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man said over 60 years ago, and what the Barings farce highlights clearly today, the "role of industrial decentralisation in the revolution is unfortunately too little appreciated… in a system of centralisation the administration of industry becomes constantly merged in fewer hands, producing a powerful bureaucracy of industrial overlords. It would be the sheerest irony if the revolution were to aim at such a result. It would mean the creation of a new master class" (*ABC of Anarchism*, page 79–80).

References and Further Reading

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Contents

In other words, we have to build the new world in the shell of the old. But beyond all this, we need a vision of the future and ideas on how to get there. We need political content to our activity in order to rise above the reality of capitalism and not sink into reformism. Political ideas which spring from, learn from and develop with working class struggle and self-activity. Therefore we need a strong and effective anarchist organisation to help spread the idea we can change things by our own actions and that will encourage the spirit of revolt. That such an organisation must transcend national boundaries goes without saying, but like the society we aim for it must be based on local autonomy and free federation. The *Scottish Federation of Anarchists* hope to be part of such a global confederation.

It has never been the case that capitalism is becoming a more socialistic system by its growth. Its steady increase in size means that popular control of its institutions has become impossible. They have to broken up, with power decentralised back to where it belongs, to local communities and workplaces united in a free confederation.

"Without big banks socialism would be impossible" claimed Lenin. Like with so many other things, he was wrong. To make the economic institutions of capitalism "even bigger" runs against making them "even more [sic] democratic", for obvious reasons [*Collected Works*, Vol. 26, page 110]. Luckily the Bolshevik myth is less strong than it used to be in left wing circles, as is the related idea that nationalisation equals socialism.[8] The ideals of socialism may yet be saved from the statist hole it has dug itself into.

The inherent tendency towards centralisation within capitalism runs against tendencies to socialism. As Alexander Berk-

[8] At the height of Labour's nationalisations, anarchists were pointing out its anti-socialist nature. Nationalisation was "really consolidating the old individual capitalist class into a new and efficient class of managers to run… state capitalism" by "installing the really creative industrialists in dictatorial managerial positions" (Richards, page 10).

alternative so that we have more options than picking between "evils", so that we can create our own alternatives, by our own efforts and which reflect our ideas of right and wrong.

That means, in part, recovering the rich tradition of socialist ideas buried after the "success" of the Russian Revolution. The ideas of libertarian, as opposed to state, socialism. These ideas take many names, anarchism, anarchosyndicalism, guild socialism, antiparliamentarian communism to name just a few, but they all share the common ideas of working class direct action, solidarity, self-help, self-reliance and self-liberation.

To meet the globalisation of capitalism, we need to forge international links between countries. Existing organisations, such as the anarchosyndicalist IWA and IWW, while not perfect, have their role to play and should be supported. As capital is "dead labour", part of the surplus value extracted from our labour by the bosses, it's clear that by organising with our fellow workers across the globe we can strike fundamental blows to the system and its logic. We have a common interest to do so.

We cannot, however, limit ourselves to workplace organisation, essential as that is. We need to work within our communities as well, as we face the evils associated with capitalism in all aspects of our lives. We need to act locally. Unless we do that any international organisation or activity is hollow. The global solidarity of our class is the flower that grows from the soil of our local self-activity and direct action.

This self-activity will need to build links with like-mined people, in our communities and in our workplaces (via Industrial Networks, as suggested by the Solidarity Federation, for example). Confederations of communal and workplace assemblies, local solidarity centres, cooperatives and credit unions are essential in order to generate a strong backbone of self-managed alternatives which can support and win the class struggle.

To lose £75 pounds on the horses is unfortunate. To lose £750 million pounds is slightly different. When Nick Leeson lost 750 million on the Tokyo futures market in February, it should have raised more than eyebrows or smiles from anarchists. It should have raised questions.

Barings "misfortunes" have highlighted the issue of economic power and the fundamental changes in the nature of capitalism which we have all had the unpleasant pleasure of experiencing since the 1970's. These changes have important implications for us, our activities and our lives and so must be understood.

As should be obvious to any anarchist, capitalist companies and corporations, by their economic power, control political power, namely the state and in particular Parliament and the executive (i.e. the government). Political power is often powerless in the face of opposition from economic power.

