

The economics of the Welfare State

By Colin Foster

AS Gordon Brown out-Tories the Tories, there is a great void in reformist economic thinking. Ken Livingstone MP's *Socialist Economic Bulletin* tries to fill that void, but it does the job poorly*.

Among the innumerable graphs and charts in the *Socialist Economic Bulletin* is one which shows that since 1946 in Britain "a high share of wages is associated with a high level of investment, and a low share of wages with a low level of investment" (June 1995). A similar graph would show that higher "social wages" go — all other things being equal — with higher investment. The idea that pushing up wages and "social wages" will leave not enough profit to allow for renewal of machinery, buildings and equipment is a fallacy. Higher wages and "social wages" push the capitalists to innovate.

Unfortunately, the SEB does not draw the obvious conclusion: that we should press forward to rebuild the health service and the welfare state without cracking our heads over exactly how the government and the bosses will then balance their books.

On the contrary, the SEB argues that education, the Health Service and wages can be raised only after we have first (somehow) juggled with capitalist finances to raise the rate of investment.

"The core of the choice that will face the next Labour government", says the SEB, is this. "It can decide to sustain Britain's high military spending; to maintain the present level of dividend payments; to leave untouched the transfer of wealth from the exchequer to private individuals which took place with privatisation; and to take no measures to reverse Nigel Lawson's reduction of taxation of the rich..."

"Alternatively Labour can tackle the crippling distortions of the UK economy listed above, maintain the present consumption of families and the social services, and eventually raise these through the extra resources that economic growth created by investment will create" (November 1995, emphasis added).

This is only another version of Gordon Brown's "as resources allow" argument, which in turn is a variant of the Tory "trickle-down" theory. First create an "undistorted" British capitalism, then hope to lick some gravy off the edges of its overflowing plate...

In fact to rebuild the Welfare State, we must grab meat from the plate. We must tax the rich. The top ten per cent have had tax cuts from the Tories now amounting to £10 billion a year. Corporation tax has been cut, too. Dividend and interest payments to individuals are running at £73 billion a year. Between 1979 and the early 1990s, the top ten per cent of individuals increased their slice of national income from 21 to 27 per cent, an almost exact reversal of the redistribution from the wealthy achieved between 1938 and 1949.

We should not be snared into the role of technical adviser to Kenneth Clarke or Gordon Brown. Our job is to mobilise, not to give advice about the running of economic machinery which we do not



Cologne busworkers take part in a series of protest strikes (20-22 May) against threats to Germany's welfare state

and cannot control.

To become advisers would be to become like a trade union which when it puts in a wage demand feels obliged to give a detailed prescription for how the employer could reduce other expenses to pay the higher wages. It is useful for the union to publicise fat profits and dividends. To go beyond that is to get trapped in diversionary arguments and to risk dividing the workers on secondary issues.

Moreover — as the SEB's graph confirms — the capitalist economy is not a system of fixed amounts, where every addition here is a subtraction there and vice versa. It is elastic.

Karl Marx showed that a general rise of wages would not mean a simple arithmetically corresponding drop in profits, but a spur to capital accumulation.

"The Ten Hours Bill... introduced since 1848... was a sudden and compulsory rise in wages... in the leading industrial branches... All the... official economical mouthpieces of the middle class proved... that it would sound the death-knell of English industry... They threatened a decrease of accumulation, rise of prices, loss of markets, stinting of production, consequent reaction upon wages, ultimate ruin..."

"Well, what was the result? A rise in the money wages of the factory operatives, despite the curtailing of the working day, a great increase in the number of factory hands employed, a continuous fall in the prices of their products, a marvellous development in the productive powers of their labour, an unheard-of progressive expansion of the markets..."

"Take... the rise in England of agricultural wages from 1849 to 1859... The farmers... introduced machinery of all sorts, adopted more scientific methods... This is the general method in which a reaction, quicker or slower, of capital against a rise of wages takes place in old, settled countries..."

The same principle applies to increases in the "social wage". A victory in struggle against the capitalist desire to grab everything for profits leads not to some carefully calibrated readjustment of the system, in line with the prescriptions of clever reformers who juggle with the figures as if dealing with a collection of static quantities, but to new struggles on a higher level.

