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From Bernstein to Blair: one hundred years of revisionism

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Tony Blair's decision to remove 'common ownership' from Labour's constitution met with whole hearted approval from a group of intellectuals and politicians for whom it was the final victory for the 'revisionist' argument begun by Edward Bernstein 99 years ago and Anthony Crosland 49 years ago.

They had sought to 'modernise' socialism by removing from it any notion of a sudden transformation of capitalist society, it was said. But they had been defeated by the forces of conservatism within the socialist ranks. Blair, by contrast, was not afraid to confront these head on and had achieved a long overdue victory for 'common sense'.

Such were the arguments of David Marquand, the Croslandite who left Labour for the SDP in the early 1980s, and of Shirley

Williams, the former Labour minister who helped found the SDP. They are echoed by the cheerleaders for Blair in the **Independent** and the **Guardian** – the political columnist Hugo Young, the economic journalist Will Hutton, the former Stalinists Martin Jacques and Dave Aaronovitch, and by the eminent (and virtually unreadable) sociologist Anthony Giddens.

But their arguments are based on a distortion of the history of the century old argument over revisionism that could only arise out of complete ignorance or complete dishonesty.

The distortion is twofold. It is not true that the arguments advanced by Bernstein and Crosland to justify their positions are the same as those advanced by the Blairites today. In fact, their analysis of what was happening to capitalism was the diametrical opposite to that of many influential Blairites today.

Nor is it true that Bernstein and Crosland failed because they 'lost' the argument about the practical direction to be taken by their parties. All reputable histories of the German Social Democratic Party – for instance, Schorske's classic **German Social Democracy** – recognise that, although it rejected the theoretical formulations of Bernstein's book **Evolutionary Socialism** in favour of the allegedly 'orthodox Marxist' views championed by Karl Kautsky, its practical activity was increasingly indistinguishable from that preached by Bernstein. In the same way, the abandonment of the Labour Party leadership's attempt to ditch Clause Four in 1959-1960 certainly did not mean that the party in subsequent years, whether in opposition under Gaitskell or in government under Wilson and Callaghan, followed a policy any more left wing than that preached by Crosland.

The failure of German Social Democracy faced with world war in 1914-1918, with revolution in 1918-1921, with slump in 1929 and with the rise of Hitler in 1931-1933 cannot be ascribed to any rejection of the strategy and tactics promoted by Bernstein in the 1890s, but instead must be laid at their door. Similarly, the

failure of the Labour governments of 1964-1970 and 1974-1979 to bring about the improvements in British society which they promised lay not in a rejection of the Croslandite approach, but in its acceptance.

Bernstein's analysis

The analyses of both Bernstein and Crosland were based on one overriding premise. Capitalism, they said, was much less prone to crises, much more amenable to social control and much more able to provide reforms in the interests of workers than previous socialists, especially Marx and Engels, had thought possible.

Bernstein insisted generalised economic crises were no longer an integral part of capitalism. Marx had warned that the ending of one economic crisis 'simply conceals in itself the seeds of a more powerful future crisis'. Engels had asked whether 'we do not find ourselves in the preparatory period of a new world crash of unheard of violence?' Both were wrong, insisted Bernstein. 'Signs of an economic worldwide crash of unheard of violence have not been established.'

This was because Marx and Engels had underestimated factors which countered the tendency of capitalism to enter into crisis. In particular, they had failed to see that the growth of credit made it easier for capitalists to borrow their way out of short term difficulties, while increased government intervention and the making of formal agreements between groups of capitalists ('trusts' and 'cartels') enabled them to prevent generalised crises through the exertion of organised control over the economy:

The enormously increased wealth of the European states in conjunction with the elasticity of the modern credit system and the rise of the industrial Cartels has ... limited the reacting force of

local disturbances that, at least for some time, general commercial crises similar to the earlier ones are to be regarded as improbable.

Bernstein also argued that, 'The regulation of production ... by associations of manufacturers ... diminishes the danger of crises.' There could be 'overproduction in single industries', but this did not 'mean general crises'. Nor could speculation any longer play its old destructive role:

The maddest outbursts of commercial speculation come to pass at the dawn of the capitalist era ... The older a branch of production is under modern forms the more does the speculative momentum cease to play a decisive role in it ... If crises of the money market are not quite banished from the world yet, the tightening of that market by vast commercial undertakings controlled with difficulty is very much reduced.

One further factor making crises less likely was the growth of the world market – what it is fashionable today to call 'globalisation'. 'The enormous extension of the world market has ... increased the possibility of adjustment of disturbances ...'

But it was not only in their expectation of deeper economic crises that Marx and Engels had been wrong, according to Bernstein. They had also been wrong to see an ever greater polarisation between classes.

