system. However, as capitalism declines, they become less effective. Working class opposition, trade union action, the scarcity of skilled labour at various times, uncontrolled booms, the need to get political support, and the welfare state have eliminated much of the form of a reserve army of labour. In parallel, the apparently inhuman rule of the commodity, or the market - standing, as it appears, above human control and people's needs - is no longer omnipresent or accepted as necessary. Government control, administrative regulation of the market, nationalisation of sections of the economy, centralised administrative control over money - all have gone through various phases.

Whatever the reality at any one time, it is clear that the support for the market is an ideology and that an alternative is possible. Today the question is bitterly contested, with conservatives trying to privatise as much as possible. The idea that management could be elected, that there is no need for income inequality or indeed even private property is in the minds of the working class. History has ensured that these concepts cannot be wiped out. The issue is more profound than that. Apart from the examples of non-market forms given above, modern economies are ruled by giant monopolies, which contract out more or less of their work, under their supervision. The idea of the little entrepreneur inventing and taking to market some successful new product or process every so often is of secondary importance. Modern economies have very limited competition, usually confined to small firms, which are themselves subject to their larger customers.

Competition is limited, and the unemployed do not constitute a genuine reserve army of labour. How can capital rule if its fundamental form is itself changing? Nor is it just the overall market and control over labour that has changed. There is no way around the need for medium- to long-term 'planning', both within the central governmental administration and within large firms. The discussion on bureaucracy in the 30s provided the groundwork for the modern form, which has evolved further. The intra-form relationship is direct, with a series of arrangements like mission statements, a clear promotion procedure, departmental ethos and, above all, targets.

In turn, these are distorted by workers trying to be successful in their positions. There is a necessary conflict between the needs and practices of workers and the demands of management. This is well known, though not necessarily well understood. 'Leadership' is a contemporary slogan, but leadership can only work if there is a common interest, as opposed to a work ethic based on economic force. In practice, there is a compromise, where management accepts what is possible and workers limit their work in depth and extent. Management can use promotion, pay, threats and loyalty to the firm to ensure targets are met. There is a large management literature, of course, but the point here is only that the bourgeoisie has to rule through a conflicted form, which can easily founder if management lacks the skills needed. Under conditions where pay is held down, while management

pay rises exponentially, discontent will obviously increase. The main instrument that the bourgeoisie holds is that of dismissals, and so the division of the workforce into those permanently employed and the rest, of whom the most unhappy are those ultimately reduced to zero-hour contracts. This, however, is not an efficient solution, in that the company loses skilled workers, sometimes highly skilled workers. Loyalty is lost as a motivational force.

The form of capital itself has, therefore, changed. The introduction of the joint stock company marked the beginning of its transformation into a complex, bureaucratic-market structure. That has now evolved to the point where the top managers have been enfranchised within the capitalist class itself, in that their salaries and share holdings may give them more income than the controlling shareholders.

The bourgeois response to the change in form, therefore, has been to try to turn the clock back to the 19th century, with a competitive market of a large number of small firms, requiring the break-up of companies, privatisation and the hiving off of parts of companies or parts of the administrative machine of the state. Industry has been transferred to the third world, where poverty provides a huge army of the unemployed. Control has been assigned to finance capital, today largely represented by private equity. Trade unions have been restricted and union membership has plunged.

How successful has this strategy been? Its immediate weaknesses are extensive and we can list them as follows:

- Firstly, the idea that small to medium-size firms can play the crucial role in modern capitalist society is simply utopian.
- Secondly, as discussed above, there is a ceiling to investment at the present time.
- Thirdly, there has been a relatively quick and largely spontaneous self-organisation of labour in the third world, as shown in South Africa.
- Fourthly, finance capital has in fact imploded and is now under regulation, limiting its ability to control.
- Fifthly, there is tremendous discontent in the increasing inequality of incomes, partly shown by the incredible popularity of Thomas Piketty's *Capital in the 21st century*.
- Sixthly, the ruling class is itself divided, most obviously between management and the nominal owners of the enterprises: ie, the shareholders.
- Seventhly, the decline in the role of trade union leadership among the working class has meant that the unions cannot now play a mediating role between the classes, as they have done for over a century. This was the role so deplored by Lenin in his seminal work, *What is to be done?*<sup>11</sup>
- Finally, as an extension of this point, the loss of social democracy as a credible defender of capitalism has removed a barrier to confrontation with the working class. This issue is further examined below.

The reduction in welfare benefits and growth of the unemployed has meant that social democracy has had to choose whether to become more militant or abandon social democracy altogether. By and large, social democratic parties are today little more than a shadow of their former selves, whatever that was. The effect has been disastrous for political democracy - not in the simple elimination of social democracy, but in so far as there used to be a party which proclaimed that it stood for a socialist

society, however distant. Although there was a great deal of hypocrisy and betrayal, nonetheless, there was at least a formal statement of principles dedicating representatives to genuine change. Its elimination has made parliamentary democracy appear as a contest among political parties whose members have no principles and whose parties do not essentially differ in their aims. The increasing anger among the population following the financial implosion has found no outlet.

