

# The Socialist Correspondent

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**Discussion, debate and authors' opinions:** To encourage the broadest possible discussion and debate around the aims of exposing capitalism and promoting socialism, we hope our readers appreciate that not all the opinions expressed by individual authors are necessarily those of The Socialist Correspondent.

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# The Socialist Correspondent

To contact  
The Socialist Correspondent  
email the editor:  
editor@thesocialistcorrespondent.org.uk  
www.thesocialistcorrespondent.org.uk

## Leveson report: a whitewash Intimate and Corrupt relations between the media, politicians and the police to continue

As Simon Korner points out in his article on the Leveson Inquiry, it “duly exonerates the Prime Minister, ex-Culture Secretary and the Metropolitan police” and fulfils its main function to provide an apparent independent judgment whilst leaving the establishment intact.

Leveson stated that, “I am satisfied that I have seen no basis for challenging at any stage the integrity of the police, or that of the senior police officers concerned”. The former Culture Secretary, Jeremy Hunt, is found by Leveson to have acted “commendably” in his handling of News Corp’s attempt to buy BSkyB and Murdoch’s claim that he was deceived by his own journalists is accepted. The Leveson Report is a whitewash.

Nevertheless, some interesting things were exposed during the Inquiry. The intimate and corrupt relations between the media, police and politicians was exposed and as Simon points out, “the process of the inquiry and the recommendations it has made – as well as the process and outcomes of the corruption trials later this year and the second part of the Leveson Report – deserve to be studied for the sinuous ways in which the British ruling class perpetuates its grip on power.”

## Tax and the City

The citadel of the British ruling class is the City of London, which, Herbert Morrison, former Labour leader in London, described as “a square mile of entrenched reaction”, quoted by Paul Sutton in his article, “Tax and the City: time for change”.

Also quoted is Tony Benn, who said of the City: it is “an offshore island moored in the Thames with a freedom that many other offshore islands would be glad to have”.

The City has connections akin to a

## Commentary

spider’s web, a layered hub and spoke array of tax havens. There is an immense concentration of wealth and power in the City with its web, as a whole, holding an estimated US\$ 3.2 trillion in offshore bank deposits.

## Tax evasion and avoidance

If the Government was to end tax evasion and avoidance (mainly found in the City) then the budget deficit would almost wholly be wiped out.

But to do that the government would be required to take on the City. It is not surprising that this is not happening, given that the Coalition government is largely made up of millionaires, many of whom made (and still make) their money from the City.

Instead we are fed the lie that ‘we are all in this together’ and the majority of the people are made to pay for the problems created by the City.

## Scottish Independence

The referendum on Scottish independence will take place in the autumn of 2014.



his article, “Should Scotland be independent?”

In other words, key aspects of the British state will not be disturbed. The capitulation of Cameron to Salmond (above) on virtually all issues related to the referendum and the lacklustre “Vote No” campaign, led by that ‘grey man’, Alastair Darling, may reflect the British ruling class’s indifference to the referendum result.

Indeed the British ruling class may well find it easier to control and manipulate an independent Scotland and the prospects for the people: rather than an easier road to socialism, may be a faster route to emiseration.

## Neo-liberalism and New Labour

In his article, “Neo-liberalism and New Labour”, Tom Burden outlines the origins of liberalism in early capitalism and the more recent development of neo-liberalism leading to the sustained attack on public services over the last 30 years.

Tom explains the reasons for the adoption of neo-liberal policies in the creation of New Labour and argues that the think-tank, Demos, played a key role in developing ideas “which became very popular among key Labour figures”.

Demos emerged from the debris of the Communist Party with much of the considerable assets. The money was used in the campaign to further emasculate the Labour Party and to create New Labour.

## Afghanistan

Vera Butler exposes the real reasons for the war in Afghanistan.

It is about economics. She refers to the enormous oil reserves in Central Asia, Afghanistan’s role as a transit route because of her geo-political position and the country’s vast natural resources of gold, silver, copper, lead, zinc, and iron as well as large amounts of rare earths of vital importance for the electronic and other modern industries.

## Beauty and Ideology

James Tait’s article on the Brazilian Communist architect, Oscar Niemeyer, makes the case that in his buildings he synthesises beauty and ideology.

His buildings include that of the Brazilian government, the cathedral of Brasilia and the headquarters of the French Communist Party in Paris. James writes of his architecture as “rooted in a deep desire to improve lives through the spaces and structures he created”. Oscar died in December 2012 at 104 years of age.



# Leveson Inquiry: a whitewash

**The Leveson inquiry into the News International phone hacking scandal has fulfilled its main function – to satisfy sceptics by appearing to provide an independent judgment on one part of the establishment while leaving the edifice undisturbed.**

**By SIMON KORNER**

Leveson's report, published in November 2012, duly exonerates the Prime Minister, the ex-Culture Secretary and the Metropolitan police, and preserves the concentrated pattern of UK media ownership intact.

Leveson concludes that limiting media ownership is unnecessary – although plurality regulations should be applied to news output – thus giving News Corp a free hand to remount its bid for BSkyB in future.

Set up in July 2011, Lord Leveson's remit was to investigate the "culture, practice and ethics" of the UK media in general, with specific issues of News Corp criminality to be dealt with later, once the various police investigations have finished.

The Leveson report's main proposal that an 'independent' regulatory body be established to regulate the press, underpinned by law, has become the focus of media debate, and has been rejected by Cameron, despite his having said he would adopt Leveson's recommendations as long as they were not 'bonkers'.

Any discussion of limiting the media oligarchs' power and control has been effectively silenced by the report's stated concern not to hamper the British media from competing successfully against global rivals in a fast-changing digital media environment.

Of the personal culpability of senior News Corp executives, Leveson says that potential criminal proceedings mean he cannot comment.

He does, however, accept Rupert Murdoch's claim that he was deceived by his own journalists. While admitting 'some concern' over the fact that James Murdoch perjured himself as to whether he was aware of phone hacking – over the famous 2005 'For Neville' email, which ex-News of the World executive

Tom Crone told the parliamentary select committee hearing he had discussed with Murdoch in 2008 – Leveson says he is unable to reach a conclusion.

As if to underline the whitewash, the



**Lord Justice Leveson**

day the report came out, Rebekah Brooks, former News of the World editor, and her predecessor Andy Coulson, later Cameron's director of communications, were in court for allegedly making illegal payments to public officials to gain confidential information about the royal family, charged alongside a Sun journalist and a Ministry of Defence civil servant. Brooks and Coulson are due to stand trial in September.

As regards police corruption and cover-up, the fact that the Met dropped investigations into phone hacking, first in 2006 and then again in 2009 – after the *Guardian* accused them of a cover-up – receives little attention from Leveson.

The fact that several *News of the World* employees, including an editor, Neil Wallis, were employed by the Met in their media operations department –

while the paper was under investigation – is dealt with by the recommendation of a 'cooling off' period of 12 months before former media employees can be taken on by the Met in future, merely slowing down the revolving door.

Although almost 100 people, including police, have so far been arrested, Leveson states: "I am satisfied that I have seen no basis for challenging at any stage the integrity of the police, or that of the senior police officers concerned", and cites police overwork following the London 7/7 bombings as the reason for the Met's failure to follow up hacking investigations.

The report rather undermines its own conclusion that the police conducted themselves with "integrity at all times", by recommending that senior police officers in future keep a note of meetings with media contacts and that they be aware of 'the dangers of consuming alcohol in the setting of casual hospitality'.

Of the political elite, which suffered considerable embarrassment during the inquiry itself, Leveson finds that the former Culture Secretary Jeremy Hunt acted 'commendably' in his handling of News Corp's attempt to buy BSkyB and could not be accused of bias in favour of the corporation.

Equally, the revelation of the closeness of Cameron's friendship with Rebekah Brooks and her husband Charlie as part of the ruling class Chipping Norton set – a friendship which extended to Charlie lending Cameron his ex-Met police horse to ride – is downplayed.

Leveson in his recommendations simply suggests greater transparency by politicians when consorting with media contacts in future. Thus for the moment, Cameron's association with potential criminals – Brooks and her husband are both charged with conspiracy to pervert the course of justice by concealing evidence from the police (a separate charge from the others against Brooks and Coulson) – is sidelined, as is his intimate connection with Coulson, another Chipping Norton crony.

Leveson's principal recommendation, by far the most detailed, is to set up a

# Tax and the City: it's time for change

On 24 January 2013 David Cameron addressed the annual gathering at the World Economic Forum in Davos in Switzerland on the subject of tax.

By **PAUL SUTTON**

"Individuals and businesses must pay their fair share" he told the billionaires and the leaders of multinational corporations gathered there to listen to him and to others charged with facilitating the management of the global capitalist system.

He also said that "trade, tax, and transparency" were UK priorities for the UK presidency of the G8 in 2013 and that "Acting alone has its limits. Clamp down in one country and the travelling caravan of lawyers, accountants and financial gurus just moves on elsewhere. So we need to act together in the G8".

How many of his audience were really listening to him is not known but what is known is that dealing with tax evasion was listed as a priority at the G8 summit in 2008, and that apart from some technical studies by the Organisation for Economic Cooperation and Development (OECD), no real action has followed.

The political leadership of the leading capitalist countries seem very reluctant to take this issue on other than as an oc-

casional opportunity to flaunt the rhetoric that 'we are all in this together' when clearly we are not!

Indeed if Cameron was that serious he could have saved himself the trouble and the expense of a trip to Switzerland and got on his bike to go down the road to address the City of London. One of the greatest sources of 'means' for tax evasion globally is to be found there and in particular in the links of the City of London to the 'offshore' sector in which it is a leading player.

The 'offshore sector' has grown hand-in-hand with global capitalism and is a key integral part of it. A Briefing Paper published by the Tax Justice Network in 2005 found that approximately US\$11.5 trillion of assets are held offshore by high net worth individuals and that the tax not paid as a result of these funds being held offshore might exceed US\$255 billion each year.

An update, published last year, now puts that figure between US\$21 and US\$32 trillion, which suggests lost tax of US\$189 billion (based on minimal

figures of a 3% return on US\$21 trillion taxed at 30%) ([www.taxjustice.net](http://www.taxjustice.net)).

Offshore is not only about avoiding tax for individuals, but also low or no financial regulation. The laws and rules of 'offshore' permit minimal supervision and maximum secrecy, which allows multinational corporations and criminal networks to use them to 'hide' profits made from enterprise, whether legal or illegal.

On some measures, half of all world trade passes via tax havens allowing little or no tax to be collected on it. The example of Amazon immediately comes to mind, but it is not only the 'man in the street' in the developed world that loses out but even more so the poor and the poorest in the developing world.

The Global Financial Integrity Network has just published a report which calculates that nearly US\$5.86 trillion dollars was stolen from 150 developing countries in the decade 2001-2010, with losses estimated at US\$858.8 billion in 2010.

The sources of such flows were crime, tax evasion and corruption and the country identified as the major contributor to such flows is China. The author of the report, Dr Dev Kar, notes: "the Chinese economy is a ticking time bomb. The social, political, and economic order in that country is not sus-

## Leveson Inquiry: a whitewash

new self-regulatory body with a code of standards to oversee the press, a body whose funding and appointments – particularly that of the chair – should be independent and which has an arbitration service and a mechanism for dealing with complaints, with powers to demand high-profile apologies and impose fines.

Newspaper editors have agreed to Leveson's proposals 'in principle' and there is now the prospect of cross-party support, but also of further wrangling.

The Guardian reports that Oliver Letwin, Cameron's 'fixer', has proposed a royal charter to appoint independent 'judges or senior people to verify the industry's system of self-regulation' while

the Lib Dems 'have proposed that the royal charter should not be changed' unless over two thirds of MPs agree.

The best method of press regulation is perhaps the least interesting question raised by the Leveson inquiry, which revealed deep-seated corruption as part and parcel of the normal functioning of the British 'democratic' state.

And the argument over whether using the law to regulate the press is consistent with British traditions or not obscures another British tradition – of which the Leveson inquiry itself is a prime example: using one arm of the state, the judiciary – in this case, a quasi-judicial process – to reassure the public that

bourgeois democracy is able and willing to correct itself and continue functioning smoothly.

The corruption bypassed by the Leveson report extends to the whole role of the inquiry itself. The process of the inquiry and the recommendations it has made – as well as the process and outcomes of the corruption trials later this year and the second part of the Leveson report – deserve to be studied for the sinuous ways in which the British ruling class perpetuates its grip on power, a notable example being the way the primary issue of concentrated media ownership in Britain has been left conveniently in the shadows.



tainable in the long-run given such massive illicit outflows" (www.gfintegrity.org).

Chinese money flows to a number of offshore havens. First and foremost is Hong Kong but it also includes the British Virgin Islands and the Cayman Islands in the Caribbean, among others. They in turn channel these flows to the City of London, to which they are connected in a myriad of ways.

In a recent book, Nicholas Shaxson (*Treasure Islands: tax havens and the men who stole the world*, 2011) describes these connections as akin to a 'spider's web': "a layered hub-and spoke array of tax havens centred on the City of London" which "gives the City a truly global reach" (p.15).

They enable the City of London not only to capture business in regions far from it and channel it to London (something different from New York which is much more focused on the 'local' US economy), but also provide opportunities for money laundering and other questionable/illegal financial practices, in which UK banks have been involved and for which some of them have been fined.