On the one hand, there had not been the decline they had expected in the numbers of medium sized capitalists and the petty bourgeoisie:

It is quite wrong to assume that the present development of society shows a relative or indeed absolute diminution of the number of members of the possessing classes. Their number increases ... Britain the 'workshop of the world' is far from being in the stage of containing only large industries. In Germany a whole series of branches of industry, small and medium sized undertakings, appear quite capable of existing beside the large industries ... In the

whole of Western Europe, as also in the Eastern states of the US, the small and medium agricultural holding is increasing everywhere.

On the other hand, the possessing classes were much more prepared to make concessions to the mass of people than Marx and Engels had expected: 'In all advanced countries we see the privileges of the capitalist bourgeoisie yielding step by step to democratic organisations ...' This leads to economic organisation increasingly being subject to democratic control:

The economic natural force changes from the ruler of mankind to its servant ... Only the antagonism of interests – of private and group elements – hinders the full transition ... Yet the common interest gains in power to an increasing extent as opposed to private interest and the elementary sway of economic forces ceases ...

To bring this process to fruition did not require 'dissolution of the modern state system' as argued by Marx in his writings on the Paris Commune. Instead all that was necessary was a further spread of parliamentarianism, with socialists embracing a thoroughgoing 'liberalism'. That did not mean the end of all conflict. Trade unions needed to organise to bargain with employers, and there would be political conflicts between different parliamentary parties. Bernstein insisted he had not 'questioned the necessity for the working classes to gain control of the government ...' And 30 years after he first outlined his revisionist ideas, he was still saying that 'the class interests of the workers demands the transfer of economic monopolies into the hands of the society ... Social control is to be extended to

all fields of production.’ But all the conflict would be peaceful conflict, within the confines of the ‘modern democratic’ state. ‘The more the political organisations of modern nations are democratised, the more needs and opportunities of great political catastrophes are diminished’, he was writing in 1895, while Germany was still a semi-absolutist monarchy whose emperor had the power to override decisions of the imperial parliament. Once the Weimar Republic was in existence, he went even further. As Peter Gay’s political biography of him, **The Dilemma of Democratic Socialism**, says:

The task of the social democratic party regarding the realisation of socialism, Bernstein said, lies in the realisation of what Lassalle called ‘the idea of the working class’. A glance at the German state was enough to show that the country was approaching that goal. It would be absurd to call the Weimar Republic a ‘capitalist republic’ ... The development of cartels and monopolies had brought about an increase in public control and would lead to their eventual metamorphosis into public corporations.

The overall picture provided by Bernstein, then, was of a system less and less characterised by catastrophic economic crisis, more under the control of parliamentary institutions, increasingly satisfying the aspirations of workers and increasingly immune to political collapse. There was no need for revolutionary change from capitalism to socialism because capitalism itself was becoming more and more like socialism. Socialists could confidently follow a policy of piecemeal reform within the existing system, without needing to worry about the achievement of their ultimate aims. As he put it, ‘the final goal, no matter what it is, is nothing – the movement is

everything’.

Crosland’s analysis

Crosland, writing nearly a quarter of a century after Bernstein’s death, consciously set out to vindicate the original ‘revisionist analysis’. He argued that it had remained essentially correct even in the 1930s, when a temporary crisis of the system had caused many people not to notice its continuing overall growth, rising real wages and lessening inequality:

The pervasive influence of Marxist analysis in the 1930s was a reflection of an intellectual ferment without parallel in the history of the British labour movement ... More and more people came to feel that some thorough going analysis was needed to explain the catastrophe which appeared to be engulfing world capitalism ...

The belief that the ‘inner contradictions’ of capitalism would lead to first to a gradual pauperisation of the masses and ultimately to the collapse of the whole system has by now been rather obviously disproved. The British net national income, in real terms, was 3.5 times as high in 1938 as in 1870, and income per head 2.5 times higher, and real wages moved roughly in line with income per head.

In addition, over the three or four decades before the Second World War the incidence of poverty fell to ... one third of its level at the beginning of the period, and thus there is no evidence, even in the 1930s, of growing pauperisation, nor that the capitalist system was on the point of collapse.

The picture since 1940 was even clearer, he insisted. The economy had grown massively, the share of the national

income going to labour had increased at the expense of that going to capital, and poverty had fallen to an unprecedented degree:

And now for a decade since the war, the British economy has singularly improved its performance. Full employment has replaced depression, the instability is vastly less, and the rate of growth appreciably more.

From 1948 to 1954 the British national income rose by 20 percent – a figure only slightly below that achieved by the US, conventionally saluted as the world's most productive economy ... Production has risen more in Britain since the war than in any other European country.

Wages increased their share of the total [National Income] from 37 percent to 44 percent between 1938 and 1950.

