

Labour & Trade Union Review

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Franco- Russian Alliance Restores Balance

Good Advice from
the CBI

Adam Smith and
Slavery

Notes on the News and
Parliamentary Diary

W.A.S.P.s Nil; Iraq One

So New Labour has been cheated out of its easy war and must make do with blustering.

The White Anglo Saxon Protestant world was all lined up to act in unison for the first time in more than half a century. The great Ameranglian alliance—Churchill's *English Speaking Peoples*—were poised to give the world a lead in the struggle against appeasement. America, Britain, Canada, Australia stood alone before a hesitant world and were eager to save it from its uncertainty by the example of direct action. But the bloody world acted first and stopped them. And now all there is left for the WASPS to do is buzz.

Australia is on the verge of severing the umbilical cord with its parent, but the attitude of Republican Australia was, if anything, even more despicable than the attitude of the Mother of Parliaments. The first country to recognise the annexation of East Timor by Indonesia was Australia. It did so openly, while the Indonesian invasion was still in progress, on the basis of the right of conquest, and in defiance of a UN Security Council Resolution of the same kind as the later Resolution on Kuwait.

The United Nations is now trying to stand for everything, thereby maximising the probability that in the end it will stand for nothing that is genuine. The one thing that it was not supposed to stand for at the start was the expansion of states on the basis of the historic right of conquest. In that respect, at least, history was supposed to have been put an end to. The 'human rights' agenda of the UN was always debatable because the two founders of this world order had very different ideas of what human rights were. The main event underlying the formation of the United Nations as a world organisation was the defeat of Nazi Germany by Soviet Russia and the shared ideology of the Soviet Union and the United States on the issue of human

rights is not easily found even with the aid of a powerful microscope. That element of the UN project, being essentially ambiguous, was never likely to be enforceable. But the basic principle, revoking the historic right of conquest, was eminently enforceable, since the subject of it was lines on maps registered at the UN as the boundaries of states.

The Indonesian conquest of East Timor is the clearest breach there has been of that basic principle. And Australia is an accomplice in that breach—an accomplice immediately after the act, if not before it.

It was remarkable how the Indonesian precedent was not brought up by the weak Parliamentary opposition to New Labour's bombing project on Iraq. Tony Benn, etc., preferred to cite Israel as proof that double standards were being applied. That made ideological life easy for the Government, because the Israeli situation is more complex than the Indonesian, and because citing the Israeli example triggers the very considerable Jewish influence in British politics—an influence which goes far beyond those who call themselves Zionists. Gerald Kaufman, for example, would support a wide range of criticisms of Israel. As a potential British Foreign Secretary for many years he could not afford to be seen to be a Zionist. But if you understand him to be a Zionist operating by oblique methods he will never surprise you.

Kaufman appeared along with Jeremy Corbyn, David Steel and a former British Ambassador to Iraq, D.A. Millar, on BBC 2's *Midnight Hour* on 2nd February. He said (the wish being father to the thought): "I believe in the end military action will be necessary". When the others expressed some unease about the probable political consequences in the Arab world about extensive WASP bombing of Iraq, he reassured them: "These [the Ameranglian strategists] are extraordinarily intelligent people who know what they're up to."

And when the former Ambassador asked what was to be done about the perception in the Arab world that a double standard was being applied as between Iraq and Israel, because he didn't know the answer, Kaufman said, heatedly: "That's a distraction!" And nobody had the moral courage to say it was not a distraction.

The former Ambassador was asked to give his impression of Saddam

Hussein. What he described was an unusually able political leader who had developed Iraq as a modern state. That was how Saddam appeared to a representative of the West in the eighties, when he was holding the line for Western values in the Middle East. But it was incautious of the former Ambassador to blurt that out, even on *The Midnight Hour*. Kaufman brought him to order by reminding him that Saddam is "the most dangerous man in the world." The former Ambassador spent the remainder of the programme making amends for his initial *faux pas* of describing the Saddam that he knew from personal experience by applying the abusive epithets of New Labour briefings to the other Saddam—the one he clearly did not know at all despite his in-depth knowledge of the first Saddam.

George Galloway was by far the best of the Parliamentary opposition, but he too made himself ineffective by focussing on Israel.

Using Israel to establish double standards is counter-productive not only because it is somewhat different from the Iraq/Kuwait issue, and brings the Jewish lobby into play, but also because it is a very special case in the framework of the United Nations. It might be argued that the Indonesian conquest of East Timor was, in terms of natural justice, less of an outrage than the establishment of the State of Israel. But in the United Nations realm of international affairs that is beside the point, because the establishment of Israel was an act of injustice committed on the authority of the United Nations. And the UN is not going to indict itself for criminal behaviour.

Many things were done in 1945 and the following years that were outrages against natural justice, but since they were sanctioned by the Security Council they cannot be held to be breaches of law because in the UN framework the Security Council is the source of law.

Last year the Czech state apologised to Germany for having killed hundreds of thousands of Germans after the end of the war, and ethnically cleansed hundreds of thousands more. But it did not apologise because these outrages were breaches of law. Wholesale ethnic cleansing of Germans was authorised by the UN, and it was therefore not in breach of UN law. The reason that the Czechs had to apologise was that they had to make terms with Germany in order to

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gain admission to the European Union.

Any resemblance between law and justice in international affairs is purely accidental. And when injustice is consolidated structurally in law there is little to be gained by moralistic argument because law, however unjust, carries its own sense of being moral. All that really counts against the kind of unjust law we are discussing is accomplished fact, but there is something to be gained by focussing on the clear conflict in the application of law as between Iraq and Indonesia. There is nothing to be gained in the forum of British public opinion by focussing on Israel because too many other influences and complexes are stirred up when Israel is made an issue, and because the New Labour ideologues, with their commitment to power regardless of all else, have made Zionism one of their touchstones.

Concluded on back page

Gwydion M. Williams

Notes on the News

War Works?

International law is whatever the President of the USA wants it to be. The 'world community' may be just Britain and America acting alone. No one outside of Europe and America knows what is good for them: they must have it forced on them by US pressure. These were the assumptions behind the planned Gulf War of 1998.

The 1991 Gulf War was popular because a great many people mistook it for the establishment of a coherent world order. George Bush as Bush the World Boss would have been acceptable to many. Saudi Arabia put much more trust in Boss Bush than in Allah. But the man turned out to be interested in little more than manoeuvrings to win the next presidential election. Which he then lost.

The planned Gulf War of 1998 is blatantly based on a gerrymandered approach to international law. Israel is allowed to ignore UN resolutions, even though Israel's existence is not remotely at risk. That era is long past, and the only question now is whether the Palestinians get what a previous Israeli government agreed to give them. But supporting the right of Israelis to oppress Arabs wins votes: votes from Jews, and votes from WASPs, who don't much like Jews, but like Arabs a great deal less. International law is whatever may be expedient for pleasing American voters.

Blair as Deputy Dawg

The most sensible policy advocated by anyone in Britain during the Great War was the policy of Siegfried Sassoon. Having originally volunteered for what he took to be a just war, he protested at the way it was being dragged on for unworthy purposes. Purposes that included the control of oil wells in Mesopotamia,

oddly enough, the same purpose for which Iraq was later constructed out of several, not very compatible, peoples who had co-existed well enough in the Turkish Empire.

The British ruling class in the first half of the 20th century blundered from one extreme to another, never thinking ahead and seeing what was likely to work well in the long run. Force Germany to a humiliating unconditional surrender, rather than end the war with a simple lesson that Germany could not change the European balance of power against Britain's will. Then suddenly notice that Europe without Germany left France too strong, and help rebuild Germany. Back Germany even under Hitler, up until 1938 when it was suddenly noticed that Germany was now first in Europe. Make a mess of the subsequent war, and then fight Germany to the bitter end, before noticing rather late in the day that this left the Soviet Union rather close to complete power in Europe. Thereafter one cannot speak of any British role, beyond being Deputy Dawg to the USA. And whereas Harold Macmillan was wise enough to refuse to get Britain involved in America's ill-considered war in Vietnam, Blair thinks of nothing but proving how loyal he is and how much in love with everything American.

Failed Puritans

The planned Gulf War of 1998 is being impeded by an irrelevance. Washington is full of phoney indignation on a trivial issue and dubious allegation. A woman who admitted lying all her life either lied under oath or lied on the telephone. She offered to give testimony to a Special Prosecutor who is supposed to be investigating an unrelated land

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speculation, provided that, assured of immunity from prosecution for perjury, she would testify under oath that she lied under oath. Even in America, this is going a bit far and the process is getting bogged down.