The logic of the situation leads to a search for more radical parties. That has showed itself in Greece with a move to the left, though in other countries the move has been more to the right. This, however, could just be the beginning of a long-term adjustment, in which people will begin to seek out leftwing candidates who stand for clear socialist principles. Even a mediocre conservative can see the possibilities. A genuine anti-capitalist programme proclaiming the aims of socialism - standing as it does for a good life for all, where all participate in decision making - appears as a utopian dream, given the history since 1917, but it is not clear that this will always be the case.

When this situation is considered, it cannot look very attractive to the bourgeoisie. They have lost their allies in the unions and social democracy, they are divided and the population is increasingly discontent, if not angry. They cannot continue with their previous strategy of finance capital, given the increasing level of militancy in the third world, as in China and South Africa, and the subjection of finance capital itself to regulation, which is worldwide, both by governments and international organisations.

## An historical excursus

An historical summary provides further support for the view that there is no capitalist solution other than the utopian one now being followed. In a period of capitalist decline, from the 1870s onwards, the bourgeoisie could no longer rely on the automatic stabilisers of the system, as they were undermined, and so turned to imperialism and war. Direct force was employed to suppress revolutions or potential revolutions, most particularly in the period 1917-23 in Europe. Fascism served the same purpose between the wars.

Since World War II, the concessions made in a period of military Keynesianism were supported by Stalinist control over the working class. However, by the 70s the working class began to act, and the bourgeoisie pulled the plug, while Stalinism came to an end.

In short, imperialism, war, social democracy/welfare state and Stalinism were no longer present or able to support capitalism. The final throw was the return to finance capital, now under regulation and criminal investigation.

The switch to finance capital was effectively a last, despairing throw of the dice, in that finance capital exerted an extreme form of control over the extraction of profits. Finance capital is intrinsically short-termist. It cannot be anything else, since its *raison d'être* is to make money out of money. Money, however, is not in itself capital, it has to be used to buy labour-power to create more value. So, on the one hand, finance capital squeezed the industry that it owned to the limit, while on the other it ceased to invest when it could not find the quick return required. Given the situation where limited competition meant that the market either did not expand or expanded slowly, attempts to squeeze the value-producing sector still further could not work. Profits flowed, but they did not allow for still higher returns and more extensive fields for profits. The ultimate solution was to save the money and put it into banks to gain

interest where possible. Money could not become capital, and the capitalist class was becalmed - rich beyond its dreams, but no longer capitalist.

The system was in a general crisis from the 70s onwards, as already argued. The measures taken, some of which are enumerated above, have been called neoliberalism. They led to a wild ride in search of super-profits. In utter desperation finance capital turned to cannibalism, using derivatives on a gigantic scale, in a way easily susceptible to mass, high-level fraud. The crash that followed has discredited finance capital, even though it continues to function. A reversal of deindustrialisation is being talked about, but investment remains static.

*Like a horse whose embattled rider has lost his head, capitalism continues to move in the same direction as before, until the dead rider falls off and the horse (capital) gets the point and stops. Their older strategies are exhausted.*

It may be said that capital can rule as all undemocratic rulers have ruled in the past: through direct force, through division of the working class, through control over the media, education and general propaganda. It is, of course, doing so, but the problem for capital has always been that it brings together the working class in order to have a workforce which can work efficiently and well. At the same time, capital is international today and a divided workforce and divided society is less efficient. It is more difficult today to discriminate as harshly as before against women, non-whites, Jews, gays, etc. Hitler could use the traditional scapegoat of the middle ages, the Jews, but that is no longer possible today. Education, travel and the even media have made propaganda more difficult to believe. The Orwellian or Stalinist world could never be one in which the population was indoctrinated. When reality differs from the propaganda so blatantly, people become increasingly sceptical of official pronouncements. Cynicism rules or at least appears to rule. Most people are more intelligent.

The bourgeoisie is in dire need of a new policy, having lost all its old strategies from imperialism to Stalinism. The latter was not, of course, a capitalist strategy, but was accepted as a means of survival.

The present impasse is shown in the bourgeoisie's foreign policy, where it has invaded Iraq and Libya, but failed to improve its own situation. The whole of the Middle East is now in a total mess, in large part because the capitalist hegemon, the US, cannot find a solution. There is, in fact, no solution. The bourgeoisie destroyed the communist and nationalist parties and promoted religious fundamentalism, which has now got out of control. Its political failure is a mirror of its economic failure. The world is crying out for an advance to a new stage, where society is ruled from below in the interests of all, through an agreed series of plans. Governments have no money and cannot even bribe their way through crises, as they have done in the past. The countries of the former Soviet Union remain in a state of transition, as exemplified by the failure of Russia to develop and the considerable difficulties of Ukraine. Although it is in the interests of capital to bring them fully into the capitalist form, it has failed to help them move in that direction.

Most rightwing theorists might have expected the capitalist class to provide the money and the measures to allow, or even force, the states of the former Soviet Union to become full capitalist countries. Instead, capitalism rather saw them as a resource and a market in order to increase turnover and profits in the west. Western firms did not want competition and saw to it that there was none. There is, however,

no perspective for a country based very largely on extractive industries, as in the case of Russia. There is even less of a future for Ukraine, which does not have the mineral wealth of Russia.

Western strategy in relation to the former Soviet Union and eastern Europe also can only be called non-existent. The consequences are becoming clearer, with Hungary moving in a far-right - possibly semi-fascist - direction and other countries adopting authoritarian forms. Even those which have regular elections, like the Baltic republics, cannot be said to be 'democratic', since, they have found an excuse to exclude a section of the population from citizenship.