By 1950 'the poverty line had fallen from 31 percent of the working class population to under 3 percent, or from 18 percent of the whole population to 1.6 percent' according to Rowntree's surveys of York.

Thus nine tenths of the poverty that had existed in 1936 had disappeared ... Moreover there was a general rise in living standards at the lower end of scale.

But this was not all. The growth of the economy and the decline in inequality were a reflection of more fundamental changes:

Today the capitalist business class has lost [its old] commanding position ... Decisive sources and levers of economic power have been transferred from private to other hands ... The social attitudes and behaviour of the business class have undergone a significant change, which appears reflected in a pronounced loss of strength and self confidence.

There was ‘a less aggressive pursuit of maximum profit at all costs’, and ‘the traditional capitalist ruthlessness has largely disappeared ...’ since ‘for practical purposes economic decisions in the basic sector have passed out of the hands of the capitalist class into the hands of a new and autonomous class of public industrial managers’, while ‘there has been a decisive movement of power within industry itself from management to labour.’

The overall result was a system very different to the one described by Marx: ‘Almost all the basic characteristic features of traditional pre-1914 capitalism have been either greatly modified or completely transformed.’

The economic power of the capital market and the finance houses, and hence capitalist financial control over industry, are much weaker. This change makes it absurd now to speak of a capitalist ruling class.

It therefore seems misleading to continue talking about ‘capitalism’ in Britain ...

Such changes ensured that the growth without crises that British capitalism had seen for a decade and a half would continue indefinitely, ruling out recessions or mass unemployment: ‘My own view is that the present rate of growth will continue, and the future is more likely to be characterised by inflation than by unemployment.’

They also gave governments an unparalleled ability to further improve the conditions of the mass of the population:

Acting mainly through the budget, though with the aid of other instruments, the government can exert any influence it likes on income distribution and can also determine within broad limits the division of total output between consumption, investment, exports and social expenditure.

This did not mean there was no room for improvement. There was a need for socialists to push energetically for reforms, with the goal of 'equality' and not merely of 'equality of opportunity'. And the Labour Party had not always done as much as it could have. This, however, was not a fault of the system but of a lack of will power. The Attlee government's planning failures, Crosland wrote, stemmed not from a lack of economic power but a failure of will. 'If socialists want bolder planning, they must simply choose bolder ministers.'

The judgement of history: Bernstein

Both Bernstein and Crosland wrote at periods when empirical reality seemed to bear out their optimistic picture of workers enjoying ever better lives within a more or less crisis free system. In 1895 there had not been a major crisis of German capitalism for nearly 20 years, real wages had been rising and the government had introduced the first rudiments of a welfare system. In 1956 there had not been a recession for two decades, unemployment was less than 2 percent, employed workers were better off than they had ever been before and a Tory government was content to leave intact the welfare state introduced by the wartime coalition and post-war Labour governments. Yet in both cases the forecasts about the future of the system were proved radically wrong within a relatively few years.

As Rosa Luxemburg pointed out, ‘Hardly had Bernstein rejected Marx’s theory of crisis than a new profound crisis broke out in 1900, while seven years later a new crisis beginning in the United States hit the world market.’ Workers’ living standards tended to stop rising in most of the advanced capitalist countries in this decade, laying the ground for a new and unprecedented upsurge of militancy in many countries in 1910-1914. The reliance of capitalism in each country on the growth of cartels and the state led not, as Bernstein expected, to increasingly peaceful development but to growing clashes between the imperial ambitions of rival states – the growing arms race between the German and British navies, the clashes between the great powers over influence in China, then North Africa, and finally the Balkans, leading to the First World War.

Once all the major powers were drawn into this maelstrom, they were all threatened by precisely the ‘political catastrophe’ Bernstein had insisted would not occur: the four empires that dominated central and eastern Europe (the Russian, the German, the Austro-Hungarian and the Turkish) all collapsed amidst revolutionary ferment, while the British and French empires experienced the first great anti-colonial revolts (in Ireland, India, Indo-China and North Africa) and an insurrectionary mood swept Italy’s workers as they occupied the factories. Even a brief spell of economic revival and political stability in the mid-1920s was hardly enough to prove Bernstein right. It had lasted little more than three or four years before the world was experiencing the worst slump it had ever known. A third of the workforce was without jobs in the two largest economies, the US and Germany, where not only the mass of the working class but also wide sections of the middle class faced real impoverishment, creating conditions for the rise of fascism. And the reorganisation of the system through the intervention of rival states that grew out of the crisis, far from leading to renewed peaceful development, resulted in a war even more horrific than that of 20 years before.