America is supposedly run by pure reason. If you'll believe that you'll believe anything, and even some quite intelligent people seem to do so. When Puritanism was strong, the constitutional guarantee of Free Speech meant 'no freer than the Puritans allow'. Only gradually was this control broken, and people started handing down judgements that suggested that freedom actually does mean freedom. In the 1960s there was an attempt to break through to a new sort of world order. It was contained; not crushed, but not allowed to triumph either.

What we have now is a mess. Americans do not want to live by their public principles, but they will not give them up. Ordinary Americans may once have genuinely supposed that John F. Kennedy was faithful to his beautiful wife and that Richard Nixon was an honest fellow hounded by a leftist media. But truth comes out in the end, and no one cared to face up to it. Jimmy Carter made a try of being honest, and paid the price. Even their best friends have little regard for the honesty of Reagan, Bush and Carter. Nor is the public much fooled.

Not that Puritan influence is quite dead. It does seem that President Clinton is an innovative theologian as well as gifted political campaigner. From a careful study of what the Bible actually says, he has concluded that there is no Biblical prohibition on oral sex. And also that it does not constitute adultery, though the logic behind this has not yet been revealed to us. Still, there seems some hope that his eventual autobiography will be much more interesting than the norm for senior politicians.

The United Republican Front of Saints and Sinners.

Clinton invokes speculative theology to justify his private pleasures. It is hard to imagine Ronald Reagan ever taking the Bible so seriously—or Nancy Reagan raising

the matter during her famed private lunches with Frank Sinatra. Yet there seems to be some residual honesty in Clinton, which may be why he has run into trouble.

Tony Blair has clearly decided that people's private lives do not matter. This is a step beyond Mrs Thatcher, who would turn a blind eye but insisted on "keeping up appearances". Blair surely knows that "appearances" have disappeared and do not matter anymore. Does it matter if the US President be given his head, so to speak? There may also be a Catholic influence; Catholics were never troubled by the things that agonised Puritans. The most Catholic Kings had most Catholic mistresses whose status was official and a source of pride.

Asia depressed

The Finance and Economics section of *The Economist* tells truths about particular matters, whereas the same magazine's editorials tell half-truths about generalities. Thus "market rates rarely reflect the relative purchasing power of currencies. Many economists therefore prefer to use purchasing power parities (PPPs), which take account of variations in price levels, to measure the relative size of economies. The PPP exchange rate is the rate that equates the prices of an identical basket of goods and services in different countries....

Emerging economies' exchange rates are usually undervalued relative to PPP, because the prices of non-tradable services, such as housing or transport, tend to be much lower than in rich economies. But after the recent devaluations, many East Asian currencies are now massively undervalued, and hence the size of their economies is also massively understated relative to America's." (*The Economist*, p 100, February 7th 1998.)

While the Cold War was on, East Asia was protected from market irrationality. Markets are not of course seen as irrational in *The Economist's* editorials or political commentaries. But when giving coherent information to people who might be making investment decisions, ideology goes out the window and one gets something like the truth.

Market 'freedoms' are freedom for the rich to play games with money and scoop up more of the existing wealth. That's capitalism, but it is not wealth creation. During the Industrial Revolution, London and the South had a quite sophisticated capitalist system, and it was in the Midlands and North that radically new productive industry was created. Nowadays, production is doing well in Western Europe and East Asia, but sophisticated global markets are able to devalue the worth of productive industry.

How long they will put up with it is anybody's guess.

Sean McGouran reviews *The Black Book of Communism*

The Black Book of Communism; a compilation done in Paris, was published last Autumn. As well as dealing in detail with the Soviet Union it also covers other Communist states. Twenty million died in purges, wars, deportations and the Gulag in the USSR. (It's a bit glib, in context, but 20 million Soviet citizens died in the course of the Great Patriotic War, 1941-45). It is less glib to wonder how many would have died if the clear strategy of the UK and France in the 1930s that Nazi Germany and the other fascist, or quasi-fascist, states, should launch a death-struggle against Leninism, while they watched from the sidelines, had been successful.

Apparently, China, with 78 million

dead, leads the list, and despite the fact that this book is (according to the *Los Angeles Times*) 'scholarly' and 'thick' (meaning 'big') it is difficult to suppress the feeling that everything, including the kitchen sink, has been thrown into these figures. Red China emerged in 1948 out of a political shambles of a century's standing. Every colonialist power, including Italy and the US, but not Spain, had a vested interest in keeping the state feeble. The republican revolution of 1912 had brought in decades of civil war, followed by the Japanese invasion of 1937. The list could go on for pages.

If there were any justice in the world, a similar group of scholars would

be beavering away, painstakingly adding up all the people who died in the course of the building of the colonial empires and the settling of the various states in the Americas. The Spanish and Portuguese were not so thoroughgoing as the WASPS, but they did manage to exterminate the Carib people, as a piece of 'collateral damage' in the early days of their occupation of the Americas. But the *Black Book of Capitalism* remains to be written. Despite the best efforts of Radio Moscow, and Radio Peking, the notion that anything Stalin did is to be taken into consideration in an indictment, while everyone else's crimes amount to 'spent convictions' is still the rule. •

New Labour Should listen to the CBI

Angela Clifford

Reading the Confederation of British Industry (CBI) paper, *Discussion Document on Government Spending And Borrowing*, which was produced in November 1997, is a pleasure after ploughing one's way through the highly technical documents usually produced on economic policy. The language and recommendations are direct, though the message sits surprisingly well with papers on Private Finance Initiative and Public Enterprise reviewed in this magazine.

LIBERALISM

It seems that civil society is sending a message to Government—that ways of measuring and ordering public expenditure should be recast to allow for greater public enterprise. It is a message which the present Government—under the spell of Gladstonian liberalism—seems determined not to hear. At the last Labour Party Conference, in his keynote speech, Tony Blair spoke of the tragedy of the split in Liberalism, which has kept "radicals" out of power for a century.

It is a pity that Blair can find no inspiration in the brief years of Socialist power in Britain after 1945—which achieved huge transformations in the balance of class power, and a revolution in working class expectations and living standards. The economy was also set on a pattern of steady growth unparalleled in British history. Not only is he blind to these achievements, but the Liberalism Blair looks to is not the Social Liberalism of the Lloyd George tendency with its legal protection of Trade Unionism, an 8-hour day for miners, Old Age Pensions, Health Insurance, Employment Insurance, and a tax on landed property. It is a combination of Gladstonian Liberalism and the Liberal Imperialism of Asquith and Haldane: the people who

between them put a jinx on British—indeed European—social development.

Gladstone took up Irish Home Rule—then wrecked the Irish Party by deferring to the British 'Non-Conformist Conscience' over Parnell's adultery. The Liberal Imperialists were—like Gladstone—ideological advocates of Free Trade, but they were not above using military means to disable the competition. The resulting War—with its consequences in Russia and Versailles Germany—had more to do with wrecking English Radicalism than the formation of the Labour Party.

Tony Blair is importing the values of the Liberal Imperialists into the Labour Party to be its guiding ideology, pushing Labour values aside. In his Guildhall Speech of 10th November he said:

"...I value and honour our history enormously. Who could stand at the Cenotaph yesterday and not feel both moved and proud?

"I want us to make sense of our history. There is a lot of rubbish talked about the Empire. In my view, we should not either be apologising for it, or wringing our hands about it. It is a fact of our history. It was, in many ways, a most extraordinary achievement....

"There are other strengths. We have the institutions; strong armed forces, a world-respected Diplomatic Service, international companies, the City, the British Council, the World Service, our global charities and NGOs [Non-Governmental Organisations]....

"We also enjoy a unique set of relationships through the Security Council, NATO, the G8, Europe and the Commonwealth, not to mention our close alliance with America....

"By virtue of our geography, our

history and the strengths of our people, Britain is a global player....

"...Britain must reinforce its position as a champion of free-trade throughout the world... We must also be champions of free investment, inward and outward...."

Blair is being selective about the kind of Liberalism he aspires to. It is not the Social Liberalism of Joseph Chamberlain, Lloyd George, Keynes or Beveridge. This approach was negated by Margaret Thatcher, and Blair continues in her wake. The result is that both main political parties are consonant in their social policies. Under William Hague, the Tories do not look to the interventionist traditions of their Party, which Thatcher threw aside.