## Final round

The bourgeoisie is not investing and so there is a low rate of growth, and it is afraid to go for full employment, in case there is a repeat of the 70s. Instead, the strategy is one of austerity, combined with the remnants of a stricken, if functioning, policy of finance capital.

Austerity is already a failed strategy, but it is worth spelling it out. At the present time, the rich are getting richer, the poor poorer and the middle class is being wiped out. On the one hand, there is much talk about SMEs (small and medium size enterprises). On the other hand their position is not getting better, given the difficulty in obtaining loans and finding customers. On the contrary, the unemployed middle class has entered their ranks and finds it difficult to survive. The educated middle class - doctors, teachers, academics, engineers, etc - have declining salaries, while their costs, in terms of housing, education, etc, are rising. It is almost as if Eduard Bernstein's complaints<sup>12</sup> that Marx was wrong in predicting such a future have themselves been proved wrong. The public sector, being harshly cut, is particularly hard hit. At the same time, the conditions of workers - whether skilled white-collar or unskilled blue collar - are worsening.

Can the bourgeoisie go for concessions, a Keynesian strategy? It has never been tried in the absence of war, so it would be dangerous to attempt, and they know it. It is highly unlikely. Will they go for more repression? Historically, much of Europe fell into the hands of fascism, which repressed the left and the working class as a whole, but fascism itself is not repeatable. The logic of austerity leads to the full re-institution of commodity fetishism and the reserve army of labour. While the return to the confinement of workless families to the workhouse and the total privatisation of everything, with the return of gold as currency, is also out of the question, movements in that direction, if not the ultimate goal, are already in place. Nonetheless, it is highly unlikely also.

A section of the population is already scrounging from food banks and a substantial proportion of workers live a precarious life, moving in and out of employment, and losing their original skills. The logic of this situation is one of permanent riots and the growth of anarchism. This too is not a realistic labour or political policy. A simple continuation of the present situation will lead to a sharp shift to the left among the population, sooner rather than later. At the moment, workers are looking for immediate and comfortable solutions like independence in Scotland, but, as they disappear, socialism will present itself as the only reasonable replacement ...

This limited analysis is well known to bourgeois theorists and the more realistic will try to find an alternative. Interestingly, some of the attempts to hold the fort, such as the rewriting of history, the demand for patriotic textbooks, and the need to teach British values, all of which are deeply sinister, are seen for what they are.

There is, in fact, no alternative other than continued austerity, the continued undermining of the welfare state and the continued exclusion of unions from the body politic, all in the name of democracy.

## No middle road

The fact is that there is no middle road. One cannot mix the sperm of a dog and cat and expect to get a dot. Or, as one lecturer put it when we were debating market socialism, the latter is like fried ice. A worker subject to the discipline of the factory, under the control of management, is exploited and oppressed, whether the factory claims to be socialist or capitalist. In Marxist terms abstract labour has to be abolished. If it is abolished there cannot be a market. However, while there is no middle road, there is still a use for the failed middle road.

The nature of nationalised forms within capitalism may be inferior both to their privatised and socialist forms. The nationalised entity, in capitalism, cannot complete the process of transformation of the institution or enterprise by electing management and running the 'firm' for the benefit of both the society and the workers. Within capitalism, the 'firm' is usually compelled to run as if in a market, with pay, promotion, hierarchical structures for workers and a financial and economic structure based on either making a profit or not making a loss. On the other hand, the nationalised firm has to conform to government rules and abide strictly by the law. The result is that trade unions are relatively strong, jobs are protected and wages and salaries paid at some median level for most workers. Incentives become a mixture of the financial and working for the greater good. In the so-called natural monopolies like the health service, public transport, the utilities, etc, the result is a middling service, inferior to what is possible and often inferior to what private enterprise may provide. The problem for a nationalised firm is that it cannot use the ruthless control exercised by efficient capitalist management in firing incompetent workers, or in hiring the most skilled professionals at exorbitant salaries. Nor can it use the stages in between the polarities involved.

However, it is frequently not the case that privatisation is superior. A national, integrated service with one provider has natural advantages, which may be enhanced through good management and relatively high pay. A nationalised service such as health relies on the goodwill of its employees, the doctors and nurses, because that is in the nature of the service. However, capitalist incentives conflict with the humanitarian nature of the service. The US health service, being largely based on the market, is manifestly inefficient except for the rich. If someone is a worker, customer or observer of enterprises which vary in their ownership, whether public or private, such a worker may well be confused as to which kind might be supported. Such confusion might be extended by the failure of Stalinism. Socialism cannot be built by constructing islands within capitalism, whether the islands are small cooperatives or large countries, still less nationalised firms. At the present time, however, confusion reigns, precisely because the laws and proto-laws of the old capitalist system, and those of decline mix with those of the future struggling to show themselves.

Social democracy has manifestly failed and Stalinism has not only ended, but provided a permanent excuse to the capitalist class for opposing socialism. It does not yet know which way to turn. In view of the difficult reality confronting most people, popular confusion, rather than the traditional bases of commodity fetishism and the reserve army of labour, provides the bedrock of the relative stability of capitalism at the present time.