Bernstein's attempts to improve society through reform were damned by these developments which his analysis could in no way explain. He was personally devastated by the outbreak of the First World War. His own pacifistic inclinations led him to oppose the war, at first in private and then in public by voting in the *Reichstag* against war credits late in 1915. But the logic of his revisionist analysis was to identify with the national state and its demands for expansion, as Bernstein himself made clear when he defended Germany's 'right' to control parts of China in his **Evolutionary Socialism**.

If he did not draw this conclusion fully during the war, almost all of his revisionist colleagues did. They refused to print his articles in the **Sozialistische Monatshefte** magazine, with which he had been closely associated and then voted to expel him from the Social Democratic parliamentary caucus along with other opponents of the war. The arch-reformist was forced to join the Independent Social Democrats, a growing number of whose members were attracted to out and out revolutionary views. Meanwhile, he found it impossible to influence events himself, as the war precluded reform and his own politics any identification with revolution. He admitted his impotence ten years later when he claimed, according to Gay, 'he wished now that German social democracy and he himself had been able to bring themselves to call for the mass strike in August 1914.'

Yet he could not abandon his analysis, and the moment the war ended he rushed to embrace full blooded reformism again, rejoining the Social Democratic Party in January 1919 because he agreed with them that 'order had to be restored' after the revolution of two months before – even though the restoration of order meant the Social Democrat leaders relying on the generals of the imperial army to shoot down workers and break strikes from one end of Germany to the other. Yet he could neither be happy nor politically effective in the party, since its alliance with the generals led to a national chauvinism he detested sweeping through its ranks. As Gay records:

He could write to his good friend Kautsky in 1927 that neither Hilferding's **Gesellschaft** nor Stampfer's **Vorwärts** would accept his articles: he spoke of his 'political death' ... The party was too busy with *Realpolitik* to listen to the aged Bernstein.

The man who had been so optimistic about the future of capitalism in the 1890s and who had been able to see the Weimar Republic as a non-capitalist state was acutely worried about the future once 1929 brought renewed slump. He asked in a letter to Kautsky:

Will that which we have worked so passionately for all our lives be preserved? ... The great economic depression has created a general world crisis ...

His only desperate hope was that somehow the ranks of the Social Democratic Party would weather the economic and political crisis. But as Gay notes, he died on 18 December 1932 'six weeks before his last desperate hope was proved a delusion'.

The judgement of history: Crosland

Bernstein was never himself a member of a government committed to his vision of social reform. Crosland was a senior minister in two Labour governments, from 1964 to 1970 and from 1974 until his death in 1977. By 1974 the experience was already forcing him to reassess some of his earlier arguments. As his widow recalls in her biography of him:

He was over optimistic about economic growth, he admitted ... In **The Future of Socialism** he had argued that socialism could be pursued within the framework of a mixed economy ... A major tool,

growth, had proved far more difficult to achieve than anyone had expected in the 1950s ...

The 1964-1970 Labour government had suffered from a failure on economic policy ... The performance did not live up to the hopes ... Extreme class inequalities remain, poverty is far from eliminated, the economy is in a state of semi-permanent crisis and inflation is rampant ...

The reason, he admitted, was that:

British society – slow moving, rigid, class ridden – has proved much harder to change than was supposed ... The early revisionist writings were too complacent in tone ... More should have been achieved by a Labour government in office and Labour pressure in opposition ...

Harsh realities did not lead him, any more than Bernstein, to abandon his revisionist views. ‘I see no reason to abandon the revisionist analysis of socialism in favour of a refurbished Marxism ...’ he wrote, bemoaning the fact that:

The stability of democratic society and the possibility of peaceful reform seem more and more threatened by angry workers, students, squatters, even middle class amenity groups ... Even the rule of law is challenged by some Labour councillors and trade unionists ...

As environment secretary in the new Labour government he urged the need for a social contract with the unions to hold down wages and told local Labour councils they had to accept harsh cuts on spending because ‘the party’s over’.

At the same time, however, he was being forced to the conclusion that a Labour Party that was committed in practice to his 1956 analysis was not bringing about the sort of egalitarian society he had hoped for. He wrote:

A move to the left is needed. Not in the traditional sense of a move towards old fashioned Clause Four Marxism, but in the sense of a sharper delineation of fundamental objectives, a greater clarity of egalitarian principles and a stronger determination to achieve them ... Public ownership remains one of a number of means (along with taxation, legislation, government controls, trade union actions, and so on) to achieving our socialist ends – and a means which in the light of the improved performance of the public sector, can now be used more freely ... We shall require higher taxation of the better off sections of the community ...