An article in *The Economist* (7th February) by an American academic, Samuel Beer, focusses on Blair's 'rediscovery' of Liberalism, following on from Margaret Thatcher. He writes:

"...Historically speaking, her repudiation of the Tory element in the Conservative heritage is even more far-reaching than Mr. Blair's repudiation of socialism. Her ideological ancestry excludes Harold Macmillan, Rab Butler, Neville Chamberlain, Stanley Baldwin, Disraeli and Bolingbroke...."

Whilst he is right in pointing to Mrs. Thatcher's espousal of "a Gladstonian liberalism", Mr. Beer is quite wrong to suggest that "Tony Blair is returning his party to the liberalism of Lloyd George". The fact is, he too is going for the Gladstone approach.

It is not clear how far the present Cabinet, let alone Labour in the country,

understands the ideological direction of New Labour. What is gradually emerging, however, is that substantial forces in British society are advocating a different approach—but it is one which has no political expression at present. Will Hutton, now editor of the *Observer*, understands what is needed, but suffers from a fundamental incoherence, which impedes the expression of his views. He has no concept of giving political leadership. The Kenneth Clarke Conservatives, who may belong to the 'Tory' tendency in the Party vanquished by Thatcher, are silent. Old Labour shudders hopelessly at what is going on, and consoles itself with the idea that the Tories would be worse. But with the further destruction of social insurance now being broached by Blair, under the guise of an assault on 'welfare', it is clear that the Tories would *not* have been worse. It seems that things will have to get worse before they get better!

INDUSTRIAL PROPOSALS

The single most important suggestion made by the CBI is that there should be a change in the mode of public accounting to enable greater investment in public enterprise. This is developed at some length.

Other main points in the CBI Discussion Paper are:

- * taxes should not be raised; but there is not much scope for tax cuts either;
- * public expenditure should remain at about 40% of GDP;
- * Private Finance Initiative projects should be rigorously vetted to ensure that they actually save Government money in the long run, as well as the short;
- * major savings are not achievable in welfare;
- * end users should fund substantial new investment in transport, rather than awaiting availability of scarce tax revenue;
- * the government has gone far enough in charging for Third Level education; in view of the low growth rate in public funding of education since 1979, "there is a strong case for increased taxpayer funding here" (CBI emphasis in quotations used throughout).

Of course, there are some things in the CBI document with which Socialists would not agree. There are a couple of passing references to the transfer to the

private sector of "some remaining public corporations... on pragmatic, non-ideological grounds" (p3). However, no case is made against public enterprise as such. Far from it, the main thrust of the paper is to suggest accounting practices which will facilitate expansion of the public sector.

ACCOUNTING BACKGROUND

Present national accounting practice lumps together very different kinds of public expenditure. Mrs. Thatcher favoured this system because she was opposed both to the public insurance aspect of state activity (which is State-assisted self-help for all classes, and not charity or 'welfare'), and to public enterprise. She was able to attack both because of the failure of the Labour movement to set itself achievable social objectives after their 1945 whirlwind of social reform, and pursue them in a disciplined manner.

In Mrs. Thatcher's book, all public expenditure was bad. This approach has had the by-product of starving the British economy of infra-structure and development funding. That is why we are now seeing research papers from employers, unions and other think-tanks proposing a change of approach. The CBI proposal effectively would be to separate out productive from non-productive public expenditure. The view of 'productive' expenditure taken by the CBI is not spelled out clearly, but it is clearly a *Listean* one, which takes it that some kinds of social expenditure are productive. This would be in contrast to the view that takes 'productive' to mean only that which yields a direct financial return. The fact that the CBI is taking a broader view is shown by its opposition to a narrow view of returns on public investment:

"In practice, the demarcation between investments that generate a return and those that do not is blurred. Public investment in road network, for example, may not generate an adequate direct financial return and will continue to be at least financed from taxation (or other charges). Yet the expenditure can be thought of as partly self-financing, if it raises the economy's productive potential and, subsequently, potential tax revenues. Similarly, some 'current' expenditure—for example, on teaching—could be thought of as generating a return through

its long-term impact on the wider economy.... (para 59)

And again:

"To rule out completely future relative spending increases on education, health or transport could run counter to the preference of citizens/consumers, and to the requirements of business for an excellent educational system and transport network. It may not be right to continue to limit *total* expenditure on public provision. Instead, an upper limit should be applied to spending on traditional areas of public provision which is *financed by taxes and government borrowing* (provided that privatisation receipts do not fund extra expenditure or tax cuts). But there should not be a government pre-ordained limit on provision financed by other means, including new forms of charging, *self-standing* PFI schemes, and investment by public corporations out of their surpluses and market borrowing." (p2)

The CBI thus makes it crystal clear that it wishes to see an "upper limit on spending financed by taxes and government borrowing" at "40% of GDP [Gross Domestic Product]"—the present level. But the present level includes all sorts of borrowing on behalf of Local Authorities and Public Enterprise. By switching to an accounting procedure which separates these from the general national accounts, more can be spent on 'non-productive' items without the Public Sector Borrowing Requirement passing above its target, and public enterprise can obtain the funds it needs to develop.

ALTERNATIVE FUNDING

As regards extra funding for the public sector, the document is cautious. After all, the imposition of *user charges* can raise business costs, making it more difficult to compete with foreign rivals. Business was one of Mrs. Clinton's allies in her attempt to reform American health arrangements, because the Health Insurance Policies of employees often form part of their pay expectations. It is thus not surprising to find the CBI saying:

"New ways of funding should be investigated, with the role for state involvement, and for funding by the final user as opposed to the taxpayer, considered on the specific merits of each case. However, this must be done cautiously. It should not, for example be an excuse for a hasty set of measures

adding to business costs." (para 12.)

"...However, moving towards charging does offer a way to resolve the conflict between the desire for an appropriate level of public provision, and the desire for a reasonably low tax burden." (para 36.)

Although the paper does not suggest it, taxing lorries to subsidise and build up a rail freight network would be an ideal application of this principle. Similarly, urban business should be taxed to subsidise and improve commuter transport. (The growth of people driving to work has been stimulated by the British Rail policy of charging 'economic' commuter fares, and London Transport fare increases.) Also, ratepayers should pay for school buses. Parents taking children to school in cars make up one quarter of peak time traffic. These three measures would relieve the pressure on roads, as well as reducing pollution.

As regards Private Finance Initiative (PFI), the paper sounds a cautious note, which is necessary as there is an impression abroad that this way of funding public provision by-passes the tax-payer. The CBI points out that, unless the projects given over to PFI are "*self-standing*", that is funded by "the end user", they must be paid for from "general taxation". A toll bridge financed by user-charges would be such a free-standing project. The paper says that this is the only type of project which "genuinely add[s] to public provision without adding to general taxation". It continues:

"...But for the most part, the taxpayer *does* ultimately fund PFI provision, for example where the government contracts for hospital support services, or through shadow toll payments to DBFO road contractors." (para 14, DBFO projects are designed, built, financed and maintained by the contractor.)

Given this fact, the paper justifies "the majority of PFI projects" on the basis that "better value for money... can be achieved" (para 15). But a careful reading of this section shows that the promise of better value for money is largely extrapolated from the successful results of small-scale contracting out of public services by Local Authorities etc. It is hard to see how, otherwise, the paper could say, "PFI deals are often delivering 10-20% savings" (para 16). As no actual PFI contracts have been tested in practice

yet, this statement must relate to the 'contracting out' type of deals which have become customary in the public service. That conclusion is supported by the CBI remark that, "where outsourcing had already taken place, it had typically delivered gross savings of around 30%".

The CBI is enthusiastic about private capital getting involved directly in the management and supply of public services through PFI and Public Private Partnerships. It instances the Department of Social Security objective of cutting its running costs by a quarter as the kind of benefit to be obtained. At the same time, it comments:

"...The choice between PFI, other public private partnerships and conventional procurement should be determined solely by the best value for money. Short-term public spending targets should not distort decisions away from, or towards, the PFI." (para 20.)