As Noam Chomsky notes, "In capitalist democracy, the interests that must be satisfied are those of capitalists; otherwise, there is no investment, no production, no work, no resources to be devoted, however marginally, to the needs of the general population" (*Turning the Tide*, Pluto, 1985, page 233).

Faced with a government aiming to implement "radical" policies (i.e., anything that will get up the noses of capital) and "deliver for the needs of working class people" capital would use its economic power to stop or undermine these reforms. How? Simply by moving capital to more profitable countries. It's this economic power that the recent changes within capitalism has increased.

The tendency within capital is for it to become increasingly global in its operations. Transnational Companies are, perhaps, the most well known representatives of this process. Globalisation became noticeable in the early 1970's, partly as a response to popular revolt (the "crisis in democracy" to use the elites term) and partly as the natural evolution of the system. As would be imagined, the political reactions to this process took similar forms in different countries as the underlying economic causes were similar.

The U.S. eliminated many capital controls, the controls having been, as John Eatwell the Cambridge economist put it, "challenged as 'inefficient' and 'against the national interest' and 'unmarketlike' – and the infrastructure of speculation was rapidly expanded" meaning that "opportunities for profit proliferated" by allowing capital formally invested in high labour cost industries in the U.S.A. to move to states with lower costs (John Eatwell, "The Global Money Trap", *American Prospects*, Winter 1993). In Britain, "Heath… had relaxed many of the controls on the banks in the U.K." (Robin Ramsay, page 2). Both countries floated their currencies (Nixon first, closely followed by Heath). This meant the end of the Bretton Wood system.

The end, in other words, of the post-war economic system.

The long-term effect of this has been the reversal of the ratio between foreign exchange transactions of a speculative nature and those for the finance of trade and long term investment. In 1971, the former was about 10%, the latter about 90%. By 1993, speculative transactions stood at 90% of the total. (Eatwell, op. cit.)

In Britain, the immediate effect was that between December 1971 and December 1974, the total assets of British Banks rose by £48 339 million, or 131%. "'Printing money' with a vengeance"(Robin Ramsay, page 2). This resulted in inflation reaching 20% just before Heath left power.[1]

[1] This fact is often ignored in the histories of the period, which are rewritten to imply that Labour Governments and workers struggle cause inflation. As two US writers have indicated from the 1970's, facts are often "obscured by a barrage of propaganda designed to persuade the public that rising wages are the cause of rising prices…. The truth is quite the opposite. Every general increase in labour costs in recent years has followed, rather than preceded, an increase in consumer prices. Wage increases have been the result of workers' efforts to catch up after their incomes had already been eroded by inflation…. The attempt to blame inflation on worker's wage

few years ago) and their has been no investment at all (net) by unit trusts in the UK since exchange controls were abolished'" (Ramsay, page 3)

Why? What so bad about the U.K.? Simply, the working class were too militant, the trade unions were not "shackled by law and subdued" (as The Economist, February 27, 1993, recently put it) and the welfare state would be lived on. The partial gains from previous struggles still existed and so created "inflexibility" in the labour market.

This happened 20 years ago, when globalisation was in its early stages. Think of the power of capital now, with access to electronic mail, the internet, artificial intelligence and multimedia.

So, governments are constrained by the agenda of big business, multi-nationals and banks. But they are also constrained by the state itself. This is clear from the experiences of the last Labour government. Tony Benn has often written of the battles he fought (and lost) against the civil service and the state apparatus when he held ministerial office and of the disinformation fed to him by his "advisors" in Whitehall.

As Clive Ponting (an ex-civil servant himself) indicates "the function of a political system in any country… is to regulate, but not to alter radically, the existing economic structure and its linked power relationships. The great illusion of politics is that politicians have the ability to make whatever changes they like…" [quoted in *Alternatives*, no.5, page 19].

Back to the Future?

As can be seen from the last Labour government, Bill Clinton, New Zealand or Tony Blair, the "lessor" evil is still an evil. They cannot challenge, never mind change, the fundamentals of the system (assuming, for the moment, that is what they actually want to do). The task for anarchists is to create a real ary, the Miner's went on strike, forcing Heath to hold (and lose) a general election. The new Labour government (which included many left-wingers in its cabinet) talked about nationalising the banks and much heavy industry. In August, 74, Tony Benn announced plans to nationalise the ship building industry. By December, the FT index had fallen to 150 points. By 1976 the Treasury was spending $100 million a day buying back of its own money to support the pound [*The Times*, 10/6/76].