The confusion is supported by the dominant currents of thought among those considered intellectuals. In the period before World War I, and between the wars, there were many socialist writers in many languages. It is no accident that Michael Gove, former secretary of state for education in the UK, wanted to effectively ban Steinbeck from school literature. While Gove was widely derided, the fact is he thought he could get away with it.

It has taken almost a century, from the time of the Russian Revolution, to reach a point where its ideals could be discussed without a Stalinist interpretation. It can now be more widely understood that it was defeated by Stalinism, with truly destructive and world-shaking consequences. Effectively, socialism has been delayed a century and it can be further delayed by the belief that it is a utopia and possibly even a destructive utopia. Delay is also a strategy, whether through demoralisation, confusion or fear. It is now the task of socialists to convince the working class, effectively the population, that the new society is not a utopia and the groundwork is present in the declining capitalist society. All it requires is a sustained push, in whatever form, to get there ●

**This is an edited version of an article which first appeared as part of 'Critique notes' in Critique Vol 42, No2, August 2014.**

## Notes

1. S Gordon, 'Capex data cast recovery doubts' *Financial Times* July 1 2014. Curiously, the article involved refers to reasons for optimism given by Standard and Poor, which provided the figures. These amount to saying that the spending is low and therefore they will be higher in an economy which is recovering. Since the point of the article is to point out that the low capital expenditure throws into doubt any recovery, the article effectively ends by showing the confusion - or perhaps despair - of Standard and Poor. Indeed, this state of mind is shared with most economists and government advisors.
2. *Ibid.*
3. 'Euro zone needs quantitative easing' *Financial Times* July 20 2014.
4. J Politi, 'US jobs: slim pickings' *Financial Times* July 20 2014.
5. 'Leaders: "America's lost oomph"' *The Economist* July 19 2014.
6. *Ibid.*
7. L Summers, 'Why stagnation might prove to be the new normal' *Financial Times* December 15 2013.
8. P Krugman, 'Secular stagnation, coalmines, bubbles and Larry Summers' *New York Times* November 16 2013.
9. "We now know that the economic expansion of 2003-07 was driven by a bubble. You can say the same about the latter part of the 90s expansion; and you can in fact say the same about the later years of the Reagan expansion, which was driven at that point by runaway thrift institutions and a large bubble in commercial real estate" (*ibid.*)
10. For a more detailed discussion of the question of competition and the role of monopoly, see the important work by John Bellamy Foster and Robert McChesney, *The endless crisis* (New York 2012); and the article by Fred Magdoff and John Bellamy Foster in *Monthly Review* May 2014, Vol 66, no1 (<http://monthlyreview.org/2014/05/01/stagnation-and-financialization>).
11. VI Lenin *What is to be done?*: [www.marxists.org/archive/lenin/works/1901/witbd](http://www.marxists.org/archive/lenin/works/1901/witbd). It should be noted that Stalin altered Lenin's works, so that the first three Russian editions are considered genuine, even though there were footnote alterations in the third edition. The first English editions follow the 4th Russian edition, which is dubious. (At one point I found at least one article which was translated in the opposite sense to the Russian, though whether that was the translator or the censor is not clear.)
12. E Bernstein *Die Voraussetzungen des Sozialismus und die Aufgaben der Sozialdemokratie* Stuttgart 1899 - first published in English under the title *Evolutionary socialism* 1907 by the Independent Labour Party in 1907. See [www.marxists.org/reference/archive/berstein/works/1899/evsoc](http://www.marxists.org/reference/archive/berstein/works/1899/evsoc). Bernstein argued that inequality in incomes was diminishing and the middle class growing. He contrasted this with what he thought were Marx's views. He projected the declining inequality forward. He ended up arguing and defending - in the concluding chapter of this book - the view that the final aim is nothing, the movement everything, partly as a result. The fact that he has been repudiated statistically in such a graphic way over a century later lays stress on the need to understand the reasons. The great depression did lead Bernstein to accept that he was wrong, it seems, but the present provides a graphic extreme. In reality, Bernstein laid the foundation for social democracy.

## WWI



A reactionary war on both sides

# Parvus: for German victory

This is the second in our series of translations from 1914-15 from German-defencist authors in the left wing of the German Social Democratic Party (SPD). Ben Lewis introduced the series (*Weekly Worker* June 26), and my introduction to Esen Uslu's translation of Alexander Parvus's August 4 1914 interview in *Tasvir-i-Efkâr* (*Weekly Worker* August 14) gave some general background on Parvus. With the article, 'For democracy - against tsarism', which Ben Lewis has translated here, Parvus moved from arguing that German victory would be in *Turkish national* interests to arguing that it would be in the interests of *the proletariat as a whole*.

This article was first published in the Bucharest socialist paper

*Zapta* and the Sofia socialist paper *Rabotnichesky Vestnik*. Parvus's biographers, ZAB Zeman and WB Scharlau, date it to "a few days after the outbreak of war". It is translated here from the German text in *Die Glocke* Vol 1, issue 2 (September 15 1915). This is - as will appear below - dated October 1914, and contains a gap of about 7.5 lines, which may be attributable to the German censors. If any of our readers speaks Romanian and has access to an archive of *Zapta*, or speaks Bulgarian and has access to an archive of *Rabotnichesky Vestnik*, it would be very helpful to see any variations between the German and the Romanian/Bulgarian texts.