But, of course, that is exactly what is happening. PFI projects are seen by various Departments of Government as ways of escaping from budgetary constraints in the here and now, with incalculable consequences for future spending commitments. Incidentally, the CBI suggests that savings made by such means means that "more resources can be freed up (to be returned to the taxpayer or to increase the *volume* of government provision)" or to provide a "better... quality of service". (Para 15, Readers are referred to an article on Private Finance Initiative in this magazine in September 1997, which raised concerns that PFI building projects could actually increase the expense of running public services.)

THEORY OF MONEY

The paper makes some remarks about the effects of increased public expenditure, which attempt to take into account a number of complications. This section does not measure up in clarity to other parts of the document. There is a bow towards the Thatcherite theory that public investment stifles private (by raising the demand for, and therefore the price of, capital), but the concern is to find arguments against the "danger of any such *crowding out*" (para 39). The paper suggests too that problems may occur if "public sector investment... is less efficient than the private sector—although this is extremely difficult to assess where social, rather than

commercial returns are sought" (ibid).

Of course, a lot of private borrowing is not "*efficient*" at all in a social sense. Borrowing to finance private consumption has become commonplace.

All of this seems more appropriate to a bygone era when capital was scarce. Nowadays, in Britain anyway, capital is anything but scarce, as anyone who has had multiple offers of bank loans and credit cards (each offering generous credit limits, all based on the same income) will know. Since Thatcher privatised the creation of money (which was effectively what the relaxation of banking controls amounted to), there has been an explosion in credit—the modern form of money. The problem has been to apply the productive potential this implies. Continuing unemployment shows that this objective has not been solved. Private capitalists do not see a sufficiently profitable return in the way this labour could be utilised. That is where the State comes in. As it is not competing with the private sector for scarce resources, or doing things that the private sector could be doing more profitably, any productive work it stimulates must enhance the value of the whole economy.

Another problem with the "*crowding out*" theory is that the price of capital within Britain is not wholly determined by the demand for it—those days are long past. For a start, as the paper itself recognises, "Today's highly integrated global markets mean that government borrowing is not limited to the surplus of private *domestic* saving over investment—rather, the government can borrow from abroad" (para 40).

Apart from that, the demand for, and therefore the price of, Sterling can be affected by a foreign demand for it which has nothing to do with production. At present, Asian turbulence is increasing the demand for Sterling.

The price of money has also been artificially manipulated by government to manage the economy. Monetarist theory favours the use of such indirect means to control demand, rather than the direct ones, such as making changes in tax rates, or tightening up conditions on consumer borrowing.

All of this means that the real

economy, and private productive investment, is at the bottom of the list as far as borrowing money is concerned. New investment is almost a residual use for capital these days, which is why huge labour resources lie idle.

A general warning is given in this section of the paper. It is that, if the Government borrows too much, "the City" will expect it to print extra money, and this brings the "prospect of inflation". The Government then has a choice—

"If it delivers inflation, it will confirm inflation expectations. If it does not, the real burden of debt will rise..." (para 42).

This is a curious formulation, which seems to suggest that the CBI does not hold that expanding the money supply automatically produces inflation, as Milton Friedman suggested—and which became a Thatcherite dogma. The second part of the statement is certainly true. Inflation is a way of reducing the value of loans which have to be repaid. What the paper does not say, but which is undoubtedly the case, is that inflation constitutes a subsidy from the inactive element of the economy to the active. Those with idle capital have it devalued, whilst those who borrow are at a slight advantage. Carefully controlled low-level inflation can be of benefit to capitalist economies.

The innocent Socialist may conclude from all of this that the most positive thing a Government can do to benefit its economy is *tax to invest*. It is, after all, the most cost-effective way of growing an economy and improving the social infrastructure of schools, hospitals, roads, and public transport—and building new industries. And, if that is not sufficient to put idle resources into play, the Government should borrow to invest.

GOVERNMENT DEFICIT ACCOUNTING

The key, and most useful, part of the CBI paper is the section called *The Case For Shifting Emphasis Onto The General Government Deficit*. It is worth quoting extensively from this section, as it sets out common ground between Socialists and those who see benefits in a more active role for the State in the economy. In other words, it runs counter to the classical liberalism of Thatcherism.

The paper explains that—

"43. The key UK fiscal objective over the past 20 years has been the PSBR [Public Sector Borrowing Requirement], a concept defined in the late 1960s and uniquely adopted by the UK since the late 1970s. The measure covers the public sector as a whole. It therefore includes local authorities' and public corporations' market borrowing—although in practice this is rather limited, not least because central government undertakes a lot of borrowing on their behalf."

Whilst the PSBR has the "virtue of simplicity", and it shows the amount that needs to be raised by the public sector each financial year, it has drawbacks, which the paper lists as follows:

"* It is incompatible with international practice

* It is reduced by privatisation proceeds, even though the selling of profitable assets can worsen the future financial position

* It encourages cuts in public investment as a way to reduce the budget deficit

* Unfunded liabilities, state guarantees and bad debts are not apparent

* It limits the commercial freedom of public corporations, even where they operate in competitive markets

* It is cash-based rather than accruals-based." (para 45.)

The *General Government Financial Deficit* (GGFD), on the other hand, "excludes... loans and privatisation receipts; and it excludes public corporations' market borrowing". This would have the following beneficial consequences:

"* It allows greater commercial freedom to public corporations operating in highly competitive markets. Investments which make sense on a purely commercial basis would not be restrained.

* The GGFD is the internationally comparable Maastricht definition.

* It is in principle an accruals measure, consistent with the move to resource accounting.

* It excludes privatisation receipts, the inclusion of which can give a misleading picture of the underlying fiscal position.

* The PSBR is projected to move in line

with the GGFD from 1998-9, when privatisation proceeds are assumed to be zero, smoothing any changeover.

* It would end the arbitrary manipulation of major items of public corporations' cashflow across fiscal year-end dates, to 'manage' the PSBR." (para 48.)

The paper sees two drawbacks to the change. The first is that, "by excluding money which is lent on to third parties (for example, to students, or through the social fund), the GGFD could paint too rosy a picture of the government's financial position, as some of these loans may never be repaid. And secondly, public corporations may borrow too much. The second contingency would be met by a Government stricture about "no 'bailout'" (para 50).

The CBI paper goes on to suggest that Local Authorities should be allowed to borrow for "specific and defined commercial operations, with bondholders rather than central government ultimately taking the risk of underwriting bad debts" (para 54). This would not count as part of the GGFD.

The conclusion is:

"64. A major disadvantage of focus on the PSBR is that it may prevent borrowing that is worthwhile either in a narrow commercial sense, or on a wider economic view. The GGFD partly removes this disadvantage, by not counting public corporations' borrowing. We therefore recommend, as have others, that more emphasis be put on the GGFD as a measure of fiscal control. But there are also advantages in continuing to monitor the PSBR alongside the GGFD, and the current balance and cyclically adjusted balance are useful supplementary indicators. Finally, it should be noted that more emphasis on the GGFD is not a complete solution to the problem of funding the right amount of public investment."

If there are any forces in the Labour movement, or in the leadership of New Labour, that want to see the mad career towards economic liberalism halted, they could do worse than put their weight behind this change in accounting practice. It might not be earth-shaking in itself, but it would represent a halt in the present rampant gallop towards Liberal Imperialism.

Kevin Brady

Parliamentary Diary

Off The Rails

Richard Branson was interviewed on a recent Panorama programme about the performance of Virgin trains on the West coast route. He looked rather pleased with himself, until it was pointed out that official statistics showed that the company was under-achieving its targets by a considerable margin. It was at this point, we were told, that he terminated the interview.

The train operating companies' performance since privatisation was one of the issues discussed during a Parliamentary debate on 9th February. Their record, generally speaking, is abysmal. According to Matthew Taylor, Liberal Democrat member for Truro and St Austell, "Eighteen service groups failed to meet their passenger charter targets" in 1997, while customer complaints about Virgin Trains and Connex South Central rose by 83% and 158% respectively.

This record exists in spite of a taxpayers' subsidy of £2,000 million a year, more than double the subsidy at privatisation. South West Trains receives a subsidy of £63 million, yet last year it was fined £1.8 million for "the disruption and misery caused to passengers by poor management decisions". But in the same financial period it was awarded £1.7 million as a special performance bonus, resulting in a net fine of £100,000.

The problem, as a number of members pointed out, is the current standards regime which allows suburban trains to run up to 5 minutes late and yet still be on time. The leeway for inter-city trains is 10 minutes. So, as long as companies keep within these limits, they are deemed to be performing well, qualifying for a special performance bonus.