"The further decline in the value of the pound has occurred despite the high level of interest rates… dealers said that selling pressure against the pound was not heavy or persistent, but there was an almost total lack of interest amongst buyers. The drop in the pound is extremely surprising in view of the unanimous opinion of bankers, politicians and officials that the currency is undervalued" [*The Times*, 27/5/76]

The Labour government faced with the power of international capital ended up having to receive a temporary "bailing out" by the I.M.F. who imposed a package of cuts and controls which translated to Labour saying "We'll do anything you say", in the words of one economist [Peter Donaldson, *A Question of Economics*, page 89]. We all are aware of the social costs of these policies. And let's not forget that they "cut expenditure by twice the amount the I.M.F. were promised" [Donaldson, op. cit.].

Capital will not invest in a country which does not meet its approval. In 1977, the Bank of England failed to get the Labour government to abolish its exchange controls. Between 1979 and 1982 the Tories abolished them and ended restrictions on lending for banks and building societies. The result was obvious, "the result of the abolition of exchange controls was visible almost immediately capital hitherto invested in the U.K. began going abroad. In the Guardian of 21 September, 1981, Victor Keegan noted that 'Figures published last week by the Bank of England show that pension funds are now investing 25% of their money abroad (compared with almost nothing a

The reasons for this have been indicated above, but the subjective factor, namely popular revolt, without doubt accelerated the evolution to globalisation (as it had the evolution to "national" capitalism, or the post war Keynesianism consensus of limited state intervention[2]). The major problem of the post-war consensus was that "with the full employment policy [this system implied]… it commits the state to bolstering the power of labour. While it helps increase total demand, its fatal characteristic from the business point of view is that it keeps the reserve army of the unemployed low, thereby protecting wage levels and strengthening labour's bargaining power" [Herman, page 93].

This resulted in an extended period of capitalist expansion, in which both productivity and wages could increase hand in hand. Unfortunately for capitalism it is in periods of "boom" that the working class is at its strongest. This is the key to understanding the traditional "business cycle" of capitalism. If an industry or country experiences high unemployment workers will put up with longer hours, worse conditions and new technology in order to remain in work [see "The New Slavery", *Scotland on Sunday*, 9/1/95, for example]. This allows capital to extract a higher level of profit from those workers, which, in turn signals other capitalists to invest in that area. As invest-

increases is hardly more than a justification for those who want to increase profits by decreasing real wages." (Jeremy Brecher and Tim Costello, page 120).

[2] The nationalisation of roughly 20% of economy (the most unprofitable sections of it as well) in 1945 was the direct result of ruling class fear. As Quintin Hogg, a Tory M.P. at the time, said, "If you don't give the people social reforms they are going to give you social revolution". Memories of the near revolutions across Europe after the first war were obviously in many minds, on both sides. Not that nationalisation was particularly feared as "socialism". As anarchists at the time noted "the real opinions of capitalists can be seen from Stock Exchange conditions and statements of industrialists than the Tory Front bench… [and from these we] see that the owning class is not at all displeased with the record and tendency of the Labour Party" (Richards, page 9).

ment increases, unemployment falls so workers are in a better position and so resist capital's agenda, even going so far as to propose their own (see, for example, the calls for workers control in that late 60's and early 70's). As workers power increases, profit rates decrease and capital moves, seeking more profitable pastures, causing unemployment. And so the cycle continues.

Hence, after the extended period of boom caused by Keynesianism, working class struggle had invoked a capitalist crisis as the rate of profit fell.[3] Inflation, as indicated above, was the first response to this crisis as it "reduced the real wages of workers… [which] directly benefits employers… [as] prices rise faster than wages, income that would have gone to workers goes to business instead" [Brecher and Costello, page 120]. Working class revolt accelerated the process of globalisation and inflation produced the correct climate for the "deregulation" era of Thatcher and Reagan to be on the agenda.

This era was marked by a move away from the "nanny state" (for the working class at least, not for the ruling class) to "free" markets as part of a "neoliberal revolution". The new consensus not only represented a policy change away from the defunct social democratic one, it also represented a structural change corresponding to the globalisation of capitalism. A process which has benefited capitalism immensely, increasing its size, power and mobility.