The result is that London has the largest number of foreign banks of any financial centre. As of 2008, the year the financial crisis hit, "it accounted for half of all international trade in equities, nearly 45% of over-the-counter derivatives turnover, 70% of Eurobond turnover, 35% of global currency trading and 55% of all international public offerings" (Shaxson: page 247).

Add in the offshore centres to which it is closely linked - the Crown dependencies of Jersey, Guernsey and the Isle of Man plus the existing and former British colonies clustered mainly in the Caribbean - and in 2009 "the web as a whole held an estimated US\$3.2 trillion in offshore bank deposits, about 55% of the global total according to data from the Bank for International Settlements" (Shaxson: page 252).

This is an immense concentration of wealth and power over which there is very little oversight or real supervision. It is guarded and nurtured by the City of London Corporation, which Tony Benn likened to "an offshore island moored in the Thames, with a freedom that many other offshore islands would be glad to have" (cited in Shaxson page 266).

The freedoms here are privileges extending back over centuries which allow it, on occasion, to be exempt in whole or in part from some Acts of Parliament. The City has its own police force, its own corporate franchise in which companies have a larger share of the vote than those living in the City, and its own well-connected and very effective lobby groups which ensure its interests are protected.

Work last year by the Bureau of Investigative Journalism, published in *The Guardian* (9/7/2012) reveals the power of this lobby. The City spends

ern finance and that journalistic abortion, the stunt press. The City is an administrative anachronism" (cited in Shaxson, page 260).

Morrison favoured its abolition - and for many years this was the policy of the Labour party. But as we know, Morrison's grandson, Lord Mandelson, stated he was "intensely relaxed" about people "getting filthy rich" and in like spirit in 1996 Blair dropped proposals for abolition in favour of the promise of 'reform'. Needless to say, when reform came, it was 'light touch' and the City remained intact in all important essentials.

The question that has to be asked is: Can reform of the banking system proceed when there is no parallel reform of the City of London? In November 2012 the City Reform Group was launched to contest elections in the City scheduled for March 2013.

It has a progressive platform and primarily seeks to introduce transparency and accountability into the affairs of the Corporation.

It should be supported but at the same time it is clear that its vision is too limited.

The future for the City of London should be the future once spelled out for it by the Labour Party: abolition.

Reform will not resolve problems which are deeply interconnected (finance, offshore and the City) but simply ameliorate the worst abuses in one leg of the triangle. 'Joined-up' thinking and action is required to move beyond this platform.

It can be confidently predicted that Cameron will not be getting on his bike, but it would do Ed Miliband no harm to get on the Underground and go to Bank station. On emerging he can do a quick tour of the 'square mile' and come back resolved to do something about what he sees. He can ask one of his favoured advisers, Lord Glassman, to help him given Glassman's critical academic work on the City over the years.

Tax evasion by the rich and by the multinationals is a serious issue, but dealing with it on its own is only treating the symptoms, not the disease. For that to happen, much more radical surgery is indicated.

It is an area where Miliband can truly put 'blue water' between him and Cameron (and on the way begin to redress the issues of 'offshore' in the blue waters of the Caribbean and elsewhere).

**The Bank of England and Bank underground station.**



over £10 million a year on public affairs advocacy and enjoys unprecedented access to ministers.

This allows it, working with others in the finance sector, to win policy changes which recently include the slashing of UK corporation tax and taxes on banks' overseas subsidiaries, the neutering of a national not-for-profit pension scheme that was supposed to benefit millions of low-paid and temporary workers, and the killing of government plans for a new corporate super-watchdog to police quoted companies.

In the light of these facts it is odd (or is it?) that the many proposals now paraded in the UK media for more effective control of the banks and financial institutions remain silent on the City of London.

This was not always the case. In 1917, Herbert Morrison, the Labour leader in London and later senior figure in the Atlee government, commented: "The City is now a square mile of entrenched reaction, the home of the devilry of mod-

# Tax evasion and avoidance

Every year the British Government loses £120 billion in tax evasion, avoidance and late payment. This is almost equivalent to the £127 billion budget deficit.

By **SIMON KORNER**

£12 billion of this comes from avoidance by the biggest companies, which use tax havens to pay far less than the headline rate of corporation tax.

Tax evasion is an even bigger drain than tax avoidance. The World Bank puts the figure in the UK at £70 billion a year. Together avoidance and evasion, combined with the late payment of tax amounting to £25 billion, deprive the government of £120 billion in taxes lost every year – almost equivalent to the £127 billion budget deficit.

In spite of this, corporation tax will be cut from the already low 24% to 21% by 2014. It's a race to the bottom, against Ireland and Luxembourg, with the UK rate the lowest of any major western economy. George Osborne claims that low tax is "an advert for our country that says: come here; invest here; create jobs here; Britain is open for business."

The lower tax rate will cost us collectively £875m a year from 2016. The Institute of Directors, which represents 37,000 company directors, said the reduction was a "very welcome boost".

The most infamous of the tax avoiders is Starbucks, which paid no corporation tax at all over the past three years. In response to the recent UK Uncut campaign threatening a boycott, the company now says it will pay £20m in corporation tax over the next two years – in an attempt to clean up its image.

Other companies highlighted include Amazon, which paid £1.8 million in tax on a turnover of over £200 million and Google, which paid just £3.4 million tax on £2.5 billion, using Bermuda as a tax haven. Google, which avoided \$2.2 billion in taxes globally last year is less bashful than Starbucks about its tax avoidance measures, which chairman Eric Schmidt justifies as part of the normal workings of capitalism.

These companies are not alone. Goldman Sachs saved up to £20 million

in tax avoidance last year, and Vodafone almost £5 billion – among at least 2,700 other companies the government's tax department, the HMRC, is currently chasing. These include online betting companies which use tax havens such as Gibraltar, and are being bribed with a tax cut worth £100 million a year to bring the offshore internet gaming business back to Britain.

Over each of the past four years, about 100 new avoidance schemes have sprung up. These include investment in film production, which attracts tax relief as part of the government's apparent support for British film production. A billion pound deal with a film company can earn over £100m in tax relief for its investors. But typically, the investment money is loaned back once the corporation has benefited from the tax relief – even though half the films are American, including *Pirates of the Caribbean I and II*, which had already been made, investors merely buying a share of the rights.

Other methods of avoidance are charitable donations, which attract huge tax relief. But a recent attempt to cap tax relief on charitable donations at 25% was thwarted by universities, arts organisations and charities, all of whom feared the loss of vital funding.

HMRC – short-handed after the 2005 merger of Inland Revenue and Customs & Excise cut 35,000 staff, with further job cuts to come – has insufficient resources to cope. The HMRC unit that deals with the largest corporations is set to shrink by 20% by 2015.

It's a losing battle given the over-close relationship between Whitehall and the corporations, which provides huge benefits for the latter. The parliamentary Public Accounts Committee found recently that David Hartnett, the permanent secretary for tax, had a "cosy relationship" with many of the corporations with which he negotiated.



**Starbucks HQ in Seattle, USA**

The revolving door between the civil service and the private sector enables corporations to devise ever more effective schemes to evade new restrictions. The financial secretary to the Treasury came from PwC, as did the director of the newly established Office of Tax Simplification, which advises on streamlining tax laws. Others include partners from KPMG and Ernst & Young, who have also helped draft new tax laws.

Revolving the other way are former ministers, who act as advisors to these firms. These include Lord Mandelson, Lord Digby Jones, former home secretary Jacqui Smith, as well as Sir Malcolm Rifkind.

Tax avoidance by individuals is another massive drain on public money – worth an estimated £8 billion a year. The 400 highest earners, with incomes between £5 million and £10 million per year, paid under 20% tax in 2010-11, and many of them far less than that.

Over a quarter of those earning between £250,000 and £500,000 a year paid less than 40% tax in the same period. In spite of this, the current 50% top rate tax is being reduced to 45% this April.

Closing down tax havens, beginning with the Crown Dependencies and UK-controlled Overseas Territories, would be a start as would forcibly preventing large companies from choosing which country they pay their tax in.

But as Google's Eric Schmidt points out, it's capitalism that's the problem – a system in which millionaires pay lower tax than workers and corporate corruption is inbuilt.



# Should Scotland be independent?

“Should Scotland be an independent country?” That is the question Scottish voters will be asked in a referendum in the autumn of 2014.

By **MARTIN GIBSON**

The question was proposed by the Electoral Commission in Scotland and agreed by the SNP Scottish Government who had proposed the same wording but beginning with “Do you agree.”

After much wrangling since the SNP won their historic majority victory in 2010, this now means that most of the main political formalities and issues of process have been settled between the Scottish Nationalist Government in Edinburgh and the Unionist Coalition Government in London.

However, always keen to seize the tactical advantage and to create a mood of ‘independence is inevitable’, the SNP Government published on 5 February 2013 a post-referendum, 17 months constitutional timeframe by which Scotland would become an independent country by March 2016.

SNP Deputy First Minister Nicola Sturgeon said, “Our proposals would see this (constitutional) platform put in place immediately prior to the Scottish Parliament elections, to provide the

newly elected Scottish Government with the full range of powers it needs to develop the country.”

She added that the publication of their independence timeframe gave “the people of Scotland a clear road map as to how Scotland would make the journey from a devolved system of government with the levers of power retained at Westminster, to a nation in which the powers of our national parliament are complete and in which the people are sovereign.”

The SNP Government is keen for the UK coalition government to hold talks with them about this timeframe ahead of the referendum. This has been flatly rejected by Prime Minister David Cameron and Scottish Secretary Michael Moore on the basis that they will not “pre-negotiate” Scotland’s separation from the UK and that they are content to wait until after the Scottish people have had their say in the referendum.

So there will be only one question - as

above - not the two that ‘more-devolution’ campaigners had hoped.

The powers to proceed with the independence referendum have also been passed by the UK Parliament in Westminster - under a Section 30 Order - to the devolved Scottish Parliament in Holyrood.

When Scotland’s First Minister, Alex Salmond MSP met with UK Prime Minister David Cameron MP in Edinburgh on 15 October 2012 and signed the ‘Edinburgh Agreement’ outlining the terms of the referendum, it had all the feel of a pre-boxing match weigh-in where the pugilists pose for the cameras, beamed those plastic PR smiles, shake hands and iterate well-practised words that tell everyone the big fight - over 300 years in the making - will now begin in earnest. The shadow boxing is over.

In *The Socialist Correspondent*, No. 14, Spring 2012: ‘Scotland to vote on independence’, we posed a series of questions which we thought then remained largely unanswered.

These were:

- Would an independent Scotland be able to join the EU as a new country without joining the Eurozone?
- Would an independent Scotland, even if it refused to host Trident, remain in NATO?



A view of the Scottish Parliament from Salisbury Crag (Arthur's seat).



- What would happen to the RBS, Halifax/Bank of Scotland debts?
- How much would Scotland depend on oil revenues and how long will the oil last?
- Would Scotland be better or worse off in an independent capitalist Scotland?
- Would an independent Scotland be more vulnerable (like Ireland, Iceland, Greece) in the current capitalist world?
- Would England be saddled with a permanent Tory majority at Westminster to the detriment of working people and how would this affect Scotland and Wales?
- What would be the impact of separation on, for example, the media and the BBC?
- Would solidarity between the working people of Scotland and those of England, Wales and Ireland be enhanced or lessened by the advent of an independent Scotland?
- Would an independent Scotland make it easier or more difficult to win socialism?

All but one of these questions still remain to be answered and some of them will never be answered unless and until Scotland is independent.

The one question that has been answered to some extent is the question about NATO membership, US Trident nuclear bombs and the future of the UK Trident submarine base at Faslane on the west coast of Scotland.

At the Scottish National Party conference in Inverness in October 2012 delegates narrowly supported, by 394 votes to 365, a leadership motion to change long established anti-nuclear and anti-NATO party policy and allow Scotland to remain part of NATO in the event that it becomes independent.

The leadership motion argued that an independent Scotland's membership of NATO would be "conditional" on the removal of nuclear weapons from Faslane which would become a conventional naval base.

Angus Robertson MP, leader of SNP MPs at Westminster, argued that it was the right time to "update" party policy and bring it into line with those peaceful anti-nuclear members of NATO such as Denmark and Norway.

Two rebel MSPs - John Finnie and Jean Urquhart - both from the Highlands, resigned from the SNP over what they believed was a change of principle.

Ms Urquhart, a CND member for 35 years said, "I believe in an in-

A sample of just over 1000 Scottish voters by Ipsos Mori during last year, showed a decline in support for independence:

#### January 2012

39% in favour of independence  
50% against  
11% undecided.

#### June 2012

35% in favour of independence  
55% against  
10% undecided.

#### October 2012

30% in favour of independence  
58% against  
12% undecided.

dependent Scotland, not a NATO-dependent Scotland."

An independent Scotland in the European Union is another SNP policy to come under attack following Jose Manuel Barroso's (President of the EU Commission) statement that a newly independent Scotland would have to re-apply for membership of the EU.

Mr Salmond has argued that this is wrong and that during the time it takes between a Yes vote in the 2014 referendum and Scotland negotiating its separation from the UK, it would also negotiate, as a region of the UK, its entry into the EU as an independent state.

In addition to retaining membership of the EU, the SNP has also declared that

it would retain the British Monarchy, the British Pound, the Bank of England and the BBC.