A White Paper on transport is expected next month, which will lay out

the Government's plans for the future of the railways and other transport modes. It will need to be bold and radical if rail services are to improve. During the debate, the minister of transport, Dr Gavin Strang, said "Rail privatisation damaged the interests of passengers and taxpayers... We inherited a privatisation that was ill thought out and implemented with indecent haste. As a result, mistakes were made, and the weaknesses of the system are clear for all to see. The extreme fragmentation of the industry will not benefit the passenger in the short or long term". If that is Government's view, it will take a bit more than the proposed national rail authority to put things right. Nothing short of a reversal of the whole process will suffice.

Cold Homes and Capital Receipts

In the last Diary I urged the Government not to go ahead with Tory plans for cutting the Energy Saving Trust grant in 1998/99 from £19 million to £13.5 million. I am happy to report that the cut will now not take effect. With the reduction in VAT on fuel to 5% and the winter fuel payments, pensioners will at least get a reasonable measure of relief. But more needs to be done if lives are to be saved next winter.

The problem for many people is not so much the cost of fuel—prices are falling in real terms—but, rather, the large number of energy-inefficient homes. Low fuel prices, in any case, do not make environmental sense. We should be aiming to improve the nation's housing stock if we want to sever the link between poor health and bad housing.

The release of capital receipts—£200 million in the current financial year and £700 million in 1998/99—will

help, providing that councils spend a substantial proportion of the extra money on rehabilitation and repair. It will mean, however, ring-fencing the money to ensure that this happens. It will also mean allocating more resources to local minorities with low, or no, receipts, but who may have substantial problems of disrepair.

Trade Not Aid?

The Government appears to be intent on supporting the Multilateral Agreement on Investment (MLA), in spite of admitting that as it presently stands it is in need of radical reform. In a Parliamentary Written Answer on 23rd February, Clare Short, Secretary for International Development, told the House that, "Foreign investment has an important role to play in economic development which is essential to meeting the international poverty eradication targets. The problem for many developing countries, particularly the poorest, is marginalisation from these global capital flows. The government therefore supports the establishment of a better international framework for investment through instruments such as the Multilateral Agreement on Investment."

This was in contrast to the contribution by Jeremy Corbyn, Labour member for Islington, North, to a debate on the MIA on the same day. Corbyn said, "First, the agreement promotes the unfettered power of multinational corporations—many of which are larger than national governments, can move capital around the world at whim and yet can deny the movement of labour around the world at whim. That should be contrasted with the attempts of the International Labour Organisation to impose minimum standards around the world, with the welcome steps taken at Rio a few years ago in setting a worldwide environmental agenda, and with what was achieved at the Kyoto conference on climate change".

The Minister for Small Firms, Trade and Industry, Barbara Roche, sought to assure Corbyn and other members that the Government would not sign up to the Agreement unless there were guarantees protecting the best environmental and labour standards. However, it remains to be seen whether such guarantees will satisfy multi-national corporations. The MIA is a significant step in the direction

of establishing common standards at a global level. We hope to return to the subject in more detail in a future issue.

It's Not Justice, Stuart-Smith

The decision by the Home Secretary, Jack Straw, to support the opinion of Lord Justice Stuart-Smith that no new evidence exists to justify a further public inquiry into the Hillsborough disaster, is an enormous blow to the families and friends of the 96 Liverpool fans crushed to death on 15th April 1989. Of all the miscarriages of justice that have occurred over the years, this is probably the greatest.

In his explanation to the House of Commons on 18th February, the Home Secretary referred to the report by the late Lord Justice Taylor in which he made clear that, "the main reason for the disaster was the failure of police control". Lord Justice Taylor also commented on "Mr Duckenfield's disgraceful lie" about one of the gates at Hillsborough, "Gate

C being forced open by fans".

The Home Secretary went on to say that he knew that the decision would be deeply disappointing for the families and quoted Lord Justice Stuart-Smith in Chapter 7 of his report who said, "I understand the dismay that they have that no individual has personally been held to account either in a criminal court, disciplinary proceedings, or even to the extent of losing their job". Yet in spite of this, and the findings by the late Lord Justice Taylor concerning the reason for the disaster, Jack Straw told the House that, "there are no grounds for reopening a further full public inquiry of the sort that was conducted by Lord Justice Taylor, the coroner's inquest, disciplinary matters against the police or certain other matters".

I was at Hillsborough on 15th April 1989 in the front row of the stand immediately above the enclosure where the deaths occurred. I could see clearly what was happening, as could my friends

who were with me. We saw Liverpool supporters, some of whom were our friends, being crushed to death, while police officers stood idle on the other side of the high fence which surrounded the Lappings Lane End. We screamed at them for minutes to open the fence gates on to the pitch. Not only did they not do so until it was too late, they also pushed fans who were attempting to climb the fence to escape the crush, back into the enclosure. All this and more was told to the West Midlands police team gathering witnesses' statements.

Since the Home Secretary's decision, the families and friends of the deceased have announced that they intend to pursue a case of private prosecution as the only means left to obtain justice. It is a sad reflection on a Labour Government that they have been forced into this decision. We hope they are successful.

Ferdinand's Fantasy

Sean McGouran

Ferdinand Mount has a column in *The Sunday Times*. That of 25th January was entitled, 'This is as good as it gets, Mr Adams'. The article was reasonably well-argued, except that it did not take into consideration the Unionists' infallible ability to make a hash of things. He also mentions Catholic/Protestant breeding rates, apparently not realising that they have both been falling. (Thus far: the birthrate in the Republic is on the rise, due, it is said, to the rising standard of living.) Mount also seems to imply that the 1798 uprising was a consequence of Pitt the younger attempting to extend full civil rights to Catholics.

This makes the wrong-headed notions of Brian O'Higgins, and his generation, about the '98 sound positively commonsensical. If they had not believed that 1798 and 1916, the United Irish and Sinn Féin were part of the same tradition they would have been schizoid.

He also writes that the parties in power in Dublin, London and Washington, "are those which have historically been most friendly to the nationalist cause". This means that

Mount (a Thatcherite of the 'privatize oxygen' persuasion) seriously believes the Blueshirts are less nationalist than the Legion of the Rearguard (Fianna fail). There are enough Old Labour MPs with their deep class analysis of (Northern Irish society on the backbenches for his characterisation of New Labour to pass muster. (In the debate on the Hillsborough Accord, Eric Heffer, objecting to the Protestant/Unionist, Catholic/Nationalist interpretation of Irish history, put forward Lord Edward Fitzgerald as an example of a Protestant Irish Republican/Nationalist!)

As for Washington, when Gerry Adams went to the Congress, Newt Gingrich was as anxious to shake his hand as "national security advisers Anthony Lake and Nancy Soderberg" whom he accuses of "greening" the White House. But "it was clearly the President himself who appointed Mrs Jean Kennedy Smith as ambassador to Dublin with all her Boston-Irish sympathies."

Mount, like a great many bourgeois Brits, is under the impression that there is a large fund of good will towards the UK in the US. Most Americans rarely

think of England (which is what Mount means when he writes 'UK' or 'Great Britain'). When they do, they regard it as an ex-imperial power (or, as Bette Midler put it, "the Yeuk"). Clinton, though loathed by the *Sunday Times*, is part of the very thin stratum of US society to have a benign attitude to England. He was a Rhodes Scholar at Oxford.

Mrs Kennedy Smith did not go to Oxford, but did, presumably, attend a good American university. Mount's implicit characterisation of her as a green, beer-swilling, Boston 'Southie' is comical, or contemptible (and possibly a bit misogynist). The 'Irish' in America are a powerful caste; sophisticated people who run a large number of corporations, (while keeping a grip on the 'corporations' they have traditionally dominated, the Catholic Church and organised labour. Lists of US Catholic bishops and trade union functionaries read like Irish Parish Registers).

It is very interesting that Thatcherite Eurosceptic fantasy about the EU should be mirrored and shored up by an equally fantastical assessment of the US, and of the UK's relation to both.

