
The Crisis and The Coalition

MANY OF MY FRIENDS greeted the ultimate defeat of the Labour Government and the formation of the Liberal-Conservative Coalition with howls of rage followed rapidly by despair and despondency. They appear to have been labouring under the illusion that the Brown government was in some sense “progressive” – a progressive government with a progressive agenda. Now, of course, none of them are actually that naïve. They know that Brown was planning big tax rises and huge cuts in public spending. They know that the right to demonstrate, and to trial by jury, were being eroded by Labour’s cavalier disregard for civil liberties, not least by the introduction of Identity Cards and new clampdowns on immigrants. Yet, sharing a readiness to shelve their defining outrage about Blair and Brown’s foreign military adventures, they preferred to opt for Labour or at least a Labour-Liberal Democratic coalition colourfully referred to as a “Rainbow Alliance” – an alliance that would apparently be full of hope and promise.

Why people on the left in Britain still believe axiomatically that Labour is progressive is something of a mystery. It is true that the Blair-Brown government built a large number of schools and hospitals, they emancipated homosexuals, devolved many powers to Cardiff and Edinburgh, and they cut NHS waiting lists. Much good has been done since 1997. As David Cameron acknowledged last week after kissing hands with the Queen, “Britain is a much more open place than it was ten years ago.” We have Labour to thank for that. But, we also have Labour to thank for a radically regressive taxation system, widening social inequality, a steep decline in social mobility, and above all, Brown’s failure to stop the banks building a house of cards with IOUs.

It was, after all, on Brown's watch that the capitalist class were allowed to ride roughshod over the market by inventing financial instruments resting entirely upon long lines of debt, which were priced by computer modelling rather than market forces. It was a wacky world in which rating agencies and bankers declared that it was sound policy to lend money to people to buy shares in portfolios of debt, while using their holdings of debt as collateral! The upshot was the need for the state to rescue the banks by borrowing vast sums of money, and the urgent need to raise £37bn per year from tax rises and cuts in state expenditure for some years to come, in order to pay the interest, and to reduce the size of the national debt.

People on the left in Britain seem to be at a loss to explain how a 'progressive' Labour Government or a 'Rainbow Coalition' was going to handle this situation in a manner that would be radically different from the Tories or the Liberal-Tory Coalition. After all, the Labour Party lost 91 seats; the explicitly socialist parties polled around 74,000 votes out of a total turnout approaching thirty million. Even if we add Plaid Cymru and the Green Party to the mix the numbers of socialist votes creeps up to just above half a million. One Green and three Plaid candidates were elected. All the socialist candidates, apart from the few hiding inside the SDLP or the Labour Party were defeated.

Rather than spitting at Nick Clegg the left needs to consider why we lost the election; incoherent and grief-stricken attacks upon the Liberal Democrats for forming a 'national government' will not help anybody. Of course, they will manage the crisis in much the same way as the National Government did in 1931 by cutting wages, benefits and social services, and by increasing taxes. I have yet to hear a coherent alternative plan emerging from discussions with my friends on the left.

The truth is that the crisis is much, much, more serious than any of the parties were prepared to acknowledge or discuss during the election. Our vast indebtedness is merely a symptom of a deepening

structural problem within the capitalist system. Many people on the far left have, it must be admitted, banged on about the “rising organic composition of capital” and the “falling rate of profit” for years on end, mystifying rather more than convincing those who bothered to listen. But, it does seem to be the case that there is indeed a crisis of profitability in which capitalists, who have found it increasingly difficult to make profits from productive activities, have resorted to riskier and riskier financial dealings in a desperate search for a healthy return on their capital.

An understanding of this has now spread from the far left to the capitalist class themselves. A leading international bank recently put it like this:

Much of the economic growth in recent years has been driven by debt creation in “quick fix” areas of the economy. Initially, that is no bad thing but it is entirely unsustainable. Most job creation has been closely linked to the increase in debt. It is estimated that each additional dollar of debt has a diminishing effect on growth. In 1960 in the USA, \$1.50 of debt would create roughly \$1 of GDP. This number rose to \$3 in the 1980s and stands at a staggering \$6 today, just to create \$1 of GDP. [‘Quarterly Review’, HSBC Global Asset Management, 31/03/10]

So, the capitalists have caught up with the Marxists of *International Socialism* and the *Weekly Worker*. They realise that their structural problems are profound. The crisis of profitability has led many an investor to violate their own conceptions of markets and wealth creation. Other problems are now beginning to shake the system in Europe. The Euro was predicated on the idea that there would be growing economic convergence between Euro zone countries consonant with common interest rates. In the event, however, Greece, Spain, Portugal, and Ireland, have been dependent upon public spending, tourism or upon booms in construction and house prices. There has

been a failure broadly to strengthen manufacturing and to diversify these economies to enable them to sit more easily with the entirely different economies of Germany, France, Holland, and Denmark. However, without convergence towards common fiscal policies, and the loss of sovereignty that this would imply, it is difficult to see how the Euro can survive.

These difficulties are, no doubt, music to the ears of Euro sceptics and UKIP supporters, but their pleasure will be short-lived if it leads, as is most probable, to a decline of economic activity in Europe and to a steep decline of our exports to the European Union, which would bring in its wake the loss of more UK jobs.

So, we have been beset simultaneously with an ordinary cyclical recession, a crisis of profitability, the consequent implosion of banks and finance houses, the wholesale nationalization of gargantuan bank liabilities and, as night follows day, with a spending and fiscal crisis of unparalleled proportions. The left has hitherto produced no answers to these problems (unless you count the slogan: "Revolution, the only Solution"), which is why the Tories won 307 seats and why two-thirds of the population are prepared to give the Liberal-Tory Coalition the benefit of the doubt.

This is because in the past schemes for abolishing the market, and abolishing the operation of the law of value, have not been conspicuous successes. By and large British voters have not found economic arrangements in Cuba or the Soviet Union, Albania or North Korea, attractive. However, there can be little doubt that strengthening cooperative enterprises and mutuals, more effective international agreements to regulate banking, tougher anti-monopoly and anti-trust legislation would lead to slower but more sustainable growth. But until the left gives up its love affair with Labour and the trade union bureaucracy, and develops a coherent policy for strengthening social solidarity and building a more user-friendly economy we are lumbered with the civil partnership contracted by Nick and Dave in the face of impotent outrage from both left and right.