He could soon see that his egalitarian wishes were not being fulfilled by the 1974 Labour government any more than the previous one. He complained in 1976, ‘What the press can’t understand is that this is the most right wing Labour government we’ve had for years.’ He was bitter when old right wing Labour colleagues like Denis Healey and Bill Rogers accepted massive welfare cuts in return for an International Monetary Fund loan. In cabinet he toyed for a time with the alternative programme of import controls suggested by Tony Benn and the left. And the man who had insisted, 20 years before, that it made no sense to call Britain ‘capitalist’ now stunned Foreign Office officials by telling them, ‘The IMF is a capitalist body, it’s intolerable that a socialist government should have its philosophy imposed on it.’

Crosland’s 1950s revisionism had been based on the belief that government intervention could easily ward off slumps and redistribute wealth from the rich to the poor. When he died in 1977 he was a senior minister in a government whose head, James Callaghan, had told the 1976 Labour Party conference that government intervention could not work in that way:

We used to think you could just spend your way out of recession by cutting taxes and boosting government borrowing ... That option

no longer exists and in so far as it ever did exist, it worked by injecting inflation into the economy. And each time that has happened, the average level of unemployment has risen.

The effect of the policies followed by the government was to push unemployment, which had been about 300,000 when Crosland wrote his book, to over 1.5 million, to bring about the first fall in the living standards of employed workers for about 70 years, to begin a redistribution of income away from labour and towards capital and to start a long term rundown of welfare services.

Capitalism had, in fact, entered a new phase of crisis which rendered Crosland's revisionist belief in improving society for the mass of people as utopian as Bernstein's had been in the First World War and the Weimar Republic. This was shown in the years after Crosland's death when even those of his revisionist co-thinkers like Roy Hattersley who had wanted to resist the IMF cuts in 1976 finally conceded that capitalist governments could no longer control trade and foreign exchange transactions. Paradoxically, by the early 1980s the only people to suggest an 'alternative economic strategy' based on such interventionist, 'Keynesian' policies were the hard left in the Labour Party who had fought so hard against Crosland for most of his life – and most of these had abandoned such views by the mid-1980s.

The new revisionism

The analyses used to justify Blair's policies are, in fact, different in fundamental respects from the old revisionisms of Bernstein and Crosland. For they base

themselves not on a belief that capitalism is slowly becoming more controllable and turning into socialism piecemeal, but on the insistence that capitalism today is too powerful and too dynamic to be controlled.

This view was expressed forcibly by Labour's shadow chancellor Gordon Brown at a conference on 'global economic change' organised by the party:

Past Labour governments tried to counter the injustice and failure of free market forces by substituting government for the market, and often saw tax, spend and borrow policies as the isolationist quick fix for national decline. The fact is these policies cannot work in the highly integrated world economic environment in which we live.

World capital markets have eliminated any notion that economic policy can remain a matter solely for national governments ... Countries which attempt to run national go-it-alone macro-economic policies based on tax, spend, borrow policies to boost demand, without looking at the ability of the supply side of the economy, are bound these days to be punished by the markets in the form of stifflingly high interest rates and collapsing currencies.

The old Labour language – tax, spend and borrow, nationalisation, state planning, isolationism and full time jobs for life for men ... is inappropriate.

This 'old Labour language' was precisely the language which underlay the revisionism of Bernstein and Crosland. Brown was saying what Marxists had always said, although from the opposite point of view, that it could not work. The **Independent on Sunday** – which goes along with many of Brown's ideas – summed up his speech with the headline, *Brown ditches Keynes*.

The same pessimism about the ability of reformist governments to control capital is to be found in the writings in the left Labour paper **Tribune** of one of Brown's former advisers, Professor Meghnad Desai of the London School of Economics:

It is no longer possible to pursue left Keynesian policies in a single country context ... We are now witnessing in the 1990s a return to the sort of world socialists of the 19th century knew, with global movements of capital, and the state incapable of exercising much control over the economy ...

The lack of success of Socialist and Labour Party governments, he insists, do not result from:

A failure of will, or the pusillanimity of the leadership. The problem is the resurgence of capitalism ... A century after Marx and Engels it continues constantly to reproduce itself.

Clause Four should be abandoned, according to Desai, not because there is some other way of controlling the economy as Crosland argued, but because 'public ownership of the economy is no guarantee of control of the market ...'

But if the market cannot be controlled, what does the uncontrolled market offer? The Labour Party's revised Clause Four talks glibly of 'the enterprise of the market and the rigours of competition'. But one of the most influential economic journalists supporting the Blair-Brown approach, Will Hutton, provides a view of what is happening that is nearly as pessimistic about the future facing the system as the Marxist critics of Bernstein and Crosland were in their time:

There is a mounting and quite proper sense of crisis spreading across all classes about the character and availability of work and its implications for every aspect of society – from the care of our children to the growing dereliction of our cities ... Insecurity, low wages and wasted talent are widespread and the problem touches professions and occupations once thought inviolable.