From their eagerness to remain in NATO and the EU and retain British economic and constitutional institutions, SNP strategists believe it will help them improve their appeal to the crucial 10% to 12% of voters who remain undecided.

A recent poll put support for independence at 32%, while opposition stood at 47%. This fluctuation of between 30% to 40% for separation and 50% to 60% against has remained pretty stubborn since the devolved Scottish Parliament was established by Tony Blair's New Labour Government in 1999.

That's why the SNP leaders hope they can get a 'good wind' from their timing of the referendum in the autumn of 2014.

2014 will see the "world come to Scotland" with the Commonwealth Games held in Glasgow in July. Alex Salmond has already declared that these are "Scotland's Games."

But most important politically from the Nationalists' point of view, 2014 also marks the 700th anniversary of the Battle of Bannockburn (24 June 1314) when Scotland's army led by King Robert the Bruce defeated the English army of King Edward II.

Many other battles were to follow between Scotland and England over the next 300 years, but it was only with the ascent of the Scottish Stuart dynasty to the throne of England in 1603 that hostilities between the two countries abated.

In 1603 - following the death of England's Queen Elizabeth I - Scotland's Stuart King, James VI became James I of the new United Kingdom of Great Britain. This became known as the "union of the crowns."

It would, however, be another 100 years for the "union of the Parliaments" to come about with the Act of Union in 1707. With this Act, debt-ridden Scotland became the junior partner in the largest Imperialist enterprise the world has ever known, the British Empire.

There were of course the Stuart Dynasty's two failed attempts - the 1715 and 1745 Jacobite rebellions - to regain the British crown. These were but hiccups in the new and incredibly lucrative Imperial enterprise. Despite 400 years of Scottish and English monarchical union and 300 years of Parliamentary union, that victory at Bannockburn still holds a special place in Scottish history.



**SNP First Minister, Alex Salmond MSP and Deputy First Minister, Nicola Sturgeon MSP.**

# Neo-Liberalism and New Labour

Neo-liberalism has become the dominant political ideology of our era.

By TOM BURDEN

Its key principles are strongly supported by all major political parties in the contemporary United Kingdom, it is the basis for the coalition programme and it was a very important element in the policy pursued by New Labour during its recent period in office.

A recent article in the *Guardian* neatly summarises the whole issue of its pro-market and anti-state character, "Neo-liberalism is grounded in the 'free, possessive individual', with the state cast as tyrannical and oppressive. The welfare state, in particular, is the arch enemy of freedom. The state must never govern society, dictate to free individuals how to dispose of their private property, regulate a free-market economy or interfere with the God-given right to make profits and amass personal wealth. State-led "social engineering" must never prevail over corporate and private interests. It must not intervene in the "natural" mechanisms of the free market, or take as its objective the amelioration of free-market capitalism's propensity to create inequality. (Stuart Hall *Guardian*, 12 Sept. 201)

## 1. LIBERALISMS

At the outset it is important to realise that the term liberalism is a very tricky one which has been used in a variety of different ways.

There are clear differences between classical liberalism, the new liberalism and neo-liberalism. Another problem is that everybody wants to attach the notion of liberal to their political ideology since in ordinary speech it tends to mean generous and open, two characteristics which any political ideology would hope to be viewed as possessing.

### Classical liberalism

The origins of liberalism lie in develop-

ments in political theory in the eighteenth century in the context of opposition to the arbitrary power of monarchs. Liberalism began as a revolutionary creed based on individual freedom.

Liberalism developed in opposition to aristocratic and autocratic forms of government which denied personal freedom and democracy. It was the ideology which was central to both the American and French revolutions.

At the time this was a progressive and revolutionary ideology. Laissez-faire welfare ideology is derived in part from the classical political economy of Smith and Ricardo, with strong support for private property and the market and hostility to state intervention.

The principles of classical liberalism include:

- free speech;
- legal equality and the rule of law;
- freedom of movement and assembly;
- freedom from arbitrary acts of government;
- economic freedom (laissez faire); and,
- political freedom.

These values represented the interests of small scale manufacturers and agrarian business at this stage of development of capitalism where technology was relatively underdeveloped.

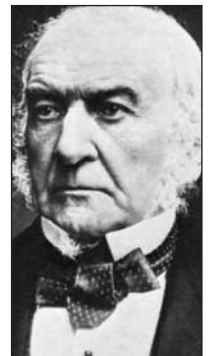
According to the liberal viewpoint, where freedom exists everyone is able to develop their own capabilities to the full and conditions are present for the greatest possible economic, social and cultural development.

Liberalism emphasises individualism and personal freedom. Personal freedom means freedom from interference, especially by the state, which should have a minimal role. The state should ensure internal and external order and establish orderly conditions for freely undertaken economic activity – markets must operate freely.

This form of liberalism was central to the ideology of Victorian England

during the period of the Industrial Revolution and the establishment of the modern British state and its institutions.

It culminated in the liberalism espoused and implemented by William Gladstone (pictured) in the late 19th century, of which the Liberal Party became the key bearer.



The dominant ideology of Victorian capitalism reflected the interests of an expanding and rising industrial capitalist class which would eventually come to dominate production.

Gladstone supported the laissez faire (free trade) views of Cobden and Bright and, at least when it came to rhetoric, was opposed to imperialism. Gladstone was wedded to a very limited role for the state and viewed the maintenance of the rule of law as the core state function.

Economic policy was based on restricted state intervention, holding down public expenditure and having balanced budgets.

### The new liberalism

At the start of the 20th century, some liberal thinkers came to believe that support for unrestricted free markets created such severe conditions that many people could never develop their capabilities to the full and therefore the state should intervene to create the conditions where liberal aspirations for the full development of every individual could be met.

The new liberalism was partly associated with the national efficiency movement which was an attempt by the capitalist class to improve the efficiency of capitalism under pressure from growing foreign industrial competition and competing imperialist powers.

It aimed to improve the efficiency of the labour force. Many manufacturers felt that they would be better able to control their labour force and to reduce



the threat of possible radical political change by making concessions that improved working-class economic security.

This was an era where large-scale monopoly capitalism was increasingly coming to dominate economic production. This implied the need for social reforms of various kinds and the Liberal Party in the early years of the 20th century (1906-1914 Liberal government) became the vehicle for introducing reforms which included a limited scheme for old age pensions in 1908 and a scheme of social insurance covering sickness and unemployment introduced in 1911.

These reforms were the foundations of what later came to be established as the welfare state.

### The welfare state and new liberalism

The modern welfare state was largely built in line with the principles of the new liberalism.

A key role in the final development of the welfare state was played by the conditions of popular radicalism which developed during the second World War.

During the Second World War major changes in class relations and ideology took place. The Labour movement advanced through participation in the governing coalition.

Trade unions were given greater power over national policy, especially in labour force planning, and in the workplace, there was considerable support for egalitarian policies, especially in taxation, and through rationing.

The role of women was revolutionised through their widespread participation in production and other war tasks: social dislocation and stimulus to change also resulted from the widespread evacuation of working class children and through the arrival of large numbers of foreign, especially American troops.

Radicalisation also took place within the armed forces partly through the provision of educational services to troops. Proposals for post-war reconstruction were widely publicised and discussed.

The two key thinkers whose ideas under-pinned the development of the welfare state at this time were Keynes and Beveridge.

Both were associated with the new liberalism and both worked within the Liberal Party. These thinkers wished to safeguard the long-term prospects of capitalism and to maintain the values of individualism which they believed sustained it.

Keynes' theories involved a system of government intervention to increase state spending in order to create jobs while preserving the market and individual economic and political freedom.

Beveridge's proposals for the welfare state were contained in his war-time report of 1942 which proposed a comprehensive social security system and also called for policies to secure full employment, along with the establishment of a national health service and family allowances.

The Keynesian welfare state has been identified as a key characteristic of all western-liberal democracies at similar stages of economic development and can be seen as the culmination of social democratic social engineering.

The welfare state was a model of social protection designed to ensure a fit and healthy population, echoing concerns earlier in the century. Much of the legislation for the British welfare state was brought in by the Labour government of 1945-50. When the Conservatives were re-elected in 1951 they maintained the commitment to Keynesian full employment policies and the welfare state.

A key aspect of the development of the welfare state was an attempt to maintain capitalist values of self help and individualism and to incorporate the working class into the political system by providing benefits for it (i.e. National Insurance benefits) which were partly organised through the participation of employers.

Another key concern was to ensure the efficiency of the labour force through improved health and making sure that even low wages were sufficient to maintain a family through the provision of family allowances which in effect subsidised low wages by increasing the disposable incomes of the low paid.

### Neo-Liberalism

The term neo-liberalism is these days used to describe the contemporary version of liberalism which has come to dominate British political discourse.

It was most coherently promulgated in the work of Hayek who wrote a massive critique of state intervention and the welfare state published in 1944 entitled "The Road to Serfdom".

Hayek viewed all state intervention as oppressive and was a thoroughgoing opponent of any form of state welfare. What is referred to in this article as neo-liberalism, is sometimes called "the new right". The term "Thatcherism" had similar meaning.

It is no accident that neo-liberalism rose to prominence during a period of economic crisis following the oil price rises, inflation, and recession of the early 1970s. These economic and social changes threatened the political and economic stability of capitalism.

The ideology of neo-liberalism reflected the growing dominance and confidence of capitalist interests across the world. It drew upon the long history of liberalism, in particular the positive depiction of economic freedom and competition as the best means of ensuring low prices and efficient production,

### New right critique of state provision

The economic and social policy implications of neo-liberalism were most clearly worked out by Milton Friedman (pictured).

In principle all services should be provided by the market since then people can express their preferences freely in terms of what they are willing to pay for. Competition between providers in a free market will ensure that services will be produced efficiently.

However, if for practical or historical reasons state social provision exists, it must be run on lines which are consistent with market principles. Consumers must be able to choose between providers. Providers must compete with one another. The recipients are seen as consumers (buying a product) rather than clients (receiving a professional service).

This policy involves the creation of provider markets, sometimes called 'quasi-markets', in which state services are provided by competing state financed units with some degree of choice exercised by, or on behalf of, the recipients. State schooling in Britain has been reformed using these principles in the 1980s and 1990s. The British national health service was reorganised in this fashion after 1989.

### Professionalism

For the new right, then, an important explanation for the costs of the welfare state could be found in the power of professional groups which sought to expand spending on public services.

The task, therefore, was to reduce the power of these groups by exercising managerial control over them, through inspections, targets, and strict budgeting.

In relation to the welfare state there is a rejection of professionalism which plays a key role in major services, such as education and health care and welfare provision.

### Neo-liberalism and management of the economy

The ideal for liberals is for a minimum of state management and control and



ownership of economic resources. Everything should be left to the free market which in theory should produce the most efficient outcome benefiting everybody.

A key belief of neo-liberals is that any forms of state control and regulation are somehow stifling the innate creativity of the capitalist class, the dynamism of which would be released to the benefit of all if regulation were minimised. Key elements of this approach to the economy are:

#### ■ Deregulation

This involves abolishing existing systems of regulation of economic activities and social provision so as to give the market full sway. Another feature of regulation is what was called "light touch" regulation, this could be a synonym for almost no regulation at all, as it was in the case of the banking industry in Britain.

#### ■ Taxation is too high

Again it is believed that somehow personal and corporate taxation stifles economic creativity and entrepreneurialism. The acceptance of the belief that taxation is akin to robbery has become a key feature of British political debate.

Few politicians are willing to speak publicly in favour of state expenditure and of financing this through increased taxation.

In Britain, both personal taxation of those on high incomes and company taxation could well be described as "optional". The taxation regulations are riddled with "loopholes" many of which have been carefully designed and which successive chancellors frequently threaten to remove. This never happens!

The obsession with low taxation has had a very unfortunate effect on political debate in Britain. Whenever any proposal for a change in policy of any kind is made, the immediate responses is to suggest that this might require increased public expenditure and therefore increased taxation. Policy as a whole is mainly designed to keep public expenditure and taxation down.

The political parties themselves, then begin to engage in auctions about which party will reduce public expenditure most. At one point, the Labour and Conservative parties were competing with one another in public about who would get rid of the most public sector jobs (i.e. civil servants)

#### ■ Austerity

Cuts in public spending and reductions of taxation have been a common response to economic crisis throughout the 20th century.

Key elements of austerity policies have been attempts to keep wages down by

cutting the real wages of state employees and increasing the competition for jobs, perhaps by making it easier for foreign workers to compete in the British labour market.

These policies have frequently been justified by the use of homely analogies relating to the household economy, "living within your means", "balancing the budget".

#### ■ Labour flexibility

This idea was a frequent slogan employed during the era of New Labour perhaps by explicitly cutting them, as occurred in the 1930s, and through policies which restrict wage rises to the level of inflation (thus cutting the spending power of workers)

Labour flexibility seemed to mean removing any constraints on employers to treat their labour force in any way that they wished, hiring and firing at will, removing employment rights of workers, attacking trade unions. The policy involves holding down wages and weakening the ability of the labour force to resist changes unfavourable to it

#### ■ Business efficiency

Policies to boost the efficiency and profitability of business are known technically as a "supply-side" policies. These can be contrasted with policies designed on the lines of the theories of Maynard Keynes where governments attempt to increase employment by raising public spending, perhaps through state investment in industry or tax cuts.