Parvus's analysis that the war had been planned for some time

- and in particular on the Entente side since the Russo-Japanese war of 1904-05 - is corroborated by recent historical work.<sup>1</sup> His implicit characterisation in the title and conclusion that the German and Austrian regimes constitute 'democracy' has a sort of basis in the existence of male suffrage for the Reichstag - which was at this time also present in France, but not in Britain - but ignores the restricted suffrage in the constituent states of the Reich (especially Prussia), the very substantial restrictions on freedom of speech and the press (quite a lot of SPD journalists and speakers were sentenced to jail as a result of their speeches or articles) and the fact that ministers were answerable to the kaiser, not the Reichstag.

Austria was, if anything, *less* democratic. This piece of special pleading was further developed elsewhere. Russia, obviously, was in no sense democratic. His statement regarding the decay of bourgeois culture and 'civilisation', and that this is worse in the parliamentary regimes (Britain and France), is no more than nostalgia politics.

Parvus's argument that Russian defeat would lead to revolution is *obviously* true - not merely in hindsight, but also in the light of the revolution of 1905. On the other hand, his argument that Entente victory would lead to "a vassal relationship", in which western capitalism was subordinated to Russia, is nonsense: in 1914-17 the tsarist regime was playing yet again

the role it had played since the 18th century of a *subordinate* ally of western capitalist powers, providing cannon-fodder in exchange for military technology transfers.<sup>2</sup> The United States is also startlingly absent from the argument (the claim that the US might replace a disunited Europe wrecked by war *did* appear in later *Die Glocke* articles and shaped Parvus' politics in his last years after the war).

In short, the article is characterised by a combination of perceptive insights and highly artificial arguments in order to produce a 'Marxist' German-defencist construction. This combination is a common feature of the arguments of *Die Glocke* authors ●

Mike Macnair

## For democracy, against tsarism

This war was created by imperialism, which has been fostered by capitalism. The war has been ripening over the course of decades and was consciously planned over the course of several years. The socialist workers' parties saw the great collision coming and repeatedly took a stand on it. Those who consider themselves able to ignore the great capitalist conditions behind this war, seeking an explanation for it rather in the role of rogue diplomats or rogues from other circles, have forgotten how to think in a socialist manner.

The development of capitalist industry in the individual countries created tension and conflicts across the entire world, because capitalist industry in each and every country has the tendency to conquer the entire world market. Because the development of militarism goes hand in hand with industrialism, the competition for markets has assumed the character of political conflicts. We saw how the democratic *United States* fought against Spain and the aspirant Mongoloid industrial state of *Japan* fought against China as far back as 1894. In the middle of these capitalist contradictions, which affected every country without exception, the struggles between German and English imperialism increasingly moved to the fore.

Conflicts between England and Germany emerged in all four corners of the globe: in Mesopotamia, South

Africa and in the small states of central America.<sup>3</sup> The English capitalist class's global dominance was threatened on various sides - not just by Germany. But it rightly saw Germany as its greatest rival, because Germany's industry had proved superior on the market and its imperialism was based on a powerful military state with a strong governmental power. Yet certain conditions needed to be fulfilled before English imperialism could turn against this main opponent with all its might: the *Boer War* [1899-1902] and the *Russo-Japanese war* [1904-05]. It is now patently clear that if the Boers had not been defeated beforehand then England would have lost South Africa in this war. Thus the destruction of the independent Boer republics was the first condition of the war against Germany. In the Russo-Japanese war, which had been consciously prepared by England,<sup>4</sup> Russia's influence in *Asia* - a threat to that of England - was broken. The rapidity with which the English government concluded an agreement with Russia immediately after the conclusion of peace is proof that England already had further-reaching plans back then.

The *Triple Entente* was formed. Its origins, aims and its sole *raison d'être* lay in the struggle against Germany. Europe was divided up into two hostile camps, which balanced each other out. *Italian imperialism* exploited this situation in order to

carry out the raid of Tripoli on its own.<sup>5</sup> The *Balkan states* - whose paths to political development had been cut off by European diplomacy as far back as their formation, and in which the capitalist drive for territorial expansion was increasingly asserting itself, the more that these states were drawn into industrial trade - ambushed Turkey, a country which had already been undermined by all means of agitation, corruption and assassination on the part of European diplomacy, as well as that of the Balkan states. Turkey's power was broken, but the *Balkan League*, whose creation had been encouraged by the tsar, fell to pieces.<sup>6</sup>

An untenable situation resulted. Nobody could see a way out and it was possible that a new war might break out at any moment.

During the Balkan Wars, the *Triple Entente* and the *Triple Alliance*, of which Italy was only formally part, weighed up each other's strength. In so doing the Triple Alliance avoided an open conflict. First it abandoned *Turkey* and then left *Bulgaria* in the lurch. Following this test of strength, which turned out in favour of the Triple Entente, this alliance assumed the leading role in the Orient and showed itself to be increasingly provocative and belligerent.