One in four of the country's males of working age is now unemployed or idle ... The numbers living in poverty have grown to awesome proportions, and signs of social stress – from family breakdown to the growth of crime – mount almost daily ... One in three children grows up in poverty ...

The country is increasingly divided against itself, with an arrogant officer class, apparently indifferent to the other ranks it commands. This class is favoured with education, jobs, housing and pensions. At the other end of the scale more and more people discover that they are the new working poor, or live off the state in semi-poverty ... In between there are growing numbers of people who are insecure, fearful for their jobs in an age of permanent 'down sizing', 'cost cutting' and 'casualisation' and ever more worried about their ability to maintain a decent standard of living.

Hutton tries to blame what is happening not on the tendencies of capitalism in general, but on the peculiarities of its British form, which he claims is distorted by the role of the financial institutions of the City of London. But he has to admit:

What is happening in Britain is only a more acute version of what is happening elsewhere ... There is scarcely a Western country that cannot tell us at least one tale similar to Britain ... in Sweden, which used to be portrayed as the finest example of social democratic regulation of capitalism, 'the first attacks on the welfare state since the 1930s' came from a social democrat government 'curbing the rise in government borrowing', while in France the Socialist Party government of the late 1980s embraced 'competitive deflation and economic rigour', leading to 'youth unemployment even higher than in Britain'. Spanish Socialists and the New Zealand Labour Party have been no less enthusiastic about budget cutting, privatisation and restructuring the welfare state than say the Canadian Conservatives. Everywhere the ideological edge of political competition has been blunted. Different political parties, when in government, offer similar programmes.

And in the US, still the world's biggest single economy:

Job insecurity is endemic, and the wages of the bottom 10 percent of the Labour force are about 25 percent lower than they are for the same group in Britain ... Nearly one job in five in the US does not carry sufficient income to rear a family of four.

In fact, one of the most prominent theorists of 'the affluent society' of the 1950s and 1960s was J.K. Galbraith. His description of the US today is nearly as damning as Hutton's description of Britain: 'In 1988 the top 1 percent of family groupings had annual incomes that averaged \$617,000 and controlled 13.5 percent of all income before tax.'

The top 20 percent lived in some comfort with incomes of \$50,000 a year (about \$700 a week) and above. To them accrued 51.8 percent of all income before taxes.

Their 'comfort and economic well being is being supported and enhanced by the presence in the modern economy of a large, highly useful, even essential class that does not share in the agreeable existence of the favoured community.' This class:

Is integrally a part of a larger economic process and serves the living standard and the comfort of the favoured community. The economically fortunate are heavily dependent on its presence ... The poor in our economy are needed to do the work that the more fortunate do not do and would find manifestly distasteful, even distressing.

Galbraith talks confusingly, of a 'contented majority' of two thirds of people – but he means two thirds of those who bother to vote (half the electorate), not two thirds of the adult population.

In fact, he notes, conditions for the great mass of the American population have been getting worse over the last decade and half, with four fifths of families seeing their incomes fall, the decrease for workers on the median wage being about 5 percent.

He also insists on the ‘intrinsic tendency of capitalism to instability, to recession and depression’, and on ‘the powerful tendency of the economic system to turn damagingly not on consumers, workers or the public at large, but ruthlessly inward on itself ...’

He writes of ‘recession and depression made worse by long term economic desuetude, the danger implicit in autonomous military power, and growing unrest in the urban slums caused by worsening deprivation and hopelessness ...’

And he even makes a comparison between the US today and the USSR in the final years before it fell apart:

Few things could have been further from accepted thought than the possibility that the explosive events in Eastern Europe could have a parallel in the United States or perhaps Britain. Communism had failed. Capitalism was triumphant. Could anyone be so pessimistic as to suggest that lurking in the successful system were grave flaws similarly concealed? Alas there are.

Hutton draws similar conclusions for the system as a whole. Unless those who run ‘Western capitalism in general and British capitalism in particular’ can be persuaded to reform their ways, he warns, ‘they are headed for perdition’ with ‘a reprise in the early 21st century of the conditions in the early part of this century’ – conditions which involved civil war, world war, the rise of Nazi barbarism and working class revolution.

Hutton claims that reform can prevent this prospect. Yet it would be difficult for anyone to claim that the reforms he calls for measure up to the scale of crisis he points to. Thus he calls for British capitalism to abandon its ‘short termism’ and

domination by the financial sector and to adopt a form of capitalism more akin to those which exist in Germany and Japan – but then goes on to admit that German and Japanese capitalism themselves face increasingly intractable problems. Again he calls for a British government that would return to ‘Keynesian measures’ to deal with recessions – but then admits that the room for manoeuvre by any British government is restricted by its immersion in the world system:

Foreigners own a quarter of British shares, bonds and bank deposits. The capital markets’ veto is particularly strong, and any British government will be imprisoned by their demands for fiscal and monetary caution.