Supply-side policies are basically designed to support the private sector of industry which is held in the neo-liberal view to be invariably more efficient than state provision. Under neo-liberalism, state provision is kept to a minimum.

#### ■ Procurement

State procurement policies generally are used to ensure that the private sector is used to provide goods and services for the state sector, key examples of this occur with IT procurement contracts and with contracts for weapons and military equipment of various kinds. By these means, the overall share of national income going to capital is increased and the strength of the capitalist class is also enhanced.

#### ■ Privatisation

Another key neo-liberal economic policy is to directly shift state provision to the private sector through some form of privatisation either, directly selling shares in state industries, to the public or other businesses, or through some form of encouragement to private providers to take over directly activities previously undertaken by the public sector.

An important example of this employed widely by New Labour was the Private Finance Initiative (PFI) used to finance school and hospital building, another means used has been to require publicly controlled bodies such as local authorities or television companies to put contracts for services out to tender and allowing private sector organisations to bid for the contracts.

## 2. NEW LABOUR'S ADOPTION OF NEO-LIBERALISM

An interesting question concerns the possible reasons why neo-liberalism was so enthusiastically adopted by New Labour. New Labour liked to describe itself as "business friendly".

As part of its appeal to the middle ground, the tendency of the Labour Party during periods of capitalist crisis is to revert to economic orthodoxy as recommended by business and the City. This has been well documented by Ralph Miliband most notably in his book *Parliamentary Socialism*.

An important reason for the adoption of new liberalism by new Labour was that it seemed to offer the opportunity of improving public services without having to spend more money on them by increasing taxation. It could then present itself to the electorate as a party committed to low taxation, and social improvement.

#### Managerialism

A neglected feature of the new labour policy reforms of the 1980s was managerialisation or 'new managerialism' which involved giving an enhanced role to management.

Managerialisation involves a more business-like approach which puts the emphasis on efficiency and measures of performance rather than meeting 'needs'. It began with the recruitment of managers from business to introduce private sector management methods.

Managerialisation has often been accompanied by the rhetoric of 'new wave' management involving 'quality', customer care, 'empowerment', and giving subordinates a sense of 'ownership'.

Managerialisation has involved a reduction of the power of professionals and its replacement with local management based on devolving control of budgets. For New Labour this kind of managerial rhetoric could be made to sound like a modernised version of social democracy, with frequent talk of empowerment, participation and consultation.

1. Consumers individually and collec-



tively are now to determine the pattern of public provision.

2. Increased consumer power is supposed to come from treating users of social services as customers (of a service industry) rather than clients (of professional experts). Provider markets are a means of doing this. In Britain the customers of some social services are now also given more information through hospital and school 'league tables' which rank service providers according to measures of the quality of their output. This is meant to improve the efficiency of consumer choice.

Another reason for the enthusiastic adoption of managerialism in the form of targets, concerned the establishment of inspectorates such as Ofsted. These inspectorates could perform an important ideological role in demonstrating the wasteful and ineffective character of public provision by frequently criticising the institutions through which social policy was being delivered, such as schools and hospitals.

In Britain, neo-liberal ideas have been continually advanced by such bodies as the Institute of Economic Affairs and the Adam Smith Institute, these were particularly influential at the time of the Thatcher government.

In the early-years of New Labour think-tanks such as Demos were a key influence on the policies pursued by the government of Tony Blair (pictured).

This organisation played a role in developing ideas which became very popular amongst key Labour figures including the strange notion of the "weightless economy" in which manufacturing was viewed as a subsidiary or wasteful activity and the growth in the economy was to be driven by "knowledge industries" such as advertising, banking, computer games, and other virtual forms of production.

### Public provision and neo-liberalism

The principles of managerialism have been used to impose on the public sector the necessity to make a "profit". Aping private business has also contributed to the payment of huge salaries and bonuses for those in senior public positions.

Various other features of private business have been eagerly imposed on the public sector such as the use of brand-

ing, marketing, and inflated job titles such as Chief Executives of colleges and universities replacing Principals.

Another way in which the adoption of managerialism has affected society is through the infection of the public sector with a range of business principles.

### International agencies

Global organisations have been playing an increasingly important part in policy over the last few decades. The World Health Organisation (WHO) and bodies like the World Bank and the International Monetary Fund (IMF) have a significant role in policy making:

Many of these bodies have played a key role in spreading neo-liberalism throughout the governments of the major capitalist states. Modern capitalist governments deal with these on an almost daily basis.

1. Their influence may come from control of resources which they can disperse to states for specified purposes.

2. They may also be able to intervene in domestic debates on policy through publication of reports, conferences and other public events.

3. They may be able to influence policy at 'insider' level through direct contact with policy makers such as politicians and senior civil servants.

## 3. CONCLUSIONS

### The coalition and consensus in Britain

The current British government, ostensibly a coalition between the Liberal and Conservative parties, could be described as organised around a programme of maintaining the existing system of class dominance in Britain.

Throughout the 20th century coalition has been a frequent feature of British government. This was the case in both world wars, also for much of the 1930s, and de facto, for much of the 1970s where Labour had an agreement with the Liberal Party.

While the Blair and Brown governments were in power, in effect, we had a coalition between the Labour and Conservative parties.

Whenever support for a crucial vote in parliament was threatened by the prospect of a large scale revolt by Labour MPs, Labour Prime Ministers were happy to rely on Conservative parliamentary votes to ensure that contentious policies prevailed.

This was the case with the policy on academies, trust hospitals, as well as the Iraq war, and its use was threatened if the issue of the replacement for Trident came up for a vote.

In Britain also personal and public expenditure has been expanded through the device of increased state and personal debt.

The depiction of taxation as robbery, and of public expenditure as being invariably wasteful, inefficient and unnecessary are central propositions of the neo-liberal ideology now common to all major parties in Britain, and to the international institutions promoting austerity measures and deficit cutting.

Neo-liberalism has become the dominant ideology of our era. It fits very clearly with Marxist analyses of the nature of a bourgeois or capitalist ideology. Marx wrote that "the ruling ideas of every age are the ideas of the ruling class" it can easily be seen how neo-liberalism fits this description.

In class terms the main beneficiaries of neo-liberal policies were the capitalist class and its lieutenants.

So far as the distribution of income is concerned, neo-liberalism can be viewed as a very effective means of making the rich richer and the poor poorer both through the changes it brings about in the operation of the economy and through the changes made in state welfare provision.

One of the central contradictions of capitalism has always been the insistence on widespread and avoidable poverty at the same time as some people live in extreme luxury.

The growing gap between the rich and the poor has formed the subject of considerable controversy and some protest in Britain and other countries which have gone down the same road, in recent years.

An interesting recent political development has been the attention devoted by some protesters to individual and corporate tax avoidance.

The lack of purchasing power amongst the working class creates the ever-present danger of economic crisis in the form of what used to be called crises of over production, which have sometimes been termed. crises of realisation in which insufficient goods and services are able to be sold to maintain an adequate level of profit.

The class that gains most from the organisation of the state in line with neo-liberal principles is the class that lives on profit.

This is very much in line with the Marxist principle that the state is "a Committee for managing the collective interests of the capitalist" class. in addition, since "all history is the history of class struggle" opposition to neo-liberalism and its effects forms an important element in modern class politics.



# Demolition will only exacerbate shortage

The Heygate housing estate in the south London borough of Southwark is standing empty but for two leaseholders. It is awaiting demolition.

By **PAT TURNBULL**

The Heygate was built in 1974. Tall concrete blocks joined by concrete bridges surrounded central communal gardens.

More than 3,000 people lived in its 1,200 homes. Architect Tim Tinker says, 'The idea in those days was that local authority housing should be for all.'

Stephen Moss, in the *Guardian* on 4 March 2011, wrote, 'The flats he designed were light and airy, and the now despised walkways were created to keep people away from cars.'

Wikipedia writes, 'The estate was once a popular place to live.'

The Heygate was a victim of cutbacks in housing budgets by successive governments, backed up by an attack on the 'brutalist' style of architecture, very con-

venient for politicians who wanted to cut back on public provision of housing.

By the 2000s the Heygate had fallen into severe disrepair, though architects say it is structurally sound and could be refurbished.

Instead, the council tenants have been moved out and housed elsewhere. Eviction proceedings under the Landlord and Tenant Act were taken out against any resisters.

The remaining leaseholders are holding out because they say they have been offered about half the average property price in Southwark, which means they will be forced to move elsewhere.

The plan is to build 2,500 new homes for sale. In October 2012, Simon Hughes MP, called for the Heygate planning application to be withdrawn

because it proposed just eight social rented homes (i.e. homes at council/housing association level rents).

In 2004 a brochure circulated to tenants and leaseholders proposed a total of 50% affordable housing. A statement from Heygate Leaseholders Group says, 'The 1,200 homes here on the Heygate were truly affordable to local people. The 2,500 luxury new homes set to replace them will cost upwards of £500,000 to buy, and if there are any new 'affordable' homes provided then the most affordable of these will likely cost around £275 per week to rent.'

The statement sees the fate of the Heygate as part of "state-sponsored segregation: the large-scale displacement of those on lower incomes by high earners and overseas buy-to-let investors." It adds, "A long-standing community has been destroyed."

The development is being run by Southwark Council in partnership with property developer Land Lease. It is the first phase of the £1.5 billion Elephant and Castle regeneration scheme, the biggest in Western Europe.

The demolition of the Heygate will only exacerbate the housing shortage in Southwark.

Woodberry Down estate in Hackney, north London, is another 'regeneration' project.

In one corner stand a tall block of flats and other glossy new luxury homes for sale, in a prime position overlooking a picturesque reservoir. A pleasant fountain plays in the forecourt. Three-bedroom flats cost around the £600,000 mark. Berkeley Group is the developer of what it calls Woodberry Park.

Berkeley Group, a London based housebuilder founded by Tony Pidgley, is to pay a dividend for the first time since 2008 after a rise in profits. The dividend of 15p per share will be paid in April 2013. As a shareholder, Tony Pidgley will receive around £1m from the dividend.

Berkeley has spent £500m in the past four years on buying sites. In the six months to October 31 2012, Berkeley's revenues increased 69% to £686m and pre-tax profits rose 41% to £107.5m.







# Olympics' legacy not all fun and games

**Tony Minichiello coaches Jessica Ennis, heptathlon gold medallist at the 2014 London Olympics. He has called a proposal to demolish the Don Valley Stadium (pictured above) in Sheffield an “incredible blow.”**

**By PAT TURNBULL**

At a budget meeting in March Sheffield City Council will consider a cost-cutting proposal to demolish the 25,000 seat stadium.

A council spokesman said, “These are extraordinarily difficult times and we have said that we will have to look at tough budget options because of the devastating Government cuts to public spending and local government.”

Tony Minichiello said, “The saddest thing about this is what it says about Olympic legacy. Don Valley was where it all began for Jessica and demolishing

it means kids in Sheffield will not have the opportunity that Jessica has had.”

Paralympian Martine Wright, who lost both legs in the London bombings of 2005, has criticized UK Sport’s decision to cut all funding for sitting volleyball.

She said, “We feel sitting volleyball offers an outlet not only for recreation and sporting talent, but also a rehabilitation vehicle for injured personnel. As a new team, we performed to our expectations in London and were looking forward to continuing to make progress.”

Martine Wright won the Helen Rollason Award for outstanding achievement in the face of adversity at the 2012 BBC Sports Personality of the Year awards.

Three companies involved in illegally re-selling tickets to the Olympics have been fined a total of £70,000 at Westminster Magistrates’ Court.

Sportsworld, an authorised ticket reseller for the London Olympic Games organisers, sold on 74 tickets worth £420,000 to its sister company Events International (EI).

EI then sold many of the tickets at much higher prices to a company called Imperial Corporate Events, which packaged them with accommodation and raised the price again.

What started as a £1,600 ticket for the 100 metres final (won by Usain Bolt) ended up costing one customer £10,000.

# Debate on Soviet economic planning

**GREG KASER** reviews two recent re-assessments of the Soviet economic model.

■ **Francis Spufford, 2010, *Red Plenty: Inside the Fifties' Soviet Dream*, Faber & Faber.**

■ **Vincent Barnett & Joachim Zweynert (editors), 2008, *Economics in Russia: Studies in Intellectual History*, Ashgate.**

"Once upon a time", Francis Spufford begins his fictionalised history, "the story of red plenty had been serious." For a while it looked as though socialism would "beat capitalism on its own terms and make Soviet citizens the richest people in the world."

While Spufford thinks the attempt failed, unlike most Western analysts – who take it for granted that a market economy performs better than a planned or state-controlled economy – he explores the cultural dimension, rather than the purely economic.

The academic collection, edited by Vincent Barnett and Joachim Zweynert, also looks at the intellectual context. And although *The Socialist Correspondent's* readers may find the constant contrasting of "conservatives", that is, socialists, and "reformers" irritating, at least the books, in their different ways, take the trouble to examine properly the thoughts and theories of those actually building a socialist society.

'Red Plenty' is a "story based on true events". It features a grumpy old professor of cybernetics (Leonid) who battles bureaucratic indifference; Emil, his brilliant student; a feisty and idealistic single mum (Zoya) and her younger lover (Valentin); and various other inhabitants of Academyville, Siberia.