The Slave-Chain and the Steam Engine

Gwydion M. Williams

The Victorians mythologised their own past. James Watt was a real-life example of the classic "poor boy made good", so he was credited with the steam engine, even though it was being used industrially before he was even born. Had Watt gone bankrupt developing his improved version of Newcomen's realisation of Savery's original idea, he could easily have been marginalised as just another inventor who had good ideas a little too soon. Had Watt's career not matched Victorian preconceptions, someone else could have been written up as the pioneer. A good candidate would be Richard Trevithick, who made the breakthrough to high-pressure steam-engines that were used for railways and other serious industrial uses.

Slavery by contrast was written down as a survival from the unpleasant unenlightened past. That slave labour had been part of the opening up of the New World was embarrassing and best hidden away, just as the Victorians also hid the fact that ladies had legs.

Slavery as it developed in the 17th and 18th century showed every sign of being part of the emerging industrial world. Glasgow thrived as the location of the main European dealers in slave-grown tobacco. Slave-grown cotton was the raw material for what has always been recognised as one of the key industries of the industrial revolution. And late 18th century steam engines were used for processing the raw sugar on the more progressive and prosperous West Indian plantations.

Conventional economists 'know' that free trade must always and in all circumstances be good for both parties. Oddly enough, this knowledge is confined to academics and journalists, people in no danger of suffering the consequences if they had not understood

the economy quite as well as they supposed. Whereas all governments assume that free trade is like fire, useful in the right places but not necessarily always good. Even right-wing governments that are happy to endorse free-market ideology treat practical matters of trade liberalisation as tricky and risky, needing careful negotiations to avoid being damaged.

America is an especially protectionist place, and always has been. It followed the advice of Frederic List in opposition to the notions of Adam Smith. America has also relied heavily on subsidies and government aid. The whole upheaval of the last 20 years has not reduced taxes nor diminished the share of the economy that is under government control. All it has done is shift the benefits away from the poor and needy and towards a new "Overclass" that is as detached and asocial as any criminal underclass.

American freedom is freedom to fight for a place in the social pyramid. Freedom not to strive is not well regarded. Suggestions that the social pyramid as a whole does not promote human happiness would be resented. The notion that a social pyramid could be a social trap which enmeshes and destroys people is not something they could face up to.

The justification for the system is a bald assertion that it is justified. This and a reference back to Adam Smith, who is supposed to have proved it.

Adam Smith was thinking about a very different world when he wrote *The Wealth of Nations*. He was writing in support of a rising progressive aristocracy. An aristocracy that thoroughly approved of the rise of modern industry. An aristocracy that was free of the ignorant pride of their

French counterparts. A lot of them were recent arrivals, created from nothing by the Tudors or Stuarts or the English Civil War. Successful entrepreneurs could be incorporated in one generation, with new money marrying old landed interests to produce some vigorous hybrids. The nature of the enterprise was of small concern. It might be a superior method of smelting steel or similar industrial enterprise. Some of the pioneers were Quakers and resistant to aristocratic blandishments, but after a generation or two they mostly succumbed.

All sorts of characters could get involved. One notable canal pioneer was already an aristocrat, the Duke of Bridgewater, who did indeed bridge water. He avoided the charges for carrying coal from his Worsley estate to the rapidly growing city of Manchester by building a canal and carrying this canal over a river using a bridge. An ingenious trick that was one of the wonders of the mid-18th century.

Not all aspects of 18th century enterprise were so worthy. The new wealth might also come from gross plunder of the Indian subcontinent. Some of the early deeds of the British in India were seen as indefensible even at the height of Victorian imperialism and self-confidence. Yet it took Edmund Burke with his vigorous prosecution of Warren Hastings to force the East India Company to turn itself into some sort of responsible government.

In the 19th century, other entrepreneurs made a fortune smuggling opium grown in British India into the ancient civilisation of China. When Imperial China launched a vigorous anti-narcotics campaign, the Royal Navy served as muscle to protect the British

drugs barons, a matter that was embarrassing even by the lax and callous standards of that era. Entrepreneurial Hong Kong was the fruit of that operation, and it remains the world centre for both opium and heroin. (Obviously most Hong Kong citizens have no more to do with the matter than most Londoners have to do with Britain's international arms trade or the money-laundering that flourishes in the City of London. But it is all part of the process, a process for which Adam Smith is the theorist and the justification.)

The source of entrepreneurial wealth might also be the skilful exploitation of African slaves on some sugar plantation or cotton plantation in the New World. George Washington attained the status of minor gentry as an owner of slaves and of tobacco plants. "Enlightened" British law gave the subject people and the crop-plants about the same legal protection, not even the minimal rights which the Spanish or Portuguese would allow. He was of course a fairly humane man, refusing to sell his slaves off the plantation, so that they were effectively serfs rather than slaves. But his importance to history comes from the fact that the British ruling class judged him to be too minor to be worth incorporating, despite his good service in the wars against the French and the Native Americans.

(Had Washington been made an officer in the British Army, a distinction which he was keen to acquire, it is unlikely that his personal honour would have allowed him to join the later rebellion. Without Washington, this rebellion would probably have failed. And the grand schema of the 18th century British aristocracy might well have succeeded, leading to a very different world. Probably a rather worse world, with the concept of human rights and human equality making very little progress.)

Apologists for the 18th century gentry like to point up the positive points, such as Lord Mansfield's decision that black slaves brought to England could not be forcibly removed back to the colonies. It is overlooked that he definitely defended the ownership of slaves in British colonies. He was not keen to rule against slave ownership

even in England. He himself owned a black slave, Elizabeth Dido Lindsay, who was only freed in his will. And in the notorious "Zong" case, he defended the right of the captain of a slave-ship to throw sick slaves alive into the sea, on the grounds that "if the slaves died a natural death it would be the loss of the owners of the ship, but if they were thrown alive into the sea, it would be the loss of the underwriters". (See James Walvin's *Black Ivory: A History of British Slavery* for fuller details.) Lord Mansfield endorsed this view, saying "they had no doubt (though it shocks one very much) that the case of the slaves was the same as if horses had been thrown overboard".

There is a reasonable suspicion that Lord Mansfield made his ruling against taking slaves settled in Britain back to the West Indies, not out of humanity but as a crafty defender of slavery in general. Late 18th century Britons were human enough to object if some decent and polite black neighbour was suddenly to be shipped off to foreign parts. To make an exception for the minor part of slavery that was under the eyes of the public was exactly what a clever defender of slavery would have been expected to do. Certainly, the core of slavery was a vast commercial enterprise in the West Indies, with slave labour fed in and a rich harvest of sugar, tobacco etc. emerging. And for as long as it was profitable to work slaves to death and then buy more, this is how it was done.

The best way to understand what Lord Mansfield was up to is to contrast his decision with the Dred Scott case in the USA. The "Missouri Compromise" of 1820 had forbidden the extension of slavery into free states, while allowing Missouri to be admitted as a slave-owning state. It was assumed that this meant that any slaves taken by their masters to free states became free. The Dred Scott decision went against this and was a comprehensive endorsement of the Southern slave-owner's interpretation of the Constitution. "Chief Justice Roger Brooke ... went beyond the actual point to be settled to the extent of asserting that Scott, having originally been a slave and therefore a mere chattel, might, according to the law of Missouri be taken like any other chattel, anywhere within the jurisdiction of the U.S.; that

the Missouri Compromise was in violation of the Constitution; and that slavery could not be prohibited by Congress in the territories of the United States. The case, and particularly the court's dicta, aroused intense bitterness among the abolitionists, widened the breach between the North and South, and was among the causes of the American Civil War." (*Microsoft Encarta 97*).

Lord Mansfield would not have made a blunder like that. He was keen to hide the more odious aspects of slavery from the British public. This was the sort of freedom of which Adam Smith was a bold defender. Perhaps he really did think of it as the best possible freedom in an imperfect world. For certain, his talk of "freedom" does not mean what we would now take it to mean. The world as it now is was quite outside of his expectations.

Adam Smith handled the matter of slavery with his usual mix of trickiness and optimism. He presented slavery as a survival of past backwardness. He notes a residuum of serfdom, a "species of slavery" that "still subsists in Russia, Poland, Hungary, Bohemia, Moravia, and other parts of Germany. It is only in the western and south-western provinces of Europe, that it has gradually been abolished altogether." (*The Wealth of Nations*, III.ii 8) The scholarly Glasgow Edition correctly notes that Adam Smith has chosen to leave out the residual serfdom of colliers and saltiers in his native Scotland. It was a point he had been happy to mention in his lectures to a Scottish audience that knew all about this disgraceful survival. When writing up and expanding part of these lectures as *The Wealth of Nations*, the matter suddenly ceased to be mentioned.