This fact deserves to be remembered by those whose position on this capitalist-inflicted catastrophe depends on which of the powers in the current

war was the aggressor. I do not share this view and already opposed it when it was expressed by *August Bebel* in the Reichstag.<sup>7</sup> Back then I explained that the question of whether a power is attacking or defending itself can only be of a purely formal nature and also that we must not tie our position to a superficial aspect of the question. Yet, even if one is of this view, then obviously politics as a whole before the declaration of war need to be taken into consideration. And in this sense Germany's attitude during the Balkan Wars showed clearly and openly that it attempted to avoid a European conflict. It did so not out of idealism, but because it was not in the interests of German capital to put all its eggs into one basket - it was German capital that profited most from peace. The main charge against Germany from English imperialist circles was, after all, *penetration pacifique* - that is to say that German capital was peacefully penetrating foreign territories. We thus see how, to the extent that English imperialism becomes ever more demanding, by contrast German diplomacy aims to fit in, first seeking friendship with Russia and soon after with England.

Germany was unable to prevent the war. Yet I am saying more than that. I am saying that the war could no longer be avoided by the Triple Entente either. This may appear as a paradox to those who see the emanation of

the spirit of world history in those few people who, more or less by chance, happen to be at the head of governments. For me, this situation is rather proof of how untenable existing conditions have become. Evidence of the inevitability of the war came as far back as the enormous armaments race after the Balkan Wars, which far outdid anything we had seen before. In France in particular the return to the *three-year period of military service* could not be justified in any other way than by the fact that war was on the immediate horizon.

The Triple Entente made its preparations for the war in feverish haste, amongst which came the efforts of tsarist diplomacy to stoke up the megalomania of *Greece* and *Serbia* as much as possible. Whilst this imperialist development - which we have characterised with broad brushstrokes - was underway, there was a great change in *bourgeois* public opinion. During the economic depression, which lasted from the end of the 1870s to the middle of the 1890s, the bourgeoisie was peaceful and timid. Yet the period of industrial *Sturm und Drang*<sup>8</sup> which followed this depression made the bourgeoisie adventurous and bold.

Simultaneously, the tremendous concentration of industrial and financial capital had forced the bourgeoisie out of its independent role in enterprise and onto the *stock*

# What we fight for

exchange. Currency speculation, exacerbated by the wanton shifts between boom and crisis, dominated all thought. The old solidity of the bourgeois had vanished. The bourgeois became a speculator and an adventurer. Stock market speculation seized broad layers of the population and also opened up *political gambling*<sup>9</sup> to them too.

*Bourgeois parliamentarism*, which had already betrayed its own ideals earlier on, completely degenerated into demagoguery and cliquism under the influence of the stock exchange and imperialism. It was precisely wherever parliamentarism was strongest that corruption was the worst. Press bandits, jobbers on the stock market, high finance and parliamentary cliques laid waste to the state, corrupted public opinion, feuded with each other and yet were always united in their cries for power, world dominance and imperialism.

The socialist parties themselves were repeatedly betrayed and led astray by those who went over from their ranks to join the adventurer vermin - this happened in various countries, but in France in particular.<sup>10</sup> All the while *German social democracy* showed the greatest resistance to the influences of the decaying bourgeoisie. Its proletarian organisations showed the greatest cohesion of the time.

The bourgeoisie's whole way of thinking and feeling and its expression in ideas in art, literature and science - everything that can be summarised as *bourgeois culture* - was seized by a wild delirium, frayed, corrupted and unnerved. Scepticism consumed all social ideals, all political principles, all great points of view; one lived for the moment, paying homage to the personality who lives life in the most refined craving for pleasure. The hunt for the sensations of 'individuality', which had freed itself from social bonds and their moral restrictions, led to perversions, which in turn led to a cult of blood and brutality. [Friedrich] Nietzsche's ideas, which were a glowing protest against philistine, petty bourgeois morality, were falsely turned into a glorification of naked egoism, raw violence and a reversion to barbarism. *Success* was the only god,

whose omnipotence was acknowledged by everybody. The more bloody the path it led to, the greater the moral restrictions which had to be overcome, the more numerous the victims, the more shameless the brutal expressions of violence, the greater the triumph.<sup>11</sup> This is how hearts and minds [*die Geister*] were prepared for this war.

In the face of this bourgeois hullabaloo, working class opposition grew and became more determined. Yet this opposition did not hold back the drives of the imperialists, but more than ever drove them towards adventurist policies. The more obscure the situation became, the greater the dangers that were conjured up, the more militarism and imperialism found an apparent justification. In order to attain election results favourable to the government, the danger of war was toyed with and diplomatic conflicts were provoked. *Imperialism* was recommended as a means of struggle against *socialism* and was consciously carried out - war was to be the lightning conductor of *revolution*.

Thus the world war was prepared in all areas of capitalist competition, bourgeois parliamentarism and bourgeois culture. The historical meaning of this war is the following: capitalism, whose historical development is characterised by the annihilation of whole swathes of people, has henceforth set Europe on fire through the collision of the forces of economic, political and military competition, which it has fostered in the individual countries - accompanied by a decay in social civilised behaviour, by corruption and decadence.

With the monstrous means of the weapons technology and army organisations it created, capitalism has destroyed Europe's *industry*, which science and the civilised nations worked for generations to create - destroying *wealth* and the formal *civilisation* on which it constantly based itself as its last and decisive *raison d'être* over and beyond any of the measures it took to increase the exploitation of the people and destroy the *system of property ownership* [*Eigentumsordnung*], whose inviolability it had preached and sought to defend using all of the means of the state.

The position of the socialist parties towards this capitalist world catastrophe obviously could not be justified by ideas taken from professors, who are cut off from the world; they had to be based on a perception of the interests of the fighting proletariat...<sup>12</sup>

Yet *tsarist Russia* was also drawn into this war as an important factor - perhaps even a decisive one.