However, the SEB remains focused on tackling "the key to understanding the present situation", the major "distortion", "the real problem", "a world, and UK, shortage of capital" (SEB, March 1996). ♦

* Partly, perhaps, because — behind Livingstone as front-man — it is written by supposed Marxists, members of the Socialist Action group (ex-IMG), who pretend to be reformists in the service of their own esoteric tactical schemes.

A strange way for socialists to define "the real problem"! Surely we want to *abolish* capital, not worry about the "shortage" of it! And the analysis leads to an unfortunate prescription — we must first remedy the "shortage", and get more capital created (that is, as Marx would put it, more alien wealth that dominates the workers), before we can seek real improvements.

In fact, both Britain and the other major capitalist countries are full of idle factories, unused capacity, and vast capitalist cash-hoards. There is no shortage of capital. The US, in particular, "benefits from large imports of [liquid] capital" (SEB, March 1996), although its rate of fixed investment is low. The decisive factor in the low overall recent rates of fixed investment in the UK has been low *public* investment (SEB, November 1995), which has nothing much to do with alleged general problems of "the rising price of capital — i.e. increasing interest rates". The real problem on which the SEB's speculations are based is the radical shift since the late 1970s in the world regime of capitalism, through a huge expansion and speeding-up of the international movements of finance-capital (foreign-exchange, international bond and share trading, etc.). Together with the deliberate decision of all the major capitalist governments to "sweat out" economic downturns rather than attempt "reflation" and run the risk of the rapid price inflation, consequent wages militancy, and currency crises of the mid-1970s, this shift in regime has certainly produced a bias towards "short-termism" — keeping capital liquid, going for quick gains, avoiding long-term commitments.

The SEB's proposals — to cut British military spending, restrict dividend payments, and raise taxes on the rich — cannot undo the changes in world capitalism. They cannot bring back some golden age of "undistorted" capitalism. They cannot do much even on the SEB's own diagnosis of the situation. How can cutting *British* military spending and *British* dividend payouts to the level typical of other capitalist countries cure a "world shortage of capital" which exists also in the countries of lower military spending and dividend payouts?

Of course, socialists will support cuts in military spending, increased taxes on the rich, and moves to divert to public purposes some of the loot currently paid out in dividends. We are less keen on some of the SEB's other schemes, like tax breaks for companies to encourage fixed investment. We question the notion that military spending cuts are a way to find quick extra resources for public services without bothering the rich (are the demobilised soldiers and redundant arms-industry workers just to be thrown onto the streets, or won't money be spent on industrial conversion schemes?). While we hold no brief for the Maastricht Treaty, any more than for the various national capitalist policies of which it is an agreed summary, we question Livingstone's focus (in his "Alternatives to Maastricht" campaign) on easing the Maastricht limits for national debts and budget deficits. Socialists are not especially champions of big budget deficits, and Britain's Tories have run huge deficits without any obvious benefit to the working class.

Nevertheless, the gist of the SEB proposals is welcome as far as it goes.

The proposals can even be given a left-wing slant — at the expense of intellectual coherence — by earmarking the extra public money to be got from the military cuts, taxes and so on, for education, for example, instead of capitalist investment.

To welcome the proposals is one thing. To make them your dogma and cure-all, your patent method for restoring prosperity and harmony, is another.

The SEB's approach here is one with a long and bad history in the socialist movement. Too impatient, or too impressed with their own cleverness and cunning, simply to argue socialist and class-struggle principles, various socialists have repeatedly gone for "coded" formulas or slogans. The slogan, not in itself particularly socialist, is chosen for being a plausible lever in current mainstream politics. The "cunning" socialists hope to get wider support by hiding their other ideas behind that one slogan. To the ruling class, or to the workers and students to whom the slogan is put, it seems modest, reasonable, and realistic. But the "cunning" socialists believe that they have in their hands a secret logic by which the slogan will lead to their desired socialist conclusions.

The classic example — and a rather grander one than the SEB — is the agitation in the 1860s of Ferdinand Lassalle, the German socialist leader against whose ideas Marx wrote his famous *Critique of the*

Gotha Programme. Lassalle launched a movement based exclusively on the demands for universal suffrage and state aid for producer cooperatives, not because those demands were what he really wanted — as Marx commented, Lassalle himself knew the *Communist Manifesto* by heart — but because Lassalle believed that "the whole art of practical success lies in this: in the concentration of all power, at all times, upon one single point", and that single point chosen for immediate plausibility.