The figures speak for themselves.

From 1986 to 1990, foreign exchange transactions rose from under $300 billion to $700 billion daily and are expected to exceed $1.3 trillion in 1994. The World Bank estimates that the total resources of international financial institutions at about

[3] Actual post-tax real wages and productivity in advanced capitalist countries increased at about the same rate from 1960 to 1968 (4%) but between 1968 to 1973, the former increased by an average of 4.5% compared to a productivity rise of 3.4%. As a result, the share of profits in business output fell by about 15% in that period. See Fotopoulos, page 63.

politicians. It's the institutions that have power in the state due to their permanence, not the representatives who come and go. We cannot expect a different group of politicians to react in different ways to the same institutional influences and interests. It's no coincidence that the Australian Labour Party and the Spanish Socialist Party introduced "Thatcherite" policies at the same time as the "Iron Lady" introduced them here.[7] The New Zealand Labour government is a case in point, where "within a few months of re-election [in 1984], finance minister Roger Douglas set out a programme of economic 'reforms' that made Thatcher and Reagan look like wimps…. almost everything was privatised and the consequences explained away in marketspeak. Division of wealth that had been unknown in New Zealand suddenly appeared, along with unemployment, poverty and crime" [John Pilger, "Breaking the one party state", *New Statesman*, 16/12/94]

Electoral attempts at change are limited. In order for a parliament to "deliver" reforms that benefited working class people capital would have to be controlled. This would have one of two effects. Either capital would disinvest, so forcing the government to back down in the face of economic collapse. Or the government in question would control capital leaving the country and so would soon be isolated from new investment and its currency would become worthless. Either way, the economy would be severely damaged and the promised "reforms" would be dead letters. In addition, this economic failure would soon result in popular revolt which in turn would lead to a more authoritarian state as "democracy" was protected from the people.

Far fetched? No, not really. In January, 1974, the FT Index for the London Stock Exchange stood at 500 points. In Febru-

[7] Not that she was that "Iron" when it came to the real sources of power in society, namely capital. Robin Ramsay has done us all a great favour in documenting how "the first big interest group Mrs Thatcher took on was the City – and she lost" (Robin Ramsay, page 4)

a critical role in ensuring agreements between the different state officials. The EC Summit meetings, comprising the 12 Prime Ministers, simply rubber-stamp the conclusions agreed by the Interior and Justice Ministers. It is only then, in this inter-governmental process, that parliaments and people are informed (and them only with the barest details)" [Tony Bunyon, *Statewatching the New Europe*, 1994, page 39]

However, such centralisation does make it easier for some to influence the political process. Namely, big business. For example, the European Round Table (ERT)[6] makes much use of the EC. As two researchers on this body note, the ERT "is adept at lobbying… so that many ERT proposals and "visions" are mysteriously regurgitated in Commission summit documents". Of particular interest here is that the ERT "claims that the labour market should be more "flexible", arguing for more flexible hours, seasonal contracts, job sharing and part time work. In December 1993, seven years after the ERT made its suggestions [and after most states had agreed to the Maastricht Treaty and its "social chapter"], the European Commission published a white paper… [proposing] making labour markets in Europe more flexible" (Doherty and Hoedeman, "Knights of the Road", *New Statesman*, 4/11/94, page 27)

What the state giveth, the state can taketh away. The Tories may soon not have had to bother about the social chapter of the Maastricht Treaty after all.

But surely a "radical" government could resist the forces that be and introduce reforms? Well, firstly, there is a difference between the state and government. The state is the permanent collection of institutions that have entrenched power structures and interests. The government is made up of various

[6] The ERT is "an elite lobby group of… chairmen or chief executives of large multi-nationals based mainly in the EU… [with] 11 of the 20 largest European companies [with] combined sales [in 1991]… exceeding $500 billion… approximately 60 per cent of EU industrial production". (Doherty and Hoedeman, page 27).

