

## NEO-LIBERALISM AND HOW IT HAS DISRUPTED THE BOURGEOIS STATE.

*The incompetent and disorganised response by the US and UK government to the pandemic poses a deeper question than simply the personnel involved. Is this response accidental or predictable in so far as it has occurred in the two countries where neo-liberalism is most advanced, financialization most extreme and the state most disrupted. This article addresses this question.*

This article has a narrow focus. It is not an investigation into the Marxist understanding of the state beginning with the immortal declaration in the Communist Manifesto that, *"the executive of the modern state is but a committee for managing the common affairs of the whole bourgeoisie"*, to Lenin's State and Revolution, where the state is presented as the dictatorship of the bourgeoisie over the working class. Rather it examines the modern state since the 1980s where neo-liberalism and its focus on the "small state" is most advanced.

If we were to describe the capitalist state it would be useful to compare it to the human body. Its brain is the committee described above, its fists are the army, police and judiciary, its mouth is its propaganda organ such as the BBC, and its body is the vast bureaucracy implementing policy and rationing support. We may add that this capitalist body is as strong as the working class is weak. An aroused working class would soon show this body's feet to be made of clay.

The key question that arises is how the state has assumed such legitimacy in the eyes of society? How has it been able to be cast itself as a "people's state" rather than a state which enforces the rule of capitalist private property? Some may point to universal suffrage as the pivoting point, creating the illusion of political control being extended into the far reaches of society, thereby marking the age of rule by consent.

This extension of the vote should not be underestimated, but it does not answer the deeper paradox: why would workers consent to being exploited in the first place? The answer to this requires a more profound analysis that focuses, not on the political superstructure, but on the economic foundation of capitalist society which comprises the means of life and the basis of society. It lies in the fabric of commodity production which weaves the blindfold preventing workers from spontaneously seeing their actual economic position within the capitalist mode of production.

Capitalist production is generalised commodity production. Its chaotic complexity throws up all kinds of shadows and inversions. If being determines consciousness, which it does, then the prevailing consciousness in a capitalist society is that of the owner of commodities together with the exchange thereof. This includes the working class as owners and sellers of the special commodity – labour power, or, what is the same thing, their capacity to labour.

The trade union movement is essentially an association of workers struggling to improve the terms of this exchange, and through unity and organisation, to overcome the structural advantages enjoyed by the employers. The slogan "a fair wage for a fair day's pay" has become its mantra. Hence the struggle for equivalence. It represents a struggle within capitalism not over capitalism, which has provided the trade union bureaucracy with a role in regulating the class struggle.

The trade union struggle is not a struggle over the wages system, which would imply a struggle over capitalism itself. For this to happen two things need to occur. Firstly, workers need to be made conscious of the nature of exploitation itself, namely, that the profits, rent, and interest claimed and enjoyed by the capitalist class, is their unpaid labour. If we were to assume that workers work on average for 40 years and suffer a 60% rate of exploitation, it would mean that workers work 24 years

unpaid for the capitalist class and 16 years for themselves. No worker in the know would take kindly to forfeiting 24 years of their lives to enrich their employers.

Secondly, even if this loss of working life is recognised it will not precipitate a revolution. Alongside this forfeiture must go the squandering of the productive forces itself. As long as capitalists can develop their economy, thus raising standards of living throughout society, workers will be tied to reform rather than drawn to revolution.

However, should capitalism not be able to enrich the working class, should its preservation depend on the systematic impoverishment of the working class, most notably, that each generation will be poorer than the preceding one, as is now the case, then capitalism begins to lose its legitimacy. It forms the living classroom for the expose of exploitation and for the advancement of an alternative to an exhausted economic system which is robbing society of its future.

A final point needs to be made. Marx emphasised that under capitalism social power flows directly from the ownership of capital. The owner of capital attracts a share of the unpaid labour produced by the working class in proportion to their investment. Ownership of capital is primary, political control only secondary. As long as the state does not act to confiscate private property, except in the outer reaches of the Kuiper Belt, political concessions, such a multi-party democracy can be made. The soft left may slobber over the Human Rights Act, but like a scorpion its sting lies in its tail, for secreted at the end resides the protocols that protect private property and the “fruits” that flow from this property.

Things stood differently in the USSR. The abolition of private ownership of the means of production and distribution, deprived the bureaucracy of the power that derives from property. They had to rely primarily and directly on their monopoly of political power to suck up the unpaid labour produced by the soviet worker, hence one-party rule. The capitalists posing of the superiority of multi-party democracy in the west against the single party autocracy in the USSR, was merely one set of exploiters thumbing their nose at another set of exploiters who did not enjoy the advantages of private property.