Marx and Engels criticised Lassalle, not because they were against universal suffrage, or even against state aid for cooperatives, but because they objected to basing the movement on these artificially chosen, restrictive, slogans, rather than on the demands arising in struggle from the workers' needs. Eduard Bernstein, while he was still a revolutionary, commented aptly:

"The excuse [by Lassalle] that the 'mob' must not yet be told what [the] end was, or that the masses were not yet to be won over to it, does not hold. If the masses could not yet be interested in the actual end of the movement, the movement itself was premature, and then, even were the means attained, they would not lead to the desired end... But if the body of working-men was sufficiently developed to understand the end of the movement, then this should have been openly declared. It need not have even then been represented as an immediate aim, to be realised there and then. Not only the leaders, however, but every one of the followers that were led ought to have known what was the end these means were to attain, and that they were only means to that end" (*Ferdinand Lassalle as Social Reformer*).

We can and should rouse workers and students to rebuild the welfare state, without getting diverted into technicalities about exactly how capitalist finances should be adjusted to accommodate it. If we cannot do that, then it is no good hoping to get round the problem by promoting some slick formula which we can present publicly as making capitalism "undistorted" and prosperous, but believe privately will lead to socialism. "If the masses are not yet interested in the actual end of the movement" — welfare for all — "then, even if the means are attained" — the rejigging of capitalist finances — "they will not lead to the desired end".

The lost leader

I

Just for a handful of silver he left us,
Just for a riband to stick in his coat —
Found the one gift of which fortune bereft us,
Lost all the others she lets us devote;
They, with the gold to give, doled him out silver,
So much was theirs who so little allowed:
How all our copper had gone for his service!
Rags — were they purple, his heart had been proud!
We that had loved him so, followed him, honoured him,
Lived in his mild and magnificent eye,
Learned his great language, caught his clear accents,
Made him our pattern to live and to die!
Shakespeare was of us, Milton was for us,
Burns, Shelley, were with us, — they watch from their graves!
He alone breaks from the van and the freemen,
— He alone sinks to the rear and the slaves!

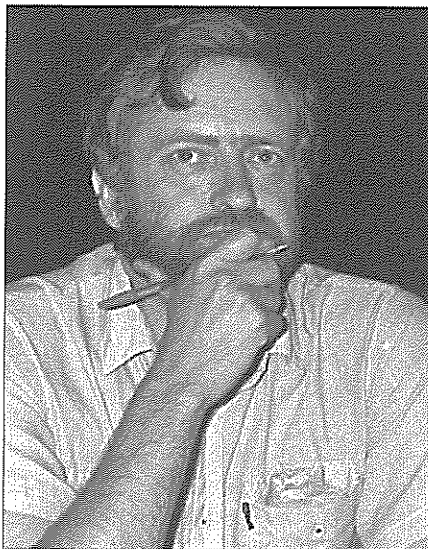
II

We shall march prospering, — not thro' his presence;
Songs may inspirit us, — not from his lyre;
Deeds will be done, — while he boasts his quiescence,
Still bidding crouch whom the rest bade aspire:
Blot out his name, then, record one lost soul more,
One task more declined, one more footpath untrod,
One more devils'-triumph and sorrow for angels,
One wrong more to man, one more insult to God!
Life's night begins: let him never come back to us!
There would be doubt, hesitation and pain,
Forced praise on our part — the glimmer of twilight,
Never glad confident morning again!
Best fight on well, for we taught him — strike gallantly,
Menace our heart ere we master his own;
Then let him receive the new knowledge and wait us,
Pardoned in heaven, the first by the throne!

Robert Browning

Labour and the welfare state

Labour's front bench now openly accepts the bourgeois idea that welfare organised by the state is no longer "affordable". A future Labour government will continue to cut down the Welfare State. Workers' Liberty asked Tony Benn MP and Jeremy Corbyn MP to comment.



Jeremy Corbyn: the fight around Europe

RIGHT-WING "think-tanks" express the current economic theories of "globalisation" which say the current welfare state is unaffordable in the industrialised countries. Therefore people need to be persuaded to agree to cut back on welfare spending and invest in private pensions and insurance schemes.

There is a political ethos that surrounds this. The most vivid example is Chile where a fascist regime under Pinochet destroyed the existing welfare system established by the Popular Unity Government in the early 1970s. Pinochet imposed

a compulsory 18% payment to a private insurance scheme on all workers. Chile has been paraded around the world as the ultimate model of the privatisation of welfare.