He sees the only alternative to such restraints on government action as being ‘the construction of a more stable international order’ but cannot suggest any way to move towards this apart from ‘the European Union and its potential for organising concerted action’.

He claims:

The countries of the EU together have the power to regulate financial markets and control capital flows, and to play a part in compelling the US and Japan to manage their relationship better as part of a world deal. They have the potential to manage demand, boosting and reducing it when necessary, without having their policies blown off course by capital markets ... If Europe wants to defend its idea of a welfare state ... it will have to do so in a united fashion.

What he does not suggest is how they are going to be forced to behave in this way when all recent experience points to the domination of policy making within each European national state by the influence of nationally based firms and perceived ‘national interests’. Hence their complete refusal to aid each other substantially when faced with speculative pressures against currency rates

within the European Monetary Union. Hence too their pursuit of opposed foreign policies when faced with the war on the EU's doorstep in former Yugoslavia.

What is more, the internationalisation of the system means that even governments of the largest economies, those of the US and Japan, are increasingly restricted in what they can do by the pressures of worldwide competition.

Finally, and most importantly, the Euro-Keynesians ignore the fact that the long post-war boom was not a result of Keynesian methods. Keynes no more caused the long boom than the cock's crowing causes the sun to rise. Rather he signalled something which was happening anyway, as governments turned to a massive level of military spending and, with it, to massive intervention in the economy. Indeed, his own prescriptions for keeping booms going were rarely used during the 'golden age'. Strangely enough, Hutton, one of the most enthusiastic of the latter day Keynesians, has recognised as much in one of his columns for the **Guardian**, pointing to 'the proof offered by Robin Matthews as long ago as 1968 that the amount of Keynesian pump-priming to manage demand in the ... 1950s and 1960s ... was comparatively small' and could not have been responsible for the long period of economic expansion. Attempts were made to use them in all the advanced countries when this period came to an end in the mid-1970s – and were abandoned everywhere because they did not work. People like Hutton are wishing for the moon when they claim that Keynesianism can work, if used on a European scale, 20 years later.

No doubt it is because they are dimly aware of this that politicians like Blair and Brown – and their equivalents in France, Germany, Italy, Spain and Scandinavia – refuse to promise improvements in welfare benefits, unemployment levels or working conditions. Instead all their emphasis is on 'supply side' economics: on measures that can increase the competitiveness of particular firms or particular national sectors

of the world economy. If only, they claim, the country's labour can be more skilful and more competitive, then this will lead to increased exports, increased jobs and eventually higher living standards.

But in putting forward such 'supply sided' arguments, they are retreating completely from the claims about the potential of state intervention accepted by Crosland 40 years ago into the old pre-Keynesian economic orthodoxy as resurrected under Reagan in 1980s America.

'Supply side economics' is about how to fiddle with this or that individual element in the system – how to deal with the 'micro-economy'. It offers no sort of direction over the system as a whole, over the 'macroeconomy' which Keynesians and Croslandites used to claim they had mastered. At most it is about how to shift the burden of living in a nasty world on the backs of others, not of how to get rid of the nastiness. And even in terms of its limited goal it is very unlikely to work, since every competing component of the world system is trying to do the same thing and there is no inherent reason why any one should be more successful than any other.

This is not the reformism of hope which Bernstein and Crosland once tried to offer. Nor is it a more 'modern', more effective version of such reformism. Instead it is a reformism which harks back to the versions of pre-Keynesian bourgeois economics that taught there was nothing to be done about the vagaries of the capitalist system apart from the ironing out of 'imperfections' to the free movement of the market. It is the reformism of despair.

The point is to be seen in the writings of Eric Hobsbawm, who in the 1980s earned the praise of former Labour leader Neil Kinnock for preparing the ground intellectually for the new revisionism. Hobsbawm's most recent account of where the system is going is even more pessimistic than those of Desai and Hutton. In his book **The Age of Extremes** he contrasts the

period of capitalism since the mid-1970s with the 'golden age' of the post-war boom:

The history of the 20 years after 1973 is that of a world which lost its bearings and slid into instability and crisis. And yet, until the 1980s, it was not clear how irretrievably the foundations of the golden age had crumbled ... For many years economic troubles were still 'recessions'. The half century's taboo on the use of the terms 'depression' or 'slump', that reminder of the Age of Catastrophe, was not completely broken ... The civilisation that had elevated the world-magic of the advertisers into a basic principle of economy was caught in its own mechanism of delusion. Not until the early 1990s do we find admissions that the economic troubles of the present were actually worse than the those of the 1930s ... The problems which had dominated the critique of capitalism before the war, and which the golden age had largely eliminated for a generation – poverty, mass unemployment, squalor, instability – reappeared after 1973.