Finally, the state first emerged with propertied classes ten to twelve thousand years ago as the violent means to enforce and protect property. This being so it can be said with a high degree of certitude that the state will disappear with the disappearance of property in production. A workers’ revolution, whose state collectivises productive property (but not personal property), does so, not in order to preserve this property but to abolish it. When in time we all own the means of production, distribution, information together with the land, then no one owns it. It becomes unowned and ceases to be property. When that becomes custom and habit, the purpose of the state in general is spent and it passes into history.

### **The small state.**

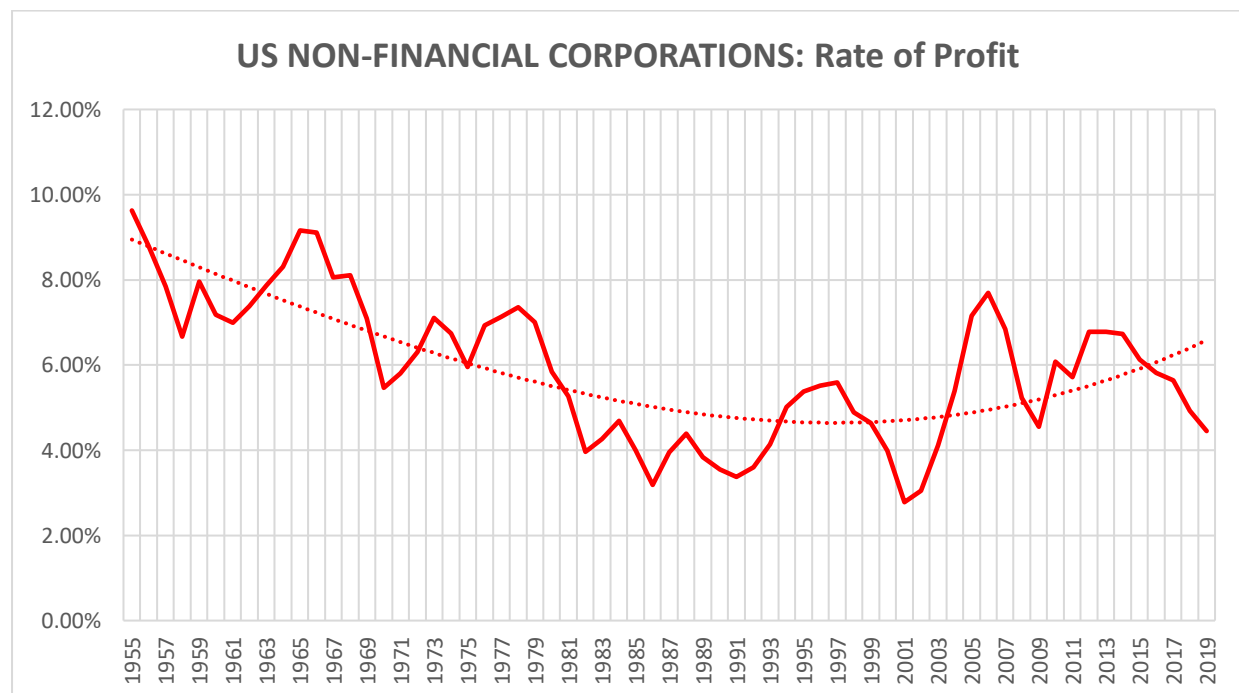
In common with all living organisms the bourgeois state has to adapt to its external environment in order to protect its inner needs, which in this case is the minimisation of the threat to capitalist private property and the maximisation of the enhancements to that property - the flow of profit. In a benign environment the state will adopt one form, in a chronic environment another, and in an acute environment it will retreat into a protective shell. This reflects the various forms that the capitalist state assumes from proportionally represented social democracy through to the fascist or the military organisation of the state.

When neo-liberalism was first executed in the 1980s, many on the left said that this was an aberration. The normal capitalist state, they held, was the one achieved after the Second World War,

characterised by high taxation, extensive public services, and a mix of state and private capitalist corporations. It was further held that as this was a more advanced form of capitalist state it was unlikely to be reversed. Many of us warned that on the contrary, it was this welfare state with its mixed economy which was the aberration when viewed historically. It resulted from the concessions forced on the capitalist classes in the US and UK by the fear of revolution after the war, the rise of the Soviet Union and sections of well organised and politicised workers. (I would like to add here, the cruel and barbaric bombing of German and Japanese Industrial cities. This was not designed strategically to slow down industrial production, the evidence was clear at the time it did not, it was designed to prevent revolution after surrender, by turning workers into scavengers rather than revolutionaries.)