Within the debate in Britain and Europe the argument boils down to this: that corporate taxation is too high. If it continues at current levels, markets and investments will be increasingly lost to the Far East economies.

Every European government is being threatened by corporate tax payers saying unless you cut this, we'll take investment away. Threats from multinationals have been extremely crude in Germany and the Netherlands.

The Maastricht criteria are, in a sense, a reflection of corporate wishes in that they promise a Europe of price stability and public spending cuts. Developments arising from these factors have resulted in huge opposition movements in Italy, France and Belgium and to a lesser extent in Spain, the Netherlands, Sweden and Britain. Now things are exploding in Germany.

The Tories were extremely clever in the way they made their cuts — the impact has not been felt all at once. The biggest cut was removing the link between pensions and earnings. The cut wasn't very obvious at the time. The process was piecemeal, gradual and it wore away at people's confidence. First they removed the board and lodgings allowances, then they abolished single social security payments, later on they introduced the Jobseekers' Allowance.

The labour movement has not always responded well. One of the bad traditions of the British trade union movement is that it usually only gets involved in campaigns that are about workplace-related issues. I think that is a mistake. Unions in Italy and Belgium and France have, on the other hand, been much more socially orientated.

How do we respond to these attacks? Firstly we have to argue strongly for the principle of a National Insurance-based

welfare state on the grounds that it is: eminently affordable; it is socially just; it is the only way of guaranteeing the elimination of poverty.

In Britain the Labour Party is supposed to be consulting on its welfare policy. The debate is being conducted very much in right-wing terms, apart from those of us who argue for the retention of the Welfare State.

I think we have to link up with the Pensioners' Parliament, with the Welfare State Network, with other campaigns, in order to defend these very important principles. There is a lot of anger in Britain about what has happened to the Welfare State. But we have a problem of disillusionment and apathy among large numbers of people, who feel increasingly alienated from the political system in Britain and unrepresented by any party. People hear both parties arguing for the same levels of cuts in welfare spending, and the National Union of Students turning its own history on its head and supporting a loans system. There is a feeling of alienation and anger. That could boil up into something very quickly. But it does require a lot of campaigning work and the preparedness of people, in and out of work, to work together in campaigns.



Tony Benn: the key issue is full employment

THE key issue in the financing of the welfare state is full employment. If we had full employment during the war to fight the Germans why can't we have full employment now — to keep the hospitals and schools running, to build homes to house the homeless?

There is plenty of money around — at the moment it's being used to build things like Trident! And of course we need a fairer taxation system.

When Labour gets into power, how many Labour MPs are going to vote for welfare cuts? I'm not sure many will. They have to answer to their constituents and the welfare state is extremely popular.

Advertisement

Action for Health and Welfare

the paper of the
Welfare State Network
Get your trade
union/Labour

Party/Student Union to
affiliate and you will
receive 10 copies of
Action every month

Organisations: £10 a year
Individuals: £3/£1 a year

Write to WSN: 183 Queen's
Crescent, London NW5

Diary of an occupation

By Liz

HACKNEY'S barbarous Labour council shut 7 of 14 libraries last week.

The unions and local library campaigners had fought long and hard to stop the closures. But the council was determined. The local Welfare State Network (WSN) decided that the closures should be highlighted by occupying a library in protest.

So, last Saturday me and Corrine went down to Parkside library, which had been closed early because the council had heard rumours that we intended an occupation, and checked the security. We were thinking that we might have to break in, and wanted to see if they'd hired any security to patrol the place.

In the end we decided that we could all get done for criminal damage if we broke into Parkside. So, not to be deterred, we decided to go somewhere else.

By this time we'd stopped using the names of libraries over the phone as a security measure — which made the whole thing much more exciting.

About 3.30pm we held a planning meeting at the Unity Club, for those activists who were going to begin the occupation. We decided to occupy Hackney Central library on Mare Street, just opposite the Town Hall. An hour later we began filtering into the reading rooms in small groups. The place was due to shut at 5pm. We all pretended to read books and the staff became more and more irritated with these peculiar readers who would not leave!

Mark very calmly told the manager and workers that the library was under occupation.