Much more seriously, Adam Smith also chose to overlook the massive re-growth of a slavery promoted by modern commerce. Much worse than residual serfdom in the 17th and 18th century was its reappearance in the development of the world market. In the section I quoted he mentions in passing the flourishing commercial slavery of the West Indies. He does not deal with it because it does not suit his overall case, that trade is benevolent if left to itself. Money talks most sweetly, and does not

crap, in Adam Smith's vision of the world. Facts that do not suit his vision are smoothly evaded.

West Indian slavery was a modern creation involving trade between three continents. Not always the three-legged voyage from Britain to Africa with trade-goods, Africa to the West Indies with slaves and then back to Britain with refined sugar, molasses and rum. This was the flow of goods, but not necessarily the itinerary of actual individual ships. The slave ships were often specialised and would sometimes return empty from the West Indies to Africa.

18th century slavery was a very sophisticated process, something that commerce created and which only the residual Christian conscience of some Britons managed to remove. The whole thing was not primitive but highly modern and rational. The West Indies had been taken from its original inhabitants, happy and fairly peaceful savages who soon vanished. On this land enslaved humans, not all of them black, were used as a factor in the production of sugar. Sugar for which Adam Smith had a particular fondness, and whose source he somehow managed to avoid thinking about. Modern and sophisticated slave production was also used for the production of tobacco, for which Glasgow had managed to become a major trading centre. This was the flourishing reality of modern 18th century slavery, which Smith did not face up to.

Adam Smith tried to dismiss slavery as uneconomic. "...From the experience of all ages and nations, I believe that the work done by freemen comes cheaper in the end than that performed by slaves. It is found to do so even in Boston, New York, and Philadelphia, when the wages of common labour are so very high." (*Ibid.*, I.viii 41) Now, it is true that slavery never did yield good returns north of Virginia, which was the furthest-flung outpost of slave-grown crops produced for the world market. White people were still quite often bonded labour at this time; there was no law preventing them from being outright slaves, but public opinion and a frontier hungry for new people made it impractical to keep them as living tools.

Blacks were another matter,

accepted as fellow humans only by Quakers, radicals and other marginal groups. Fortunately for future developments, black slaves turned out not very useful except for plantation agriculture growing cash crops in a climate where they were more at home than the white settlers. Slavery was marginal in Boston, New York and Philadelphia, not useful for much except exotic servants. So Smith could point there for facts suitable for his argument. He is very careful not to look where his 'brave new world' would not have seemed so good.

On slavery Adam Smith had the decency to be embarrassed and evasive. On other matters he was worse by modern standards, though fine by his own self-judgement. He was no friend to democracy, not as we now understand the word. He and his mentor David Hume were very much content to be agents of the 'King's Friends', the loose faction that included their protégé, Alexander Wedderburn. Smith's understanding of freedom was very much the same as George III's.

There has been much deception on this point, and many relevant documents have mysteriously disappeared. But the available facts all tell you that Adam Smith was a supporter of Britain's 18th century mix of democracy, monarchy and aristocracy, an enemy of the much purer middle-class democracy that the American rebels supported. Smith's defenders can find nothing better than that he championed the notion of giving the American colonies democratic representation in the British parliament, something that Benjamin Franklin had been advocating for years, and which might have changed the course of history if applied in the 1760s. But it was also something which was no longer relevant by 1776, the year of both the Declaration of Independence and of the *Wealth of Nations*. If Smith had advocated this wisdom while it was still relevant, then history has no trace of it.

The world that Adam Smith was writing for was damaged by the success of the American rebellion. (A rebellion that was renamed the War of Independence, since English tradition has always been ready to redefine acts of treason when they prove successful.)

America was the first big counterblow by democracy against the progressive aristocracy that elsewhere in Europe had been abolishing the residuum of popular assemblies that were an inheritance from the Middle Ages. More or less ruined by the French Revolution, and finished off by the economic turmoil of Britain's industrial revolution. Strictly speaking, the Adam Smithite vision had then ceased to be practical politics and been relegated to one of history's many might-have-beens.

But because Smith had written with a view to fooling the middle classes, they retained a belief in him when they came to power in the 19th century. They took him to be saying that Britain's superior position was natural and did not need forethought and planning to be maintained across the generations. Acting on this belief, the Victorians made the critical errors that doomed Britain and the world to so much loss and suffering.

Many people suppose that the Victorian era was our high point. But all of the rival definitions of the Industrial Revolution place it firmly in the Georgian epoch. This same age saw Britain gain control of India and North America. It was a section of Georgian society that hived off under George Washington, and was there to maintain the dominance of the English-speaking people when Britain itself was at a low ebb. And if Victorian Britain was richer than Georgian Britain, it was also poor and sluggish by modern standards. Victorian Britain achieved an average growth rate of just 1.2%, whereas India under its "disastrous" socialist protectionism managed to average 4%.

The true greatness of Britain is to be found in the Georgian era, despite all of its corruption, filth and absurdity. It was indeed a difficult time, an era of material wealth combined with spiritual and ethical confusion. And it was here that Adam Smith played a crucial role, saying that apparent sinfulness was actually virtue.



There You Go Again, Margaret...

The following is an extract from Question Time broadcast on 12th February which illustrates how far to the Right the Rt Hon Margaret Beckett has travelled since she was a member of the Supper Club group of Labour MPs, who, at the time of the Gulf War, stood out against Anglo-American chauvinism.

Question: Do you think the gunboat attitude towards Iraq will solve the problem?

Andrew Roberts (right-wing historian): No I don't. I am against this war, not because I think that it is wrong to kill tens of thousands of people, but because I think that it is not going to work. Tens of thousands will die, but I do not believe that the will is there in President Clinton's mind to overthrow Saddam Hussein. It isn't. I am sure we will hear later when Mrs Beckett speaks about this, about the horrific weapons of mass destruction that we all know he has. But I do not think that we are going to be able to stop him making them, continuing to make them, if he survives this bombing—and I think he will survive this bombing—because we haven't got the absolute wherewithal to go in on the ground and throw him out, which is what we should do.

Question: You weren't so bothered about tens of thousands of people dying, you were just bothered that it wasn't going to work?

Roberts: Yes. It is not going to work. You have got to overthrow him. It is people that kill people, not bombs that kill people.

Question: The point is, what about the tens of thousands of people that are going to die?

Roberts: Well, that is a great shame, because it should not be happening.

Question: But you don't care?

Roberts: No, I don't care.

Second Questioner: Would it not be interesting to ask the Government where Saddam Hussein got his horrific arsenal of weapons in the first place?

Margaret Beckett: Well, he didn't get them from us.

Chairman (Dimbleby): There are reports today that some of the chemical and bacteriological material came from the United States: large quantities of it.

Beckett: I have heard just the fringes of those reports. No doubt that will be explored over the succeeding days. But you said, ask this Government. This Government, I would remind you, was not in power. The original question was, Is our gunboat attitude wrong?

Chairman: Will it solve the problem?

Beckett: And Andrew's point is that it won't stop him. But it certainly won't solve the problem if we don't do anything. The whole point of what is now being considered, and the force that is being threatened, if necessary, is to ensure that Saddam Hussein does what every other nation in the world says he must do: to allow United Nations inspectors in to enforce the UN resolution. Now, if we don't do anything, or if we are not prepared to act, there's other means of accomplishing that, then he certainly will be able to go on having, and have the potential of using, weapons of mass destruction. And while I entirely

sympathise with your concern and your anxiety about threats to the world, and threats to human life, Saddam Hussein having a large number of weapons of mass destruction is itself a threat to the world.

Chairman: But is your view that it will solve the problem? I mean, when the Government supports the US in this action is it because it believes something has got to be done, or is it because it believes this will actively solve the problem and allow UNSCOM to go in freely in future to all the sites that they want to visit?

Beckett: We believe that this is the only way to keep up the pressure to make sure that UNSCOM are allowed into those sites, and that if UNSCOM are still not allowed into those sites as a result of this pressure, then action will be necessary to begin to tackle his capacity to create weapons of mass destruction in some other way.

Chairman: So that if this doesn't work, then some other action will be needed?

Margaret Beckett: We are talking about force. What I am saying is that now what we are saying is diplomatic pressure backed by force (*sic*). And I am saying that if the diplomatic pressure does not work then force has to be called on.