Key to these concessions was the rate of profit which had been lifted by the destruction of capital on the one hand during the war, and its renewal on the other, particularly in the United States. In the USA GDP increased by 50% during the war, with production becoming highly profitable due to Federal over-funding, effectively recapitalising most large corporations whose operations had been made dynamic by the rapid introduction of new technologies which war-fever always contributes to. <https://eh.net/encyclopedia/the-american-economy-during-world-war-ii/>

With US imperialism triumphant and hegemonic, responsible for nearly 50% of global industrial output, a new age of profitable production emerged. It lasted for 25 years. By the end of the 1960s the rapidly falling rate of profit precipitated the first post-war global recessions in the early 1970s. Profitability continued to fall in the 1980s to below 4% or to less than half the rate that prevailed on average in the 1950s and 1960s. Only in the 1990s, with the acceleration in globalisation, does the profit trend begin to reverse. (Profit here is unadjusted pre-tax. Total capital over which profit is divided comprises both fixed and circulating capital. Circulating capital is obtained from the annual rate of turnover found in the goods producing sector.) And notably, it has plunged once more since 2014 for an uninterrupted 6 years. This year it is likely to set a post-war low because of the virus.



(NIPA Table 1.14 for profit, Fixed Asset Table 4.1 and GDP-by-industry for circulating capital.

The inescapable conclusion is that the post-war concessions were becoming unaffordable by the late 1960s. The 1970s heralded the resumption of a new offensive against the working class intended to claw back most of the post-war concessions. In this the capitalists succeeded, aided as always by the treachery of the Labour and Democratic parties tied to the trade unions. One stark statistic sums it up: in 2017 the average wage of workers in the USA, in real terms, was no higher than in 1973.

The resumption of profitable production in the 1990s was due to the outsourcing that took place in the 1980s, that is the redeployment of industry to the Far East particularly China where wages were far lower, leaving behind what was effectively rust belts in the USA and parts of Europe. These lower wages made possible cheaper imports helping raise the rate of exploitation in Europe and the USA despite the fall in overall investment in those countries.

This increase in the reserve army of labour within the UK and US went hand in hand with privatisation. The collapse in industrial production had reduced the outlets for investment, but new ones were consciously opened up through the privatisation of government services and departments together with the financialization of housing, the latter leading to the financial crash twenty years later.

It was this privatisation and the ebb in the class struggle that led to the committees overseeing the affairs of the capitalist class beginning to fracture into factions. If we consider the capitalists as the fissile material and the state as the absorbing rods, then it is clear that the fewer the rods, the more uncontrolled capitalism becomes. This is what neo-liberalism engendered. The state was deregulated, and oversight of the economy minimized. Thatcher boasted that there was no such thing as society. She should have instead declared that there was no longer a coherent state. The state was reduced from in-house providers into tendering departments focusing on awarding outsourcing contracts. Instead of producing balls, the state was confined to juggling them and keeping them in the air.

Whole chunks of the state were privatised. New areas of profitable exploitation erupted. Small companies such as Compass Catering turned into international giants. Many government officials resigned to set up their own companies. Those who remained were corrupted by the process not necessarily because privatisation created the opportunity for bribe taking, but because many saw their eventual career advancement being in the private sector. The revolving door between government and industry began to spin quicker.

All kinds of skills were lost. The out-sourcing of services meant management passing over to the private sector. The loss of in-house production meant the loss of the strategic planning that wove different departments together in order to ensure departmental delivery. The layering of the state led to shallower decision making and by reflex, to its centralisation. The diminution of regulation together with the oversight of the private sector, stripped the responsive capability of the state to act in the face of emergencies as these vital departments were reduced to husks.

The further privatisation went, the more depleted state capacity became. This applies as well to the health sector. Privatisation always and everywhere has a disruptive effect. Blair with his internal market put the interest of profit above provision. The internal market and later the Lansley Act broke up the NHS. It was no longer the National Health Service but the Nebulous Health Service. While costs went up funding went down.

The social care model came next. Instead of remaining in-house it was farmed out to a myriad of small providers, most of whom did not previously exist. Instead of co-ordinated care provision, carers from competing companies passed each other on the stairs of various buildings as they visited their respective clients or drove past each other in different directions to and from adjacent clients. It was

chaotic, and profits depended on minimum wages, minimum facilities, and a lack of adequate training. It was a precarious model with no reserves that simply could not survive a pandemic.

The most fundamental disorganisation lay in the commanding height of the state, at the level the executive committee itself. Traditionally this committee represents the general interest of the capitalist class. This needs to be understood in the round. The general interest is one which eclipses the sectional interests of groups of capitalists. In sum, if the profits made by a group of capitalists was exceeded by the loss others suffered, then their activity had to be curbed.