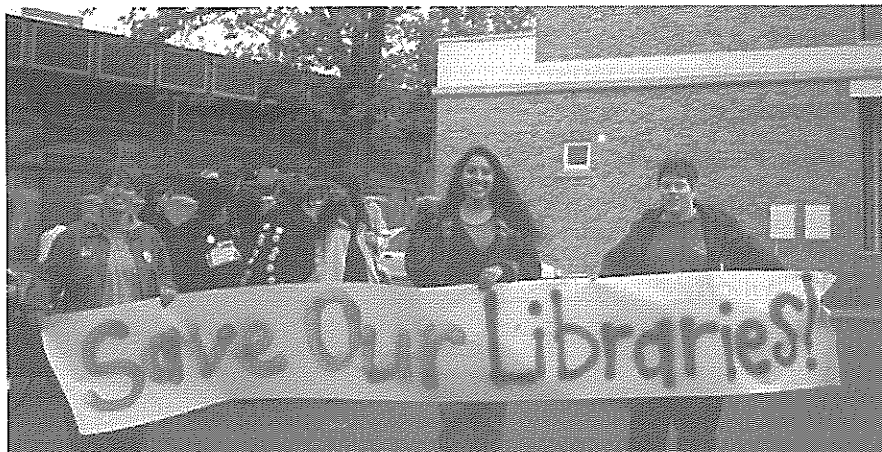
When they found out what was going on all the workers left. I think they were mostly 100% on our side — but could not say so openly, or join us, because of Hackney council's draconian staff policy. They would be very likely to be sacked.

The manager, on the other hand, went barmy. Arrh, poor man!

They got some senior people in, to negotiate with us.

But in the meantime we were going mad: putting up posters in the windows, declaring the occupation, putting bolts and padlocks on the doors.

After a while a couple of coppers came by and — by shouting through the window — asked how long we'd be staying! By this time we had got a deal with the council — they would not kick us out (they were scared



about the publicity they would get if they used the police against us, only a few days after the national press had reported the deep disputes inside the ruling Labour group on the council). They said they wanted to send in a security guard. We said we were not having that. In the end they sent one in and we made them sit in the corridor outside.

We settled in and began running political discussions. The first was about the Russian revolution.

Elsewhere Cathy from the Welfare State Network was faxing and ringing the press. The night seemed to be going on forever and we began to worry about the lack of media interest. We had a mobile phone with us and started phoning up the local radio stations from the library. The only interview we did that night was on Talk Radio. I was interviewed by a total wanker. I told him that the welfare state should be funded by getting rid of the monarchy and cutting defence spending. He told me I was mad. He didn't give me the opportunity to say "and we should tax the rich". If I had been allowed to get round to that I expect he'd have sent men in white coats round to sedate me. He was not very left-wing.

There was no lack of reading material! I even caught one person reading *Mills and Boon*...

Sunday was non-stop work. The interviews were endless. We leafleted the local estates and went round the pubs with petitions and selling copies of the WSN's paper, *Action*.

We had called a mass meeting at the occupation for the next day — 4pm on Bank Holiday Monday. By this time the outside of the library was covered in banners and placards.

We got lots of local support. After the first television interview people started turning up with piles of food. Milk, bread, fruit, cheese and cakes

were all passed up to us through the main window.

We called regular occupation meetings. On Sunday night we decided, after some debate, to end the occupation the following day, just before the mass meeting, which we would then hold on the library steps.

It was quite a difficult decision to make. There was some talk about the possibility of the occupation stimulating strike action from library workers. On balance we decided we would not get a big solid strike and we were concerned that in such a situation library workers would get victimised. Instead we hope to organise a long term campaign to defend and extend Hackney's services — we can always go back into occupation in the future!

By now everyone in the occupation was absolutely knackered. Most of us got a couple of hours sleep on the floor and then got up for the final leaflet drops.

Just before 4pm on the Monday afternoon we took our stuff outside and told the council we had ended the occupation. We got 40 people to our meeting on the steps — not too bad for a Bank Holiday. I spoke and Jean spoke. People from the local UNISON spoke and congratulated us. Some of the workers from the library service turned out — and that is good news for a long-term campaign. This is just the beginning! We ended the meeting with a small demonstration down the main road, carrying a banner "Save our libraries" — spray-painted onto a big strip of wall-paper.

We ended up at the pub on the edge of London Fields for a well-deserved pint. And the political discussions continued into the evening.

What have I learnt? Lots and lots. More in a couple of days than I have in the last few years of my life. ■