They spend many hours, in between skinny dips in the lake, debating cybernetics, socialism and their hopes in apartment kitchens and around camp fires in the woods.

Walk-on characters include a coarse and bullying First Secretary (Kruschev pictured) – the chap who banged his shoe at the UN General Assembly, remember? – and a shifty pair of Academicians, one a "reformist" and the other from the "old school" of political economy. Predictably it all ends in disap-

pointment as tanks roll into Prague.

For all that, the novel is full of fascinating details and references, with 70 pages of notes and bibliography, along with short historical introductions to each section.

Of course anyone who spent any length of time in the Soviet Union will read the descriptions with a wry smile, since Spufford quite clearly gained his impressions after the fact.

Even so, the book tries to capture the optimism of the times and fleshes out many of the figures that we also meet in the academic volume.

The latter's central chapters are devoted to socialist economists including Chayanov, Kantorovich and Varga. Of particular interest (to me) is a chapter by my dad, Michael Kaser, on the debate surrounding the revision of a key textbook, *The Manual of Political Economy*, which took place in the 1940s and 1950s.

## **The character of a socialist political economy**

According to the 1928, and first edition, of the *Manual*, prepared under the direction of Evgeny Preobrazhensky,



exchange value cannot exist under a socialist system as there is no buying and selling.

In practice markets existed, including local markets and the black market where people could sell home-grown produce or misappropriated goods. Every town had an official municipal market for fresh produce and other household items.

The expectations prevalent in the early phases of the Russian revolution that exchange value would not play a role under socialism required revision in the light of experience.

The practical issue to be decided in a socialist economy is whether the economic plan should maximise use value (in other words, satisfy consumer demand) or labour value (and reward producers, that is, the workers and farmers); or to achieve specific national goals (house construction, reforestation or space exploration, for example).

In a capitalist system, profits are maximised, which are derived, firstly, from the exploitation of workers, whose wages fall short of the full labour value, and, secondly, realised through sales (exchange value).

Soviet economists were divided on the question. Some favoured satisfying consumption; others thought national projects should be prioritised. Clearly there is no right answer and logically one cannot maximise more than one type of value: there has to be a trade-off between objectives. But how does one know where to strike the balance?

The debate over the ultimate aim of socialist construction generated a subsidiary argument over the role of markets. The phrase 'the law of value' could be interpreted as implying that in any economic system, socialist or not, there had to be equality between the value of goods and services produced, the labour embodied, and the value of consumption.<sup>(1)</sup>

In a market economy the balance is achieved through the price mechanism. Under socialism, the economic mechanism to balance the economy was the allocation, or rationing, system. Early planning sought to achieve balance



using physical metrics (in tons, number of units, metres, etc.).

But this only provided an approximate picture. Any discrepancies in the planned allocation of inputs to each stage of production had a knock-on effect along the chain and onto final output. Misallocation meant stockpiles in one place and shortages in another and unfulfilled targets generally.

As the Soviet economy grew rapidly in the 1930s it became obvious that physical balances could not be calculated accurately. Moreover people could not always find what they needed in the shops and might be forced to pilfer from their workplace to obtain goods, like building materials, in short supply.

The alternative to physical metrics was monetary accounting. But once you use money as a measure of production and consumption you require information on prices. Since prices had been controlled since 1921 they often did not reflect the costs of production.

Planners were caught in a bind. Formulae were proposed to calculate guide prices on the basis of wages, purchases of materials and an allowance for the depreciation of fixed assets (machinery and buildings), but the computational problem remained: how to add up and, through iteration, ensure that production and consumption balanced at every moment everywhere?

### The national economic discussion

By the close of the '1930s it was clear that the first two Five-year Plans had generated their own problems.

The new textbook needed to take in lessons learnt and Stalin (pictured) requested relevant committees, the academy of sciences and industrial institutes to prepare a revised version of the Manual of Political Economy. The exercise was led by Nikolai Voznesensky, who took charge of GosPlan at the end of 1938.

Michael Kaser writes: "The appointment of Lev Leontiev, Konstantin Ostrovityanov and Evgeny Varga as corresponding members of the USSR Academy of Sciences in 1939, may be seen as preliminary to ending the dogmatic prohibition [on the application of so-called 'bourgeois' economics], which was announced in an anonymous article of 1943, stating that the 'law of value' was authorised for consideration within the context of socialist economics. That article, published in the theoretical organ of the Soviet Communist Party (Under the Banner of Leninism), started with a critique of the contemporary state of Soviet economic policy."

Voznesensky and Leontiev presented

Planners were caught in a bind. Formulae were proposed to calculate guide prices on the basis of wages, purchases of materials and an allowance for the depreciation of fixed assets (machinery and buildings), but the computational problem remained: how to add up and, through iteration, ensure that production and consumption balanced at every moment everywhere?

a draft of the new Manual to Stalin in 1942, which envisaged two objective economic laws at work in a socialist political economy: the law of value regulating exchange and the law of planned and proportionate development that limited overall production to actual productivity (and thus to the mix of man and machine in the economy that is associated with available technologies).<sup>(2)</sup>

Leontiev promoted payment by results as an objective necessity under socialism. A number of practical steps were also taken. Accurate statistics began to be collected once more and used in planning; closer relations were established between industry and scientific institutes; and the Third Five-year Plan (1938-41) was formulated within the framework of a 15-year GenPlan "in order to link objectives to existing potential."

The Second World War interrupted the *Manual's* publication but in 1950 a major conference was convened to re-examine the issues. As Stalin was to write in his paper on Economic Problems of Socialism in the USSR (1952), a key



question concerned the operation of the law of value. He argued that commodity production had not ceased in the Soviet Union but that this need not lead to the re-establishment of capitalism.

"Commodity production leads to capitalism only if there is private ownership of the means of production; if labour power appears on the market as a commodity which can be bought by the capitalist and exploited in the process of production; and if, consequently, the system of exploitation of wage workers exists across the country."

He saw two basic systems of production in operation: the state enterprises and the collective farms, with the latter engaging in market exchange with the towns and state enterprises.

There was also trade with foreign countries. Stalin went on to say that the law of value regulated production in the cooperative sphere and "influenced" socialist production. "Our enterprises cannot, and must not, function without taking the law of value into account ... since it trains our business executives to conduct production on rational lines and disciplines them."

The trouble was that the law of value was not being applied consistently and this led to problems in fixing prices (the monetary expressions of value).

In the pamphlet, Stalin accepted explicitly some of the key points being made by Voznesensky but disputed others. According to his obituary of 1963, Voznesensky had written that "socialist planning required knowledge of the economic laws of production and distribution in order to obtain a proportionate development of the economy. ... [Moreover,] scientific socialism cannot deny the role of the law of value [in] fixing retail prices or the evaluation of losses and profits in a socialist economy."

Other economists, such as Stanislav Strumlin, advocated the use of a discount rate to calculate the economic value of capital (labour embodied in machinery and structures) and proposed that the fundamental objective of production was consumption.

The measures implied cutting back support to heavy industry and raising real wages, which had fallen in terms of their purchasing power. A new set of planning prices was calculated for the draft 1951-55 Plan. The push towards using values (and prices) in planning caused Stalin concerns nonetheless.

As the Cold War heightened international tension, the abandonment of the physical balance method appeared an unwise experiment in the context of the need to re-arm and the threatened economic blockade by NATO.

Thus Stalin proposed that a basic law of socialism be recognised: “the securing of the maximum satisfaction of the constantly rising material and cultural requirements of the whole of society through the continuous expansion and perfection of socialist production on the basis of higher techniques.”

This meant that national development requirements pre-empted other considerations and the law of balanced and proportionate development had to yield to the ‘basic law’ and was thus not fully an objective characteristic of a socialist system.

It was a half-turn back to the politics of the 1930s, when the Party announced that the Bolsheviks “could storm any fortress.” Voznesensky found himself caught up in the so-called Leningrad case involving the alleged embezzlement of state funds for the Leningrad Trade Fair of 1949 and was executed in 1950.

Thereafter the economic discussion stalled and the draft Manual never saw the light of day. Profit and loss accounting at enterprises was not introduced until 1965 under Alexei Kosygin, who had worked closely with Voznesensky, and the realignment of wholesale prices was postponed until 1967.

### Kantorovich and optimisation

It is at this point that Francis Spufford picks up the story. The hero of ‘Red Plenty’ is Leonid Kantorovich, who provided the mathematics to solve the problem of how to maximise one objective without losing sight of the constraints or other objectives.

Working at a veneer factory in 1938 he developed a mathematical method that “would make a measurable percentage saving on the raw materials they needed to make a given amount of product.”

Spufford imagines the moment of inspiration: “He had thought about ways to distinguish between better answers and worse answers to questions which had no right answer. He had seen a method which could do what the detective work of conventional algebra could not. ... The method depended on measuring each machine’s output of one plywood in terms of all the other plywoods it could have made. ... Clearly, the world had got by quite well until now without his idea. The people arranging the flow of work to factories had been able to do so with a fair degree of efficiency by using rules of thumb and educated intuition, or else the modern age would not be as industrialised as it was. But a fair degree of efficiency was very far removed from the maximum degree of efficiency. If he was right – and he was sure he was, in essentials – then anyone applying the new method to any production situation in the huge fam-

ily of situations resembling the one at the Plywood Trust should be able to count on a measurable percentage improvement in the quantity of product they got from a given amount of raw material. ... [And] if you maximise, minimise, optimise the collection of machines at the Plywood Trust, why couldn’t you optimise a collection of factories, treating each of them as an equation? You could tune a factory, then tune a group of factories, till they hummed ... and that meant that you could surely apply the method to the entire Soviet economy.

He could see that this would not be possible under capitalism, where all factories had separate owners, locked in wasteful competition with one another. There, nobody was in a position to think systematically. The capitalists would not be willing to share information about their operations; what would be in it for them? That was why capitalism was blind, why it groped and blundered. It was like an organism without a brain. But here it was possible to plan for the whole system at once. The economy was a clean sheet of paper on which reason was writing. So why not optimise it? All he would have to do was to persuade the appropriate authorities to listen.”

That, however, proved more difficult than it appeared. Kantorovich’s paper on the subject circulated unpublished from 1942 onwards but was eventually taken up by Soviet industry with gusto. He finally published a book in 1959, with an English version in 1962.

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His method became known as linear programming or optimisation. It revolutionised the logistics of the US Army as well as economics. In 1975 Kantorovich was awarded the Nobel Prize in Economics, an honour he shared with Tjalling Koopmans, for “their contribution to the theory of optimal allocation of resources.” He had already won a Stalin Prize in 1949 and a Lenin Prize in 1965.

I remember my own mounting excitement in reading an exposition by Koopmans as a student in Cambridge’s Marshall Economics Library.<sup>(3)</sup>

Linear programming was a powerful tool that could be applied in operations research to analyse the flow of work through a factory, the flow of coal from mines to power plants on the railway system, or an economy as a whole.

The economy could be modelled and its optimal balance between production and consumption, savings and investment, imports and exports, etc., calculated. The prices of all goods could also be derived in terms of a common input (like labour, which is present in all commodities).

Alternatively, one could use the utility (or use value) of commodities as the common denominator and express prices in money terms. All that was needed were the computers with a capacity to handle the numerous equations.

In the 1970s, Cambridge, Milan and Rome were centres for a research programme that sought to re-anchor economic analysis in terms of values using this advance in mathematics. It sought to address the nature of capital itself as embodied activity.

But the findings were, I think, misinterpreted by more traditional Marxists and neo-liberals alike, and – described as ‘neo-Ricardian economics’ – were discarded. (David Ricardo developed the labour theory of value in the 19th century).

So it is ironic, but not particularly surprising, to find Marx also dismissed as “a very minor post-Ricardian” in the Barnett-Zweynert volume, who is now “very much a dead dog” as far as contemporary economics is concerned.

### Goods, goods, goods

An early scene in ‘Red Plenty’ describes reactions to the American Way of Life exhibition in Sokolniki Park, Moscow, in 1959. The pavilions displayed convenience foods, colour TVs, plastic kitchen utensils, man-made fibres, supermarkets, suburbia and, of course, the big car that even an average earner could afford to buy.

Khrushchev set about trying to beat



the Americans at their own game. With sufficient computing power all manner of goods could be envisaged, in the right quantities and available at affordable prices.

Spufford comments: “after the Second World War, when the numbers coming out of the Soviet Union started to become more and more worryingly radiant, it became a major preoccupation of the newly formed CIA to try to ... [lower] the glowing stats from Moscow ... yet they were still worrying enough to cause heart-searching among Western governments.”

“Comrades, let’s Optimise!” became the slogan as “new cybernetics institutes and departments sprung up right across the Soviet Union. ... Mathematical models were being built for supply, demand, production, transportation, factory location, short-term planning, long-term planning, sectoral and regional and national and international planning. Automated control systems for factories had been commissioned. A group of Red Army cyberneticians were proposing an All-Union data network that could be used by civilians and the military alike. ... The premise of the whole intellectual effort was the practical improvement, very soon, of the Soviet economy; of all its ten thousand enterprises, and of the systems that integrated and co-ordinated them.”

But although the Soviet economy kept on growing, the rate at which it expanded began to slacken. As Spufford recounts the story, all that was missing was rational pricing.