Here the issue of smoking is instructive. *“Cigarette smoking increased rapidly through the 1950s, becoming much more widespread. Per capita cigarette consumption soared from 54 per year in 1900, to 4,345 per year in 1963. And, lung cancer went from rarity to more commonplace – by the early 1950s it became “the most common cancer diagnosed in American men,”* <https://www.cancer.org/latest-news/the-study-that-helped-spur-the-us-stop-smoking-movement.html> During the 1950s the evidence of the causal link between smoking and lung cancer (also heart disease) became incontrovertible despite the best efforts of the tobacco industry to confuse the connection. The cost to the US and UK economy in terms of lives and sickness far outweighed the sectional profits of the tobacco industry and governments acted to curb smoking which then halved and halved again once public smoking was restricted. This was a case of the general interest of the capitalist class trumping the interest of the tobacco lobby.

This was not always the case. Pollution in the USA has had a stinking record. Because pollution tends to be regional, polluters were able to continue to pollute years after it became clear how extensive the damage was. Most often this pollution was stopped, and the damage reversed, only after costly court cases rather than governmental fines. When the court rather than the state acts, it is a derogation of duty by the state.

Thus, the assertion of the general interest of the capitalist class can be delayed and sometimes derailed by the activity of sections of the capitalist class.

Additionally, it is often said that the general interest of the capitalist class is that of large capital, rather than all capital. The evidence is clear, support from the state tends to be monopolised by those who have the deepest pockets, who can mobilise a veritable army of lobbyists, and, who dominate most of the trade associations negotiating with government departments. In the US and the UK in particular the single dominant sector is the financial sector. Yet again, following the example of the financial crash, the majority of money is now being funnelled to the larger corporations rather than the smaller ones.

What neo-liberalism has done is stretch the relation between the general interest of the capitalist class and its sectional interests. It has changed the culture of governments and the ethos of the civil service. The reduction of the state from managing aspects of economic life into a mere facilitator has made it easier for sectional interests to gain traction. It is as though principal conductors have been reduced to someone running from one musician to another to turn the pages on their discordant musical scores.

Facilitators are more dependent on outside experts instead of government officials. Hence the dual phenomena of leaders surrounding themselves by unelected and unappointed “experts” some of whom are even family members, and because of this, the granting of greater access to outside lobbyists. Because of this moth like effect, leaders are distracted, and they have little recourse to departmental officials capable of filtering all this advice, because departments have been downsized.

Finally, as the article from the Guardian below shows, lobbyists not only work from within but from without. They not only create the favourable climate for politicians to carry out their policies, but conversely, to cultivate popular opinion pressurising those politicians who initially refuse to execute their preferred policies. The result is an incoherent state, a ship without sufficient internal ballast, pushed and pulled in different directions continuously in danger of capsizing at any moment. <https://www.theguardian.com/politics/2014/mar/12/lobbying-10-ways-corporations-influence-government>

### **Conclusion.**

It is important to observe that a disrupted and incoherent state is only possible in the absence of class struggle; at a time when the balance of forces currently and decisively favours the capitalist class. During this period of subdued class struggle, small states are possible, even small police forces, as under Prime Ministers Cameron and May. However, as soon as the class struggle erupts the state reorganises itself, up to and including banging capitalist heads together to force them into line.

The virus has revealed two fundamental aspects of modern neo-liberal societies. The first is how the health of their societies have suffered because of cost cutting. Secondly how unhealthy even dysfunctional, these governments are. They go hand in hand.

The US and UK were last in and will be last out of this pandemic. Their original strategy of going for herd immunity was torpedoed by the general ill-health of their populations. They are also likely to unwind lockdown prematurely, especially in the USA, resulting in a second wave of infections. They are bound to suffer the highest fatalities per head by the time the pandemic subsides globally.

And they will suffer the biggest financial losses. The IFS has calculated that UK government cuts since the financial crash have saved the exchequer on average £40 billion p.a. or a total of around £400 billion. The losses to the exchequer over the first six months of the pandemic, both in terms of financial support and lack of tax revenue, will exceed this sum. For a fraction of what the imperialists spend on their military, they could have prepared for the eventual pandemic. But they did not. Instead they have lost hundreds of times more. A short-sighted ruling class is a class exposed as being unfit to rule.

For the moment, the fear of the virus is suppressing anger over the whole tragic saga. But in time the pandemic will subside because immunity will be achieved one way or another. With one threat out of the way two new threats will arise. The capitalists will try to claw back the financial support given, by making workers, not the rich, pay back the costs of the pandemic. And they will hold China responsible, whipping up anti-China feelings through twisting what happened, a development which is already escalating dramatically becoming more fraught with each passing day.

For these reasons we need to learn how to organise under conditions of lock-down so that we are not forced-down as soon as the pandemic ebbs.

### **Postscript.**

The views on the capitalist state and its organisation provides no lessons for a future workers state. Its smallness, reduced to protecting, promulgating and policing (PPP) the early communist society is only possible because workers, on the basis of collective property, do not have competitive, but collaborative interests in common.

Brian Green 2<sup>nd</sup> May 2020.