A victory for tsarism would signify a *terrible blow to democracy* and at the same time open up a *new era of boundless capitalist exploitation*. The *Russian bourgeoisie* is full of enthusiasm for this war. Its motivations are, however, different from those of the imperialists in the industrial states of Europe. The Russian capitalist class, unlike its European counterparts, does not fight for markets abroad, because it has its hands full exploiting the domestic market, which it secured for itself through high protective tariffs. The knights of Russian industry no doubt attain a certain malicious joy [*Schadenfreude*] in the ruin of European industry, because they expect business in Russia to blossom as a consequence. Yet the main reason behind the Russian bourgeoisie's motivation is political. It wants to assert itself as a *national power* - as do all aspirant bourgeoisies. To this end it needs a war of conquest; it needs this all the more because its path to the masses through parliamentary agitation has been cut off by the socialist parties. On the other hand, it wants to win the *sympathy of tsarism* by showing it the powerful impulse towards the *expansion of the state administration* that it can deliver. At the same time, it produces itself as the leader of the nation and as the buttress of the throne, thereby achieving the same success as *German national liberalism* in its day.

Yet, since Europe already has the history of German national liberalism behind it, Russian national liberalism can now only appear in a shabby, corrupt form. In a parliament without universal suffrage and with an omnipotent governmental power this *Russian national liberalism* will be the officious informer of the government and warm itself in the sun of its favours. In Russia a quite different kind of *militarism* would arise to that in Germany, while on the other hand the Russian bourgeoisie, based on governmental power, would create an exploitation at home and abroad which would know no measure or conscience.

The war rescued tsarism, because it plunged itself into this war in order to avoid a new outbreak of the revolution, which was on the immediate horizon: victory in the war would help it to develop its power in a new, unexpected and formidable manner. Based on the emerging bourgeoisie, on a powerfully developing industry, on an army which encompasses almost 200 million people, tsarism would control Europe and the world.

Capitalism in the western European states would rebuild on the ruins of the industry it had destroyed, but without acquiring the leading role it previously held; it would enter into a vassal relationship with Russia and occupy a subordinate position in the world market. This is the danger threatening democracy and socialism.

In the face of this danger, there can only be one slogan for us: "Fight tsarism!" This slogan not only holds true for the socialist parties of Germany and Austria-Hungary, who have to protect their fatherlands from the tsarist armies. It also holds true for the socialist parties across the world.

The socialists in France and England have to say to themselves that by helping tsarism to victory in this war they are burying the very foundation of their class struggle: democracy. They would reforge capitalist class rule with the blood of the proletariat. They are being deceived by the idea of the fatherland

with the result that they can be ruled all the more easily by the capitalist cliques (with the help of the Russian army), who know no fatherland in their exploitation. The power of the tsarist throne is to be built on the corpses of the English, French and Belgian worker masses, which will pile up alongside those of their fellow sufferers from Germany and other countries.

And what about the Russian socialists and revolutionaries?! I ask each and every one of them the following question, which must be answered clearly and without reservations before any of them takes a position: if tsarism is defeated in this war, would the outcome not be a revolution which would get rid of this political system and open up the path to democracy? Yes or no?

How can there still be any doubts as to our position?

For the most part, however, the Russian intelligentsia is joining in with the chauvinist movement of the Russian bourgeoisie. It is precisely this intelligentsia that I accuse of being prepared to betray the interests of democracy in Europe in order to beg for, and seek to fraudulently obtain from tsarism, the shabbiest, most impoverished national liberalism.

And I do not understand how any socialist in any country could remain neutral in this conflict. We stand before a global turning point. Yet we can only be successful if we fight. And here it is above all a matter of defending what we have conquered through hard struggles within the capitalist state: democracy. Tsarism threatens it. Therefore we must fight tsarism! ●