Third Questioner: I think that the position we find ourselves in is very frightening. I mean: Saddam Hussein—

do you think that if we eased some of the sanctions we imposed on his country it would give him room to talk and negotiate with us. Because I'm very frightened that we go in there and what happens will be terrifying.

Trevor Philips: The first thing I think one should remember is that this is a man who used these weapons on his own people. This is a guy who gassed his own people. His own people are expendable to him. So ideas about, you know, how terrible it will be, and so forth, don't seem to me to apply in this. He is playing a game with us. And he's playing a game in which he is pushing, pushing, pushing to see how far the international community—and remember this is the United Nations inspection force: it is not Americans, it is the United Nations. He is pushing to see how far the UN, the international community, will go. And I think the problem you have when you deal with somebody like this—and I have lived as a teenager in a small country threatened by a big country which wanted two thirds of our territory—you have no choice but to stand up to a bully. That's what this is about. And that's what you've got to do.

Fourth Questioner: I think it is an absolute outrage that you are talking about a war on a Third World country. You have not mentioned about the Resolutions at the UN that the United States ignores, day in day out, that affects British companies. They are restricted from trading with Cuba. There are only two countries in the UN supporting the US on a 38 year embargo. Britain is one of 143 countries that has condemned the illegal financial blockade of Cuba. And let us remind everybody here in the audience, the US have used chemical weapons. They are about to be taken to the biological convention in Geneva on this particular subject. And that is because charges have been laid in the UN because they have done these sort of attacks on Cuba. And secondly, how is it that nobody talks about two million Vietnamese dead, a hundred thousand GIs killed and missing in the Vietnam war. Hundreds of babies born with terrible deformities because of Agent Orange dropped by the United States.

[Chairman tries to stop speaker, but fails.] It is about time that the Labour Government, including Tony Blair, had enough spunk to say to the US: Get off our backs; we are not interested in war.

Margaret Beckett: Well, that is an interesting set of observations. But it has absolutely nothing whatsoever to do with the fact that what we have in Iraq, is a man with a huge potential to create weapons of mass destruction, a man who has used those weapons in the past. Never mind who sold it to him. He's got them. But he's a man who has shown that he is prepared to use them. Now, are you saying that because of whatever the United States did in other arenas—if you're saying that because the US did things which you or others or I might disagree in the past in other arenas, we should now stand by and let Saddam Hussein do whatever he likes, I can only say I totally disagree with you. Let me remind you, every country in the world, those countries who have publicly said they have reservations about the use of force, also say Saddam Hussein must be made to back down, he must be made let the weapons inspectors in.

Questioner: The United States is pressurising every country on this globe to participate in this outrage.

Margaret Beckett: No, it's not true.

Questioner: One point two million Iraqi children and women have died because of the last war in Iraq, and because of the embargo and sanctions: one point two million! And the British Government is going to go back and bomb it again.

[Margaret Beckett grits her teeth and lowers her eyes, but brazens it out. The Chairman succeeds in saving her blushes by finally stopping this voice of Old Labour.]

Seven years ago Margaret Beckett was a member of the "Supper Club" group of Old Labour MPs who were known to dissent from the Anglo-American policy of that period. Now, as a member of the Cabinet of New Labour, she undertakes a continuation

of that policy. And she engages in the debasement of the public mind which the Government has revelled in even more recklessly than its predecessor. She knows perfectly well that what Iraq wanted was some prospect of the ending of sanctions in return for compliance with UN resolutions, no matter how unreasonable it might consider those resolutions. And she knows perfectly well that a majority of the Permanent Members of the Security Council favours an easing of sanctions, but that her Government and Washington insist on maintaining them with no realistic prospect that they will ever end. 'Weapons of mass destruction' are rather easily made these days. The Foreign Secretary has said that there can be no compromise with Iraq so long as it has the knowledge of how to produce them. How can this knowledge be destroyed? Certainly not by allowing the Iraqi economy to recover. As things stood, Iraq had no prospect of seeing sanctions ended. Either the US or Britain alone could have maintained them for ever. The only hope for Iraq was to precipitate crises in the hope of deepening the division within the Security Council. It made considerable progress towards that end with this crisis. It is now conceivable that one of the Permanent Members might undertake to break the sanctions unilaterally—something which it would be entitled to do by virtue of its constitutional position above the 'law' of the UN. A realistic prospect of such unilateral action would cause Britain and America to give way on sanctions in order to preserve the authority of the Security Council for other purposes.

The other Iraqi complaint was that certain members of the inspection teams were spies for the United States. That is almost certainly the case. The question of how, in existing circumstances, it can be ensured that a UN inspectorate is not used as an espionage apparatus for one sovereign state against another was not addressed by Margaret Beckett, or anybody else. Indeed, their attitude suggested that they did not consider Iraq to be any longer a sovereign state. The reassertion of Iraqi sovereignty as an outcome of the negotiations between Kofi Annan and Tariq Aziz was a clear gain for Iraq out of this crisis.

Editorial concluded

The most effective Labour criticism Denis Healy, who knows how the game must be played. He supported the Government in principle but raised a series of eminently practical questions about whether the Government's aim could be achieved by what it appeared to be intent on doing. But nothing that was said or done in Britain either by the Government or its critics was of any consequence at all in determining the outcome.

The vital factor was Clinton's long delay. The cause of this is obscure. It was rumoured in early February that the Japanese, who were supportive of a second destruction of the infrastructure of urban life in Iraq, wanted action to be deferred until the end of the Winter Olympics so that their great television moment would not be blotted out. Whatever the reason, the delay enabled Russia to get its act together sufficiently to issue ultimatums of its own. France thus found an ally and was able to do what Gorbachov prevented it from doing in 1990. The Franco-Russian alliance of bygone times was restored. Russia declared that it had a vital interest in the preservation of Iraq. Madeleine Albright responded with a declaration that the bombing of Iraq was vital to American national interests. Having made that statement the US was perfectly entitled under UN rules to send in its war planes—accompanied, no doubt, by Tony

Blair's. But since the Franco-Russian alliance held firm, American bombing at that juncture would have meant the virtual end of the Security Council. And since America stands to gain far more than anybody else by maintaining the prestige of the Security Council, it had to gnash its teeth in semi-private, while Kofi Annan availed of the power-balance to go to Baghdad and negotiate a settlement with Tariq Aziz.

It was said repeatedly in the British media that whatever gifts Saddam might have as a brutal dictator, he was out of his depth in international power politics; that he was particularly ignorant of the political dynamics of the West, and that he was therefore unable to calculate the *realpolitik* of the situation. This view is hardly borne out by the outcome of this crisis, or of last November's, or of any of the many crises since 1991. And as for what happened in 1990, that begins to look much more like the outcome of diplomatic deception than of anything that could reasonably be called a mistake. Baghdad moved against Kuwait (which was behaving very unreasonably) believing that it had cleared the move diplomatically with Washington. And it had grounds for that belief. But as soon as it moved Washington, instead of responding as it had done to the Indonesian invasion and annexation of East Timor, declared that it was shocked by this breach of international law and began preparations for war. And Britain declared that the great object of diplomatic action was to ensure that Saddam could not

manage a peaceful withdrawal from Kuwait in a way that would save face. He had to be humiliated. And it was only after it had been made abundantly clear that Ameranglia was intent on war that Iraq declared the annexation of Kuwait.

It is a reasonable inference that Iraq, having served its purpose as a bulwark against the Iranian revolution, was lured into Kuwait by American diplomacy so that it might be destroyed as a military power. This was in the wonderland period at the end of the Gorbachov era, when America, finding itself alone in the world of superpowers, was wondering which way to turn to find a serviceable enemy.

This magazine supported NATO in the Cold War—which in the simple mind of Tony Benn made it the paid agent of the CIA. In those times the present New Labourites—Margaret Beckett *et al.* were all anti-NATO. Now that NATO no longer has a rational object—since the conflict of social systems is no longer operative—they have become NATO expansionists and appendages of the United States in foreign policy.

The wanton expansion of NATO into Eastern Europe, even though Russia now belongs to the same socio-economic system as the West, has finally provoked capitalist Russia into the defensive response that prevented the bombing of Iraq. Let us hope that the restored stalemate on the Security Council proves to be permanent so that the UN can once again become the relatively harmless organisation that it was before 1990.