In the book, Emil – based upon the real life Abel Aganbegyan – has a meeting with Kosygin, at that time (1965) Chairman of GosPlan, to try to convince him that the Akademgorodok researchers had the software to calculate a set of optimal prices for all goods.

But Kosygin rejected the idea that the planners should determine prices using, in effect, a virtual market in cyberspace. Prices were politically sensitive. “Sorry, no,” says the fictional Kosygin, “we’ll just have to muddle along with the prices we’ve got.”

We’re not going to tear up a working system for the sake of some little theoretical gain in efficiency.” To which Emil retorts: “the wrong prices will ruin everything!”

“Oh, Professor,” Kosygin replies, “You have no idea what the wrong price can do.”

### The case for planning

There is a case for markets as well as planning on the socialist path of development. One of the problems in the USSR was the relative lack of choice for

The Soviet economic model provided everyone with not just the basics but a decent standard of living. When other countries suffered from a poor grain harvest, they were forced to pay higher prices for bread, but the Soviet people were protected from price inflation.

consumers and the imperfect means for signalling consumer preferences to producers.

The Soviet economic model provided everyone with not just the basics but a decent standard of living. When other countries suffered from a poor grain harvest, they were forced to pay higher prices for bread, but the Soviet people were protected from price inflation.

On the other hand, all bakers used the same set of recipes, so while there was a choice of bread types, it was limited and innovation was stifled. As soon as small businesses were permitted, hundreds of new bakeries sprang up across the country offering a far wider range in terms of types, quality and price.

There was widespread recognition that the production system needed reform to better meet consumer demand. But the ‘free market’ was seen by socialists and liberals alike as incompatible with planning.

In this regard, Spufford stays close to the mainstream narrative in which socialism and planning ‘failed’. Whether this was down to Kosygin and GosPlan ignoring the potential of Kantorovich’s model may be part of the story but it looks like a fairy tale within his larger fairy tale of how the Russian people were deceived and left disappointed.

A lot of planning is undertaken within capitalist economies and there were (and are) markets within socialist countries. How these mesh together has not been much investigated.



The push to establish a ‘market economy’ in place of the ‘planned economy’ under Gorbachev (pictured below) drowned out serious consideration of what form of value a socialist society should seek to optimize and how to structure the appropriate institutions to enable the USSR to develop as a prosperous nation along socialist lines.

There was never a blueprint to follow, of course. As the pioneer, the USSR had to make it up as it went along. In Spufford’s view, while “the Kosygin reforms of 1965 put a lot more money in factory managers’ pockets ... the control system for industry grew more and more erratic; the information flowing back to the planners grew more and more corrupt.”

Consumer demand was not being satisfied by either the plan or the market in practice and it constrained overall growth.

Thus the Soviet economy began to fall behind the USA not only in being unable to offer consumers more goods and choices but also in terms of defence, science and technology.

The system of production is a cycle from the mobilisation of resources to the supply of goods and services and the satisfaction of demand.

The cycle depends on information feedback to adjust the proportions of what is made. If plans and markets interfere with each other, instead of being complementary, then things get messy.

To conclude, therefore, (and the planning system was to blame (that the market was the solution) is to miss the complexity involved in the stalling of the USSR’s development.

### FOOTNOTES

1. The law of value is defined as the exchange of commodities on the basis of the average socially necessary labour embodied within them; see John Eaton, 1947, *Political Economy: A Marxist Textbook*, London: Lawrence & Wishart: p 180.

2. A textbook issued by Progress Publishers states: “Planning makes it possible to establish economic proportions which help to raise the efficiency of social production and to maximise the economies of labour-time on the scale of society as a whole”; Sergei Ilyin and Alexander Motylev, 1986, *What is Political Economy? ABC of Social and Political Knowledge*, Moscow: Progress Publishers: p. 303.

3. Tjalling Koopmans, 1957, *Three Essays on the State of Economic Science*, New York: McGraw-Hill.

# West's real war aims in Afghanistan

While NATO continues to pay its bloody tribute to the alliance spearheaded by the USA in Afghanistan, the question seems justified: why particularly Afghanistan?

**By Dr. VERA BUTLER**

Translated from the German Journal *RotFuchs*.

What kind of interests are the NATO troops on the Hindu Kush defending? Neither the Taliban nor its lucrative opium trade has been eliminated. Indeed, President Obama was forced to admit that the Taliban has remained "a robust opponent."

What real aims are being pursued in Afghanistan? Above all else it is about enormous oil reserves which lie about 600 miles north-west of Afghanistan. They are the point at issue.

Well-informed Afghans make a credible case for it being Pakistan which, with American agreement, created the Taliban, in particular to protect a planned pipeline. More than that: the Asian Development Bank was expected to finance the construction with two billion US dollars.

However, the US strategy of overtaking Russia and China in the competition for the Central Asian oil and gas resources proved to be a failure.

The oil interests of the USA require a massive diplomatic presence in the region of the Caspian Sea.

Robert Finn, who later became Washington's ambassador in Afghanistan, is an expert in Caspian oil. In 1992 he inaugurated the US embassy in Baku and effected the signing of the 'Century Treaty' between Azerbaijan and western oil concerns.

The US administration also strongly promoted the planned construction of an oil pipeline from Baku to Ceyhan which would run through Azerbaijan – in fact through the northerly Armenian enclave of Nagorno-Karabakh – to the Georgian Black Sea port of Batumi and then through the restless region of Turkish Kurdistan to Ankara's deep sea Mediterranean port of Ceyhan.

A different plan, pursued by the Argentinean oil and gas concern Bidas

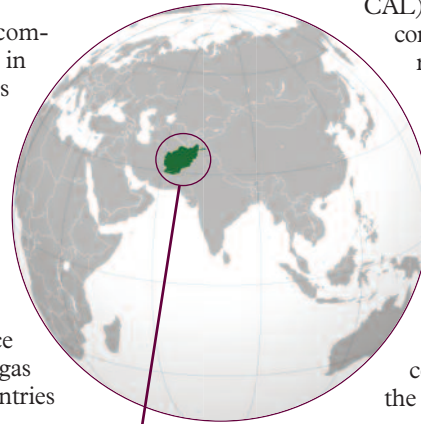
– the third largest company in this field in Latin America – was the construction of a pipeline from Turkmenistan through Afghanistan to Pakistan's harbour of Gwadar on the Arabian Sea.

This project was more promising since it concerned oil and gas provision to the countries

of Asia. However, the costs of the 918 mile long natural gas route, estimated at two billion dollars, and the four billion dollars for the 1005 mile long oil pipeline were far beyond the capabilities of Bidas.

A consortium with the Union Oil Company of California (UNOCAL) was set up. This super concern is particularly notorious for its disregard for ecological and human conditions. In 1997 UNOCAL merged with AMOCO. This company united in the following year with British Petroleum (BP).

But the situation in Afghanistan had become so much worse that the intended Afghan transit





route was seen as too risky. The problem was a constant civil war which was conducted in the nineties and the lack of a strong, internationally recognised government in Kabul.

To bring the situation under control, the US government sponsored and supported, in alliance with Pakistan, the Taliban, whose name translated means 'Students of Islam'.

They did this, in disregard of the latter's terrorist acts, on condition that the Taliban was ready to provide security for the building of the pipeline which would bring the oil and gas from Central Asia to the previously mentioned port of Gwadar.

On 29 May 2002 Presidents Pervez Musharraf (Pakistan), Saparmurat Niyazov (Turkmenistan) and Hamid Karzai (Afghanistan) met in the Pakistan capital of Islamabad to sign an agreement which provided for the construction of a 3.2 billion dollar gas pipeline from Turkmenistan to Pakistan's port of Gwadar.

The yearly capacity was to reach a downright astronomical amount. The planned 900 mile route went through Afghanistan's Herat-Kandahar corridor which was under the control of the Taliban until they were driven out.

However, Kazakhstan continued to have its oil flow from Kashagan and Pengiz to the Russian Black Sea port of Novorossisk. From there it went by tanker to the Bulgarian harbour of Burgas. Russia, Greece and Bulgaria signed an agreement on the construction of the Burgas-Alexandroupolis pipeline.

In this way the oil would travel the relatively short stretch of Bulgarian and Greek territory to the Aegean Sea – within reach of the ports of Turkey and of the western Mediterranean, namely of Italy, France and Spain.

In 2003 China's National Oil Company (CNPC) acquired for 625 million US dollars a ten per cent share in the oil fields of Kashagan so that black gold could flow into the far eastern People's Republic.

On 12 May 2007 Russian President Putin and his Kazakh and Turkmenian partners signed an agreement on the canalisation of energy transports from Kazakhstan and Turkmenistan over Russian territory.

The strategy of the USA and the EU to shut out the Russian influence on energy supply collapsed like a house of cards.

Another notable pipeline junction came into being in the region of the eastern Mediterranean. In mid-2005 Egypt and Israel signed an agreement to the tune of 2.5 billion dollars, which planned the 15 year provision of natural gas by

means of an undersea pipeline to the Israeli harbour of Ashkelon.

A branch of the Egyptian pipeline was to lead to Lebanon, with sections to Jordan and Syria. Turkey made an alternative proposal, to overcome the country's previous dependence on Russia and Iran.

For energy corridors in the eastern Mediterranean region, crossing the territory of Syria is unavoidable. Moscow and Damascus agreed a gas treaty for deliveries in a volume worth 160 million Euros.

The Russians were participants in a number of energy projects in Syria. One of them concerned the construction of the Syrian segment of the Egypt-Jordan-Syria pipeline, another united the Syria Gas Company (SGC) and Russia's

Afghanistan is of strategic interest for the 'West', especially as her natural riches present the prospect of immeasurable profits.

Stroytransgaz – a daughter of Gazprom – in the development of Syrian projects for the use of gas reserves which had been discovered in the region of Homs.

It is revealing that precisely this region has become a centre of the revolt against the Assad government. What a surprise!

The marine base of the Russians in Syria was established to protect these interests of the Arab country. Israeli fighters flying over Syrian territory, and troop manoeuvres on the Golan Heights, torn from Syria by Tel Aviv since 1967, make such protection indispensable.

As ever this step unleashed the demonisation of Russia, Syria, Iran and China, which was designated by the Washington Times as 'the new axis of evil'.

In 2001 General Wesley Clark, the former NATO Commander-in-Chief in Europe, declared bluntly in an interview that 'the USA had planned to attack Iraq, Syria, Lebanon, Sudan, Libya, Somalia and Iran as part of a multi-faceted military undertaking. The operation was to begin in Afghanistan, continue in Iraq and end in Iran.' This was according to the British newspaper 'The Guardian' on 23 October 2001.

All this is still not a complete answer to our initial question: why Afghanistan in particular?

A geological survey conducted by the USA led to the discovery that in the Afghan province of Helmand large amounts of the rare earths lanthanum,

cerium and neodymium are to be found, in the crater of the extinct Kanneshin volcano.

It is believed that this is one of the richest deposits in the world. Currently China controls the working of 97% of the world's sources of such minerals and metals. Rare earths are of vital importance for the electronic and other modern industries.

Neodymium, whose price in US dollars is 470 per kilo, is essential for the production of powerful magnets, as required, for example, in electric cars.

Cerium is important for the production of flat screens for televisions. The discovery unleashed great interest in mining concerns and governments. Together with other deposits of valuable raw materials, the key to Afghanistan's economic development must lie there, declares the western media.

"The US Geological Service (USGS) has a long history in Afghanistan," declared its director, Marcia McNutt. "We hope that our irrefutable analysis of the site, of the opportunities for mining and of the flow of these minerals will help the Afghans to grasp the true extent of their riches." (And doubtless these will also be very welcome to the Yankees!).

The scientists of the USGS had to conduct their search for raw materials under extreme conditions as the area of Khanneshin is the stronghold of the Taliban. They reached the volcano by helicopter and were guarded by US marines as they undertook their tests.

The USGS team recorded 1.3 billion tons of Khanneshin rock on its charts and estimates that they will contain enough rare earths to meet the needs of the present world for a decade.

The total value is estimated at 7.9 billion dollars. This takes into account only certain particularly valuable minerals. If others are present, this could produce a further value of up to 83.3 billion dollars.

Apart from that, the investigation has up to now only covered the top 110 meters of rock. The strata could be substantially thicker.

The USGS has also located massive deposits of gold, silver, copper, lead, zinc and iron in different parts of Afghanistan. Perhaps the great iron ore deposits in Hajigak, about 140 kilometres from Kabul, are in fact the most valuable. Here it is a question of the 'trifle' of 664 billion dollars. Twenty concerns have already signalled their offers for the acquisition of these deposits.

So Afghanistan is of strategic interest for the 'West', especially as her natural riches present the prospect of immeasurable profits.

# Oscar's synthesis of beauty and ideology

On December 5th 2012, in his 104th year, the great Brazilian architect and communist Oscar Niemeyer died.

By **JAMES TAIT**

Working up until his death, Niemeyer left a legacy of incredible structures all imbued with a deep sense of humanity fostered by a lifelong membership of the Brazilian Communist Party.

Perhaps the greatest summation of the eternal youthfulness, work and ideals of Niemeyer can be heard from his old friend Fidel Castro at the opening of Niemeyer's Museum of Contemporary Art in Rio in 1999, "Dear Friends, it has

been years since I last saw Niemeyer, but what surprises me is that he looks younger now than he did then! ... We remember Michealangelo and the great painters of all time, and so we will remember Niemeyer, with the greatest admiration, for his works and for his noble ideas."