Constantinople, October 1914

## Notes

1. See, for example, C Clark, *The sleepwalkers New York 2013*, chapter 3.
2. See B Kagarlitsky *Empire of the periphery London 2007*, chapters 4-9.
3. Mesopotamia: this relates to the German-funded and German-built Berlin-Baghdad railway (incomplete in 1914). This was already argued to be a prime cause of the war by US author M Jastrow Jr in *The war and the Bagdad railway* (New York 1914); see also AP Maloney, "The Berlin-Baghdad railway as a cause of World War I" [1959] *Centre for naval analyses professional paper* No401 (1984), which reviews literature down to the 1950s, arguing both ways. On German aspirations in Latin America (and resulting conflicts with the US) see N Mitchell *The danger of dreams: German and American imperialism in Latin America* Chapel Hill 1999.
4. The implicit reference is probably to the Anglo-Japanese alliance of 1902-23.
5. Italo-Turkish war 1911-12.
6. "Ambushed": first Balkan war 1912-13; "went to pieces": second Balkan War 1913.
7. The relevant date is not clear; no reference in Zeman and Scharlau; and Bebel made the argument criticised here repeatedly from 1880 on: see WH Maehl *August Bebel, shadow emperor of the German workers* Philadelphia 1980.
8. Parvus: "I first highlighted the difference between these two periods as an addendum to Marx's crisis theory in 1895 in my *Trade unions and social democracy* and backed up this view in several of my articles for *Die Neue Zeit*. Based on this understanding, already in 1895 in the book mentioned above I developed the view that we had entered into a period of wars and revolutions and also predicted the entanglements which the economic advance of German capital had driven diplomacy into. This was before [Alfred von] Tirpitz's naval bills and the occupation of Kiaochow." Editors: "The German expression *Sturm und Drang*, originally meaning the Romantic/revolutionary period of the late 18th-early 19th century, has been received into English in Marxist economics to refer to a period of tempestuous economic growth." See, for example, Marchlewski in R Day and D Gaido (eds) *Discovering imperialism* (Leiden 2012) p499 (following Parvus's 1901 pamphlet); and L Trotsky: [www.marxists.org/archive/trotsky/1924/flyei-1/ch19b.htm](http://www.marxists.org/archive/trotsky/1924/flyei-1/ch19b.htm) [1921].
9. The title of a chapter of his 1907 *Colonial policy and the breakdown*, as yet not completely translated into English.
10. This reference to the pro-imperialist wings in the several socialist parties before the war is unfair to the French, being pretty much solely supported by the prominence of the debate over Alexandre Millerand's participation in government, since pro-imperialist wings existed in most of the Second International parties: see the introduction to R Day and D Gaido (eds) *Discovering imperialism* (Leiden 2012).
11. Parvus: "I highlighted the decay of the bourgeoisie and of bourgeois parliamentarism in my books *Colonial policy and the breakdown* and *The class struggle of the proletariat*."
12. This is where about 7.5 lines of text are missing.

## Fighting fund

### Glad to be back

After a couple of months when all donations to the *Weekly Worker* were included in the CPGB's Summer Offensive fundraising drive, I'm glad to be back reporting on our paper's monthly fighting fund.

It goes without saying that all cash donated to the *Weekly Worker* was used for the purpose specified during the Summer Offensive - which, I am informed by CPGB national organiser Mark Fischer actually surpassed its £30,000 target by £51 after a couple of cheques delayed in the post were factored in.

As for September's fighting fund, with its £1,500 target, it already stands at a pretty useful £742 after less than two weeks. Amongst those sending in cheques since the start of the month have been RG (£100), JH (£60), GD (£50), JM (£50) and DV (£25). I have also received no fewer than 24 standing order donations, including £35 from DS, £30 each from PM, SD and DG, £25 from GD, and £20 from TG, SM, DG and DV.

The same DV writes that the *Weekly Worker* is "still the best

paper on the left by far", with "easily the best and most open letters page". The "*Weekly Worker* makes you think!" he concludes. Yes, we promote genuine debate - the only way we stand a chance of forging a Marxist party incorporating what are now rival sectlets under a regime of genuine democratic centralism.

Finally there were three contributions to our September fund via PayPal - thank you, NW, MD and TT. Those three were among 7,126 online readers last week, by the way.

So, all in all, we are already more than halfway towards meeting that £1,500 target for September. But there's no room for complacency - we always get the highest number of contributions in the first week of the month. Now we need to keep up the momentum ●

Robbie Rix

Fill in a standing order form (back page), donate via our website, or send cheques, payable to *Weekly Worker*

- Without organisation the working class is nothing; with the highest form of organisation it is everything.
- There exists no real Communist Party today. There are many so-called 'parties' on the left. In reality they are confessional sects. Members who disagree with the prescribed 'line' are expected to gag themselves in public. Either that or face expulsion.
- Communists operate according to the principles of democratic centralism. Through ongoing debate we seek to achieve unity in action and a common world outlook. As long as they support agreed actions, members should have the right to speak openly and form temporary or permanent factions.
- Communists oppose all imperialist wars and occupations but constantly strive to bring to the fore the fundamental question - ending war is bound up with ending capitalism.
- Communists are internationalists. Everywhere we strive for the closest unity and agreement of working class and progressive parties of all countries. We oppose every manifestation of national sectionalism. It is an internationalist duty to uphold the principle, 'One state, one party'.
- The working class must be organised globally. Without a global Communist Party, a Communist International, the struggle against capital is weakened and lacks coordination.
- Communists have no interest apart from the working class as a whole. They differ only in recognising the importance of Marxism as a guide to practice. That theory is no dogma, but must be constantly added to and enriched.
- Capitalism in its ceaseless search for profit puts the future of humanity at risk. Capitalism is synonymous with war, pollution, exploitation and crisis. As a global system capitalism can only be superseded globally.
- The capitalist class will never willingly allow their wealth and power to be taken away by a parliamentary vote.
- We will use the most militant methods objective circumstances allow to achieve a federal republic of England, Scotland and Wales, a united, federal Ireland and a United States of Europe.
- Communists favour industrial unions. Bureaucracy and class compromise must be fought and the trade unions transformed into schools for communism.
- Communists are champions of the oppressed. Women's oppression, combating racism and chauvinism, and the struggle for peace and ecological sustainability are just as much working class questions as pay, trade union rights and demands for high-quality health, housing and education.
- Socialism represents victory in the battle for democracy. It is the rule of the working class. Socialism is either democratic or, as with Stalin's Soviet Union, it turns into its opposite.
- Socialism is the first stage of the worldwide transition to communism - a system which knows neither wars, exploitation, money, classes, states nor nations. Communism is general freedom and the real beginning of human history.

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