In the 1980s even many of the richest and most developed countries found themselves, once again, getting used to the everyday sight of beggars on the streets, and the even more shocking spectacle of the homeless sheltering in doorways in cardboard boxes ... During the crisis decades inequality unquestionably increased in the 'developed market economies', and ... the almost automatic rise in real incomes which the working classes had got used to in the golden age now came to an end ...

Between 1990 and 1993 few attempts were made to deny that even the developed capitalist world was in depression. Nobody seriously claimed to know what to do about it, other than to hope it would pass ... Nobody knew what to do about the vagaries of the world economy or possessed instruments to manage them. The main instrument for doing so in the golden age, government policy, nationally or internationally coordinated, no longer worked.

The economic failure, Hobsbawm insists, is accompanied by growing political instability:

The world of the third millennium will almost certainly continue to be one of violent politics and violent political changes. The only uncertain thing about them is where they will lead.

Hobsbawm does not see any alternative to capitalism as an economic system. But he has no faith in this meaning a better, more equitable or more secure society:

No serious observer in the early 1990s could be as sanguine about liberal democracy as about capitalism ... The most obvious thing about the political situation of the world states was their instability. In most of them the chances of the survival of the existing regimes over the next 10 to 15 years were, on the most optimistic calculations, not good.

Hobsbawm believes it 'probable' that 'the form' of 'universal suffrage' will persist in most advanced countries, but that 'decision making would increasingly sidestep the electoral process', offering 'no encouraging prospect for the future of parliamentary democracy of the liberal kind'.

The whole world, in short, is heading for period of immense crises and unpredictable changes:

We live in a world captured, uprooted and transformed by the titanic economic and techno-scientific process of the development of capitalism which had dominated the past two or three centuries. We know ... that it cannot go on *ad infinitum*. The future cannot be a continuation of the past, and there are signs ... that we have reached a point of historical crisis ... Our world risks both explosions and implosions ...

We do not know where we are going. We only know that history has brought us to this point and why. However, one thing is plain. If humanity is to have a recognisable future it cannot be by prolonging the past

or the present. If we try to build the third millennium on this basis, we shall fail. And the price of failure, that is the alternative to a changed society, is darkness.

The tone could hardly be more different from that of Bernstein and Crosland, with their insistence that crises and impoverishment were increasingly a thing of the past and that nothing could stop the forward march of liberal democracy, prosperity and security. Hobsbawm's conclusion is, instead, remarkably close to Marx's insistence that every society reaches a point where the alternative is the 'revolutionary reconstruction of society' or 'the mutual destruction of the contending classes' – or, as Rosa Luxemburg put it, 'socialism or barbarism'. Hobsbawm differs from Marx in rejecting the possibility of a socialist road out of this impasse, but not in his assessment that existing society is heading for immense social convulsions. He points to the potential of revolutionary upheaval, even if he rejects it as a preferred option.

Most of the new revisionists are not as apocalyptic as Hobsbawm. But they cannot avoid their arguments leading to similar conclusions. The old revisionists argued that capitalism could not break down, that the class struggle would get more gentle and that capitalism was slowly turning into a peaceful, prosperous, 'affluent' system. The new revisionist argument is the opposite – that breakdown is likely, that reform probably won't work but that it has to be tried as the only alternative to breakdown.

The analyses of Bernstein and Crosland presented Marxists of the time with a serious task of counter-analysis. It required much intellectual effort and argument to show, in decades in which crises were less severe and real wages were rising, that the

fundamental contradictions of the system were intensifying. That is why Rosa Luxemburg's polemic against Bernstein, **Reform or Revolution**, was so important at the turn of the century. It also explains the importance of the analyses of the permanent arms economy produced in the 1950s by T.N. Vance, Tony Cliff, Mike Kidron and others. The analyses of the new revisionists do not confront us with any such problems. We can fault them for not understanding why the capitalist system spun out of control in the 1970s. And we can put forward our own explanations, as I have attempted to in my book **Explaining the Crisis** and my recent articles in this journal, *The State and Capitalism Today* and *Where is Capitalism Going*. But we do not need to prove that it is out of control. Their own accounts show the system to be in a period of insoluble crises, with class antagonisms that are getting more bitter and barbarism a likely prospect. And, if that is so, it is difficult so see what credence anyone should give to a politics which refuses to talk about any fundamental challenge to the system at all.

There is a serious argument to be had with such people about the working class being a potential agent for revolutionary change. There is another argument about the possibility of establishing a democratically planned economy. But there should be no argument about the convulsive, revolutionary character of the present epoch and the complete impossibility of Blairism coping with this.

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