Born Oscar Ribeiro de Almeida Niemeyer Soares Filho in Rio in 1907 into a wealthy family of publishers, the

young Oscar had little interest in education, regularly skipping school to play football with his fellow Cariocas.

However, after acquiring a passion for drawing and sketching, Niemeyer soon developed an interest in architecture. He graduated in 1934 from the Escola Nacional de Belas Artes in Rio, before joining the office of the esteemed Brazilian modernist Lucio Costa.

Here, Niemeyer worked on a number of high profile buildings allowing him to gain the necessary skills and knowledge to open his own practice in 1941.

Niemeyer's reputation and repertoire flourished from this point onwards as he

Niemeyer at his **Palacio do Alvorado, Brasilia 1958**; and below in his 90s.







**The Cathedral of Brasília, completed in 1970. Composed of hyperboloid concrete fins and stained glass, perhaps the most famous of Niemeyer's many religious buildings despite him being an atheist.**

designed a range of cultural, residential and religious buildings both in Brazil and internationally.

In 1956, Niemeyer received probably his most important commission: to design the new capital of Brazil, the city of Brasília and he chose as his collaborator, his old mentor Lucio Costa.

Costa was engaged to design the layout and overall plan of the city, while Niemeyer designed Brasília's buildings.

Among these were the residence of the President (Palácio da Alvorada), the National Congress of Brazil, the Cathedral of Brasília (above), and the city's residential buildings.

These structures exhibited both Niemeyer's audacious vision for this futuristic new world and his immense skill in manipulating concrete with all the dexterity and flair of a master sculptor.

The design of Brasília also had strong socialist principles at its core - all the apartments would be owned by the government and rented to its employees. Brasília did not have "nobler" regions, meaning that top ministers and common labourers would share the same building.

It would be this combination of beauty and ideology that would define Niemeyer's architectural career.

Throughout his career spanning over seven decades, Niemeyer would win a number of prestigious architectural awards including the Pritzker Prize (Founded by the Pritzkers, one of the USA's richest families) in 1988 and the Royal Gold Medal for Architecture from the Royal Institute of British Architects in 1998.

It is testament to Niemeyer's extraordinary talent that he did so while being an openly passionate and dedicated communist.

Following a right wing military coup in 1964, Niemeyer was forced to flee Brazil and relocated to Paris. He did not return to his native country until 1985 when the military dictatorship's rule ended. Niemeyer's dedication to the cause of socialism also did not go unnoticed.

Awarded the USSR's Lenin Peace Prize in 1963, whose recipients include Nelson Mandela, Fidel Castro and Pablo Picasso, Niemeyer was also president of the Brazilian Communist Party from 1992 to 1996.

However, Niemeyer's communist affiliations were not simply political, they pervaded his life's work. His was an architecture rooted in a deep desire to im-

prove lives through the spaces and structures he created.

Speaking of his approach, "I create my architecture with courage and idealism, but also with an awareness of the fact that what is important is life, friends and attempting to make this unjust world a better place in which to live."

Much to the chagrin of many of his critics however, the structures created by Niemeyer were not the typically rectilinear, dull concrete 'commie blocks' the bourgeois architecture press convinced (and still do) their readers that 'communist' or 'leftist' architecture was characterised by. Oscar's architecture soared.

Niemeyer exploited the properties of concrete like no other before or since, in a way which allowed his structures to appear almost weightless and ethereal.

From the hyperbolic crown of Brasília's Cathedral (above) to the teetering off the edge of a cliff Niteroi Contemporary Art Museum (page 25) almost 40 years later, a common ambition to almost eliminate visible supporting structure is starkly evident.

This ambition to create seemingly implausible physical forms and internal spaces has facilitated a lifetime of buildings both futuristic yet timeless;





Interior of the Parti Communiste Français headquarters, Paris.

numinous yet irreverent.

Niemeyer also introduced an almost primitive sensuality rarely seen in mid century modernist architecture.

Curves dominated his work, facilitated both by his fertile imagination and the plasticity afforded by his material of choice - concrete. His love of the curve stemmed from both the mind and the heart, at once citing inspiration from the 'curved universe of Einstein' and the 'the curves in the body of the woman we love.'

In a manipulation of the popular Modernist maxim that 'form follows function', coined by American architect Louis Sullivan, Niemeyer instead believed that 'form follows beauty' - a typically romantic Latin American perspective on the puritanical ethos of much of his contemporaries.

Niemeyer's maverick approach to the tenets of Modernist architecture inspired many to follow in his footsteps.

British architect Norman Foster, of London Gherkin fame, used to pore over Niemeyer's drawings for inspiration as a student in the 1960s. Speaking of Niemeyer, Foster said, "Few architects in recent history have been able to summon such a vibrant vocabulary and structure it into such a brilliantly communicative and seductive tectonic language."

One such building which epitomises

the typical Niemeyer synthesis of beauty and ideology is the Communist Party headquarters in Paris, completed in 1971.

Built in the traditionally working class 19th arrondissement, the undulating glass curved facade of the main building dominate and illuminate an otherwise drab streetscape of modern apartment blocks and dilapidated 19th century workers' houses.

The PCF headquarters, in the spirit of the organisation, also ensure maximum public engagement with the creation of usable public space at its base. Niemeyer's creation offers a welcoming embrace to its visitors, utterly at odds with the 'iron curtain' cliché employed by the Communist Party's detractors.

It is inside however that this building excels. Visible as a simple white dome (above) from the outside, the main conference hall is a symphony of light and space internally, defined by a shimmering array of spiralling metal ceiling tiles lending an almost baroque, cathedral like character to the main debating chamber.

For the PCF's many delegates, Niemeyer desired to and succeeded in creating an environment which could compete with Europe's grandest and most opulent cathedrals.

It is precisely this dichotomy which both enthralled Niemeyer's followers and detractors in equal measure. For his

followers Niemeyer created structures of optimism and hope, rooted in humanity and offering a better future both visually and socially to its users.

To his detractors Niemeyer's avant garde architecture was symbolic of a communist ideology whose utopian ideals were an unattainable pipe dream destined for failure.

The perfect riposte to this claim was heard when Brazil's current president, Dilma Rousseff, responded to Niemeyer's death, quoting his words: "We have to dream, otherwise things do not happen," while adding her own tribute: "Few dreamed so intensely, or made as many things happen, as he did."

Oscar Niemeyer was a hero, not simply for the legacy of the astonishing buildings he left behind but equally for the values which created and radiate from those buildings.

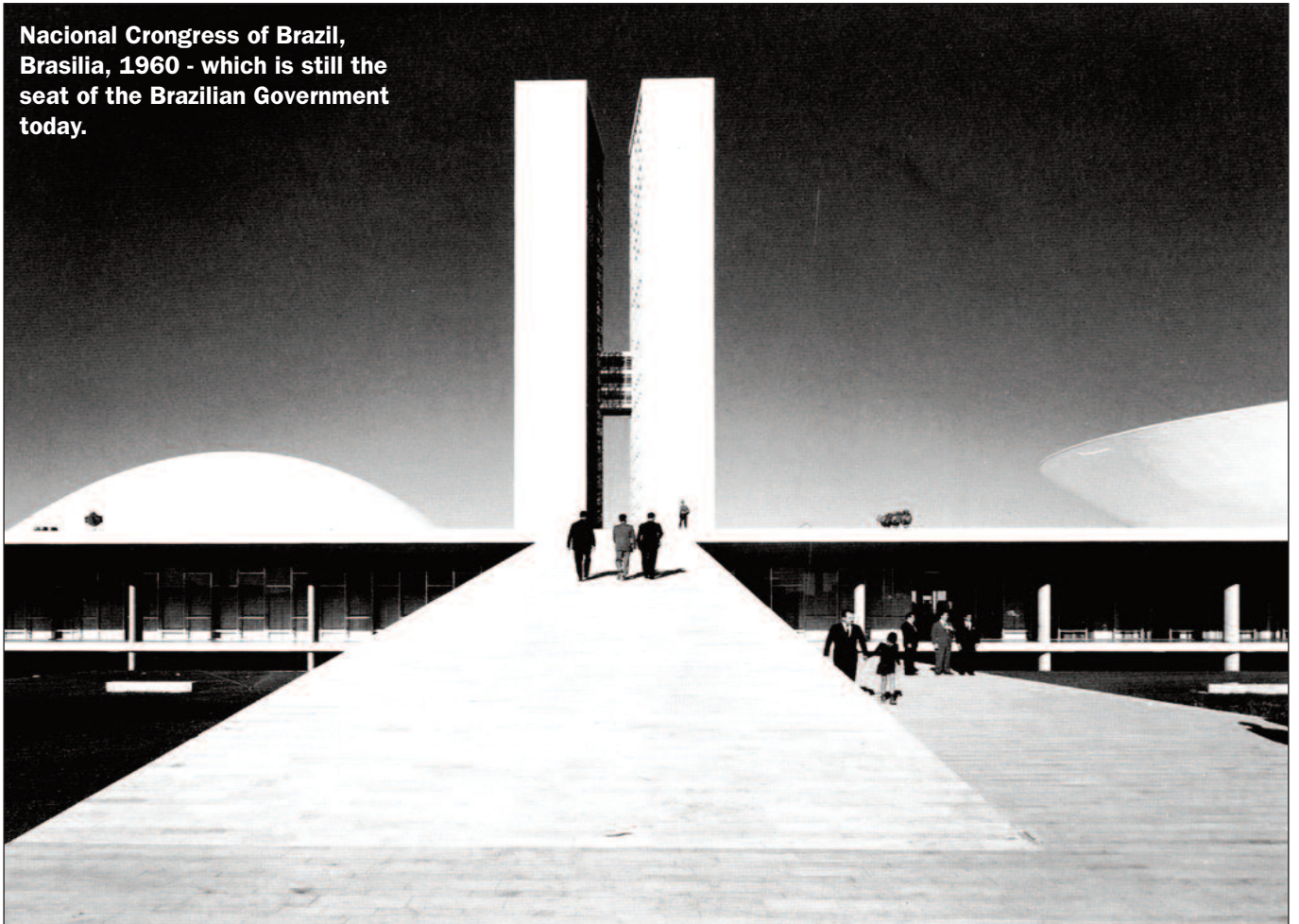
In a profession increasingly dominated by press hungry 'stararchitects' selling their souls to the latest oil rich state, Niemeyer's approach is inspirational.

As he himself said, "Architecture was my way of expressing my ideals: to be simple, to create a world equal to everyone, to look at people with optimism, that everyone has a gift. I don't want anything but general happiness. Why is that bad?"

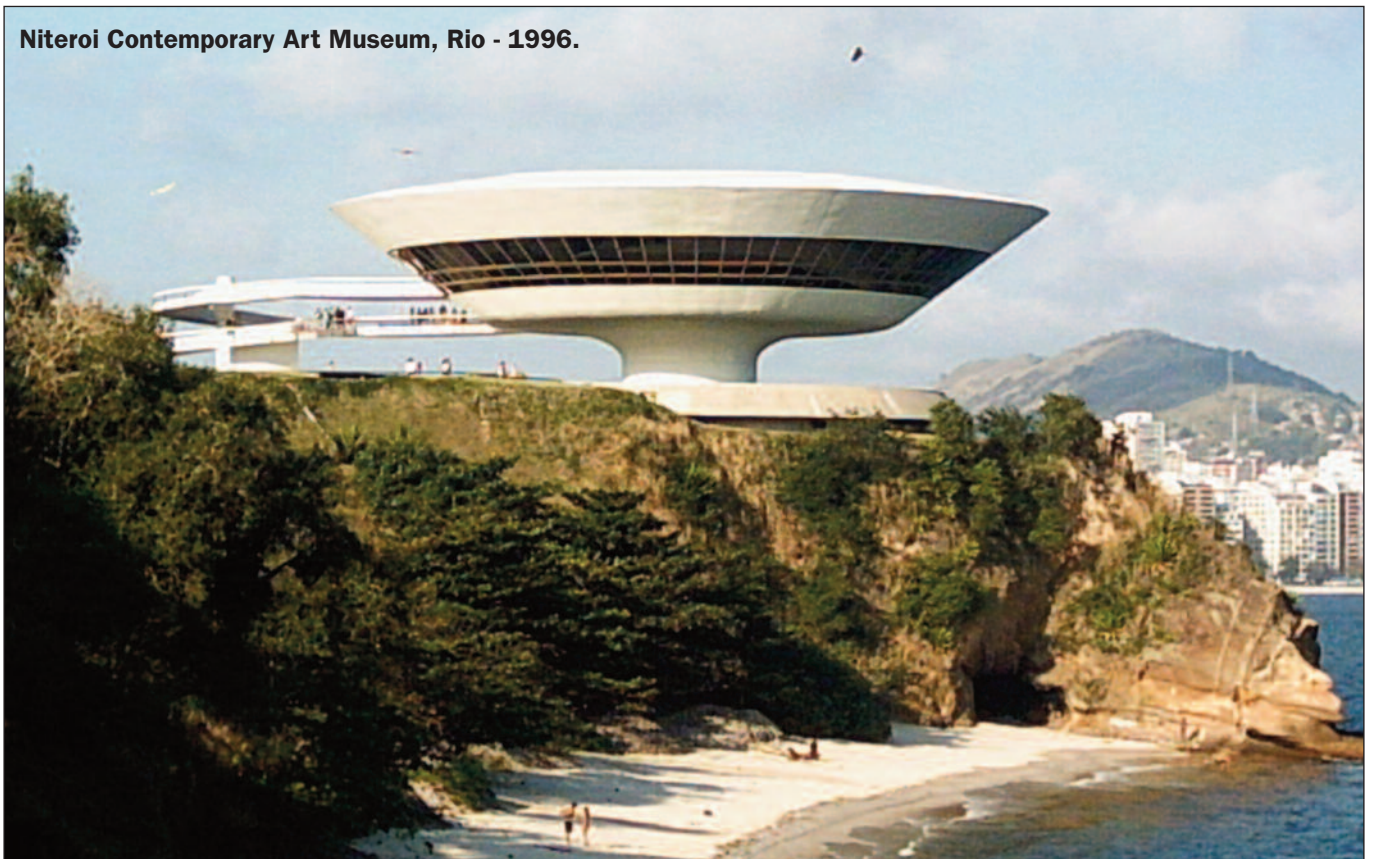
It is not, Oscar; it most certainly is not.