$14 trillion. To put some kind of perspective on these figures, the Balse based Bank for International Settlement estimated that the aggregate daily turnover in the foreign exchange markets at nearly $900 billion in April 1992, equal to 13 times the Gross Domestic Product of the OECD group of countries on an annualized basis [*Financial Times*, 23/9/93]. Closer to home, some $200–300 billion a day flows through London's foreign exchange markets. This the equivalent of the UK's annual Gross National Product in two or three days.[4]

The tele-communications revolution aided this "globalisation" of capital as the "revolution in technology and production is fuelling and being fuelled by globalisation… it means national boundaries and habits are becoming less relevant to business decisions as investment flows and production facilities move in quest of the highest possible returns or market share" according to the *Financial Times* [*Financial Times*, 23/9/94].

"A level of poverty is sound monetarist policy" (John Pilger)

No wonder this Financial Times special supplement on the I.M.F. stated that "Wise governments realise that the only intelligent response to the challenge of globalisation is to make their economies more acceptable". More acceptable to business, not the population.[5] This has seen, and will increasingly see,

[4] This should make any Scottish Nationalist wonder how "independent" Scotland would be in face of such financial power. And for them to ask the questions, independence for who? For what? If independence for ordinary Scots, then how can this be achieved within a capitalist system, dominated by business, politicians and bosses?

[5] Such an "acceptable" business climate was created in Britain, where "market forces have deprived workers of rights in the name of competition" (Scotland on Sunday, 9/1/95) and the number of people with less than half the average income rose from 9% of the population in 1979 to 25% in 1993.

what could be called a free market in states, with capital moving to states which offer the best deals to investors and transnational companies, such as tax breaks, union busting, no pollution controls and so forth. The "globalisation" of capital aids this process immensely by increasing the mobility of capital and allowing it to play one work force against another.

For example, General Motors plans to close two dozen plants in the United States and Canada but it has become the largest employer in Mexico. Why? Because an "economic miracle" as driven wages down. Labour's share of personal income in Mexico has "declined from 36 percent in the mid-1970's to 23 percent by 1992". Elsewhere, General Motors opened a $690 million assembly plant in the former East Germany. Why? Because there workers are willing to "work longer hours than their pampered colleagues in western Germany" (as the *Financial Times* put it) at 40% of the wage and with few benefits. [Noam Chomsky, *World Orders, Old and New*, page 160]

According to *Business Week* (February 15, 1993), Europe must "hammer away at high wages and corporate taxes, shorter working hours, labour immobility, and luxurious social programmes". This is exactly the sort of thing contained in any leftist programme you care to mention (for example, see Issue 6 of "Liberation" and its "draft statement for a shorter working week"). Exactly the sort of thing capital does not require. Exactly the sort of thing that the globalisation of capital helps put an end to.

The share of national wealth held by the poorer half of the population has fallen from one third to one quarter. However, as would be expected, the number of millionaires has increased as has the welfare state for the rich, with our tax money being used to enrich the few via military Keynesianism, privatisation and funding for Research and Development. Like any religion, the market is marked by the hypocrisy of those at the top and the sacrifices required from those at the bottom.

The globalisation of capitalism has already adversely affected whole populations, but the next stage of global free trade (as represented by GATT) will make things far worse. Global free trade, as the economist Sir James Goldsmith notes, will "shatter the way in which value-added is shared between capital and labour" ("value-added" being the "increase of value obtained when you convert raw materials into a manufactured product") as it will result in a "massive increase in supply [which] will reduce the value of labour". This also mean that management power will increase for when organised labour ask for concessions "the answer will be: If you put too much pressure on us, we will move offshore where we can get much cheaper labour, which does not seek [improvements such as] job protection, long holidays…".

All of which, needless to say, will result in bigger and better profits for the few as we, the real "wealth creators", get a reduced slice of the value we create. As wealth pours up from the working class to the ruling class, the drops from the rich will "increase" (as 10% of 200 is more than 15% of 100). This is the real meaning of the "trickle down" theory so loved by the Tories.

Free Market, Centralised State

Implied in and paralleling this rise of global capital, we see the emergence of what have been called "superblocks", such as the EU and NAFTA, needed to create "more efficient" regional markets. This regionalisation of markets requires increased political centralisation and further limitations in the power of ordinary people. Taking the EC, for example, we find that the "mechanism for decision-making between EC states leaves power in the hands of officials (from Interior ministries, police, immigration, customs and security services) through a myriad of working groups. Senior officials…. play