**Nacional Congress of Brazil,  
Brasilia, 1960 - which is still the  
seat of the Brazilian Government  
today.**



**Niteroi Contemporary Art Museum, Rio - 1996.**





# Famine Roads built by the starving Irish

"The famine roads belonged to the second year of the Irish famine," says the Irish poet Eavan Boland, discussing her haunting poem, 'That the Science of Cartography Is Limited' which abominates the British policy of putting starving Irish peasants to work building roads.

By **SIMON KORNER**

Boland (pictured) adds, "In 1847, the Relief Committees, coming to Ireland from the economic councils of Lord Trevelyan and the British government, decided the Irish should work for their food. In the simple and most understated testament of heartlessness, they required strength of those who had none. Where those roads end in those woods is where those building them died."

Charles Edward Trevelyan, the Assistant Secretary to Her Majesty's Treasury, was the senior civil servant responsible for administering 'famine relief' on behalf of the colonial authorities.

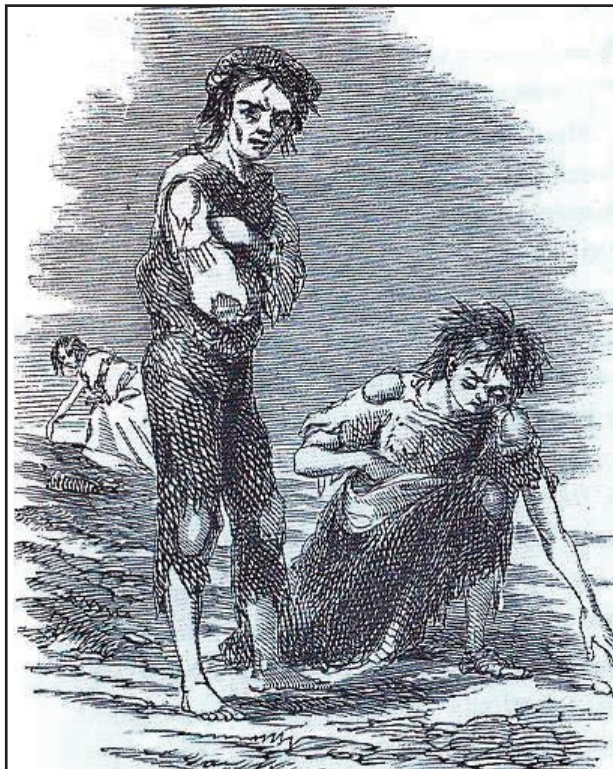
As a syllabus on the Irish Famine produced for the New Jersey Commission on Holocaust and Genocide Education records: "He firmly believed in the economic principles of laissez-faire, or non-interference by the government. Trevelyan opposed expenditure and raising taxes, advocating self-sufficiency. He was convinced of Malthus' theory that any attempt to raise the standard of living of the poorest section of the population above subsistence level would only result in increased population which would make matters worse."

In October 1846, Trevelyan wrote that the overpopulation of Ireland "being altogether beyond the power of man, the cure has been applied by the direct stroke of an all-wise Providence in a manner as unexpected and as unthought of as it is likely to be effectual."

Two years later after perhaps a million people had died, he wrote, "The matter is awfully serious, but we are in

the hands of Providence, without a possibility of averting the catastrophe if it is to happen. We can only wait the result."

Later that year Trevelyan declared: "The great evil with which we have to contend is not the physical evil of the famine, but the moral evil of the selfish,



**SKIBBEREEN 1847**

**An illustration by the Cork artist, James Mahony (1810-79) for the Illustrated London News.**

perverse and turbulent character of the people."

In 1848 Trevelyan was knighted for his services in Ireland; he was afterwards posted to India, where he was appointed as colonial Finance Minister. He was made a baronet in 1874.

In her article in the Literary Review, Eavan Boland remarks: "The deliberate awkwardness of the proposition – that the science of cartography is limited – is built into the title and the title is the first line. Why do that? Because I wanted to start this poem, charged as it was for me, with a deliberate mouthful of reason and argument. I wanted to send it towards the reader the way an educator might send an account of empire to a class: announcing acceptable ideas with an illusory logic."

Boland, born in Dublin in 1944, comes from the Irish establishment, her father the first Irish ambassador to Britain and the UN, her mother a well-known artist.

Her privileged background did not, however, insulate her from anti-Irish prejudice during her childhood in England, and has not softened her anguish at her history.

Boland's full opening statement – which incorporates the title – reads: "That the Science of Cartography is Limited [...] is what I wish to prove."

The phrasing is legalistic, like the opening of a court case:

*That the Science of Cartography Is Limited*

*- and not simply by the fact that this shading of forest cannot show the fragrance of balsam, the gloom of cypresses, is what I wish to prove.*

The immediate digression after the dash does what Boland in her commentary says a map cannot do ("The poem begins where maps fail"), giving us a sensuous evocation of place.

The two descriptive phrases, with their biblical resonance "the fragrance of balsam, the gloom of cypresses" estab-



lish a beautiful imagined world, the low humming sounds in “balsam’ and ‘gloom”, and the whispering s’s in “fragrance”, ‘balsam’ and “cypresses” the opposite of the dry language of argumentation.

Both balsam and cypresses also carry a symbolic weight, of healing and death respectively.

The use of these two different linguistic registers enacts the way facts, as defined by the historical victors, can efface a different kind of knowing, that of experience and feeling. In the second stanza:

*When you and I were first in love we drove  
to the borders of Connacht  
and entered a wood there*

That opening “When” acts like Once upon a time, taking us into the realm of story, and the half-rhyme of “love” and “drove” within the beautifully even iambic pentameter reinforces this.

This feeling of oral narrative is created also in the very simple verb “entered” without preface or explanation.

The lovers enter a kind of selva oscura – Dante’s dark forest – in which the Italian poet found himself at the beginning of his Inferno, an allegorical setting, the wood both literal and of the mind, the heart.

The stanza break makes the next line: ‘Look down you said’ happen suddenly, its concise delivery again like an old tale.

The historical facts begin with “this was once a famine road”, though this is not dry scholarship – the word “once” continues telling a tale, one told counter to the received “truth.”

The narrator is being guided, as Dante was, her own history reinforced for her by her lover. The poem depicts a moment of re-connection with the famine, the caesura acting out the mind in process of realization. The looking down is both literal and an inward scrutiny of her own history:

*Look down you said: this was once a  
famine road.*

*I looked down at ivy and the scutch grass  
rough-cast stone had  
disappeared into as you told me  
in the second winter of their ordeal in*

She sees ivy, grass, while the “rough-cast stone” is immediately swallowed by “disappeared” – positioned at the start of a line – and seems to recede into the undergrowth.

The phrase “their ordeal” doesn’t spell out whose ordeal it is – but it’s clear both lovers know, their intimacy demonstrated in this shared knowledge. It is not only a private intimacy but an intimate connection between them and the dead, the unspoken bond of a shared history.

Their love is being sealed, as it were,

### That the Science of Cartography Is Limited

That the Science of Cartography Is Limited

- and not simply by the fact that this shading of forest cannot show the fragrance of balsam, the gloom of cypresses, is what I wish to prove.

When you and I were first in love we drove to the borders of Connacht and entered a wood there.

Look down you said: this was once a famine road.

I looked down at ivy and the scutch grass rough-cast stone had

disappeared into as you told me

in the second winter of their ordeal, in

1847, when the crop had failed twice,

Relief Committees gave

the starving Irish such roads to build.

Where they died, there the road ended

and ends still and when I take down

the map of this island, it is never so

I can say here is

the masterful, the apt rendering of

the spherical as flat, nor

an ingenious design which persuades a curve into a plane,

but to tell myself again that

the line which says woodland and cries hunger

and gives out among sweet pine and cypress,

and finds no horizon

will not be there.

**from Eavan Boland, *In a Time of Violence*, Carcanet, 1994**

not by individualistic declarations, but by standing together in solemn remembrance. The voice giving the facts speaks plainly, clearly:

*in the second winter of their ordeal, in  
1847, when the crop had failed twice,  
Relief Committees gave  
the starving Irish such roads to build.*

The two “ins” bookending the line: “in the second winter of their ordeal, in” act as a kind of announcement of the facts to come. On the page the physical symmetry is a kind of restrained, classical portico – with that first “in” given uncapitalised, deliberately unrhetorical. Though this is low-key, “winter” is emotive – as opposed to the neutral word “year”, as is “ordeal”. This is empathic history, acutely aware of the victims’ suffering.

In the three-line section beginning “1847”, the plain speech eschews music, as though adornment would be inappropriate here. The line-break erects the date glaringly at the start of a line, to commemorate, as if on a tombstone, the dead. The word “gave”, and the impersonal “Relief Committees” which do the giving, are used ironically – the apparent philanthropy followed by “the starving Irish.”

The poem divides at the line: “Where they died, there the road ended.” The line itself has two halves, the second mirroring the first: “Where” echoed by “there”; “died” balanced by “ended.” The quietness of this line, standing isolated in the text, obliterates any notion of English benevolence.

The second part of the poem leans on

the first. From the moment of epiphany, we move to its effect, which has stayed with the poet into the present:

*Where they died, there the road ended  
and ends still and when I take down  
the map of this island, it is never so  
I can say here is  
the masterful, the apt rendering of  
the spherical as flat, nor  
an ingenious design which persuades a curve  
into a plane*

The picking up of “ended” with “ends still”, insisting on the past’s continuing reverberations, is given added force by the tumbling forward of the lines’ rhythm, the urgent “and when I take down/the map of this island.”. The grief is live, as with any trauma. The odd truncation of lines in this second part of the poem – “it is never so / I can say here is”, for example – fractures the structure, replicating the incomplete roads.

The finely wrought phrases “apt rendering of / the spherical as flat” and “persuades a curve / into a plane” evoke civilization, harmonious intellectual development, but this gentle rationality (“persuades”) is fatally undermined by the barbarism of what took place.

The narrator has been robbed of any appreciation of the “masterful” cleverness it took to map Ireland, and can ‘never’ simply admire it – given the glaring omission of the famine roads on the

maps. The smooth face of civilization inevitably reminds her (“tell myself again”) of the lies she must go on enduring.

This is why words denoting saying and telling recur. It’s a poem about competing narratives; the narrator is telling herself – being told – a truth against the dominant one.

Hence the storytelling elements: stories being powerful weapons against “fact”, the certainties of imperialism. The momentum expresses her rage.

The stanza break at the end dams up the cumulative flow, leading to the terrible pathos of:

*the line which says woodland and cries hunger  
and gives out among sweet pine and cypress,  
and finds no horizon  
will not be there.*

The final line falls away into nothingness, into death. The tense is future, yet the fact is always already known, endlessly erased, the erasure setting off grief in a purgatorial cycle.

The crescendo works by means of repeated “and”, and by reprising the lost but never forgotten sensuousness of the start (“sweet pine and cypress”), which reminds us of the young love which from the outset could not be innocent – but most powerfully by the opposition of ‘says’ and “cries”, the neutral against the emotive, fact against feeling: “the line which says woodland and cries hunger”.

The impersonal geographical term “woodland” contrasts with the human word “hunger.” And all the time in these final lines the repeated “i” sounds – “line”, “cries”, “pine”, “cypress”, “finds”, “horizon” ring in our ears, seem to cry out.

Boland’s logical proof of cartography’s limitations is “proven” via personal revelation, asserting with righteous anger the continuing agony of being silenced, of injustice going unrecognised.

Eavan Boland’s commentary on the poem begins: “On the wall in front of my desk was a map. It was a map of the world. Or more properly, a map of empire. Look what I own it said. See what you have lost.

“I was certainly aware, long before I wrote this poem, that the act of map-making is an act of power and that I – as a poet, as a woman and as a witness to the strange Irish silences which met that mixture of identities – was more and more inclined to contest those acts of power.

“The official version – – and a map is rarely anything else – – might not be suspect as it discovered territories and marked out destinations. But the fact that these roads, so powerful in their meaning and so powerless at their origin, never showed up on any map of Ireland seemed to me then, as it does now, both emblematic and ironic.”



Irish family being evicted. Moyasta, County Clare, circa 1879