

The paper wrote: "Her comments will come as a fresh blow to John Major. . . . Senior Labour figures seized on her remarks as a signal that she admires Blair's leadership qualities, and said they highlighted the difference between Blair and Major."

The *Sunday Times* is the weekly paper of the Rupert Murdoch chain in Britain. Australian media magnate Murdoch's papers had initiated the political shift some months ago, when they dropped their traditional pro-Tory line and declared their liking for Blair.

In the Thatcherite camp, journalist Paul Johnson recently announced for Blair. Earlier in his career, Johnson had been a loudmouthed fabian, before he changed his spots and became a loudmouthed Thatcherite. Also in the Thatcherite camp, Tory fundraiser Lord McAlpine shocked the British scene some weeks ago, when he called for the Tories to leave government and go into opposition, for some years, so as to regenerate the party.

Only the Labour Party can impose the pain

Blair is being promoted by the same crowd of Mont Pelerin Society vultures who have authored the "privatization" policies pushed in the Thatcher-Major era, and who are behind both the Conservative Revolution crowd in the United States centered around Speaker of the House Newt Gingrich (R-Ga.) and Sen. Phil Gramm (R-Tex.), and the renewed push for authoritarian forms of rule for western societies in the coming years.

On May 23, the arch-Thatcherite Institute of Economic Affairs in London sponsored the Fourth Annual "Hayek Memorial Lecture," in commemoration of the late guru of the Mont Pelerinites, Friedrich von Hayek. The speaker was former British Government Minister Francis Maude, now director of the government's Privatization Task Force, who launched the anticipated tirade against state involvement in the economy. The event was covered in the London *Daily Telegraph* the next day. Senior commentator Simon Heffer appreciated Maude's polemic, but fretted that the British regime, as now constituted, lacks the "political will" to make "the reforms" that are required. He stressed that the mooted cuts that various anti-state propagandists are recommending, will hurt various constituency groups, ranging from students to farmers to workers. This means that a "formidable amount of preconditioning" would be required for the public to "swallow" the package of cuts. Warned Heffer: "One does not hold out high hopes of the British people responding. . . . The trouble is that, faced with a wallow in the warm bath of welfarism, the British people sink in acquiescently."

Heffer estimated that "the tax-paying classes" can be brought around to accept the necessary attacks on state spending if these measures are combined with tax cuts, but "getting the message through to the less privileged—clients of the welfare state who rely on it totally rather than merely for fringe benefits—will be harder. There is no one with the persuasiveness or vision in the Tory Party today, who could

convince that sector of the population that welfare reform would be good for them, for breaking the dependency culture will be painful. But broken it must be; ironically, probably only a Labour government under Mr. Blair could drum up sufficient trust to start doing it."

On May 16, the *Telegraph* had stressed the growing convergence of philosophy among leading Conservatives and Labourites. Commentator Anne Applebaum praised Gingrich, and noted the echo of his belief among certain Labourite circles, that "the modern postwar welfare state has failed." She pointed to a recent work by top Labour figure Frank Field, in which he affirms: "The starting point of welfare reform must be an acceptance of the great forces that drive human nature. These include self-improvement and altruism, but self-interest is fundamental. . . . The challenge is to allow self-interest to operate in a way which simultaneously promotes the common good." Applebaum chimed in that, now that socialism has collapsed as a system, it is "no longer necessary to pretend that men are eminently perfectable."

Field's comments are an unequivocal endorsement of the bestialist worldview of such 18th- and 19th-century British degenerates as Adam Smith and Jeremy Bentham, as put forward, for example, in Smith's *Theory of Moral Sentiments*. Hence, it is not surprising that the British Establishment's most outspoken degenerate at present, Lord William Rees-Mogg, would write a commentary in the May 30 London *Times*, promoting Gingrich, in the United States, and Blair, in Britain, as the two leaders for the future most capable of "winding up the welfare state."

Book Reviews

From Thatcher ruin to IMF rule?

by Mark Burdman

The State We're In

by Will Hutton

Jonathan Cape, London, 1995

352 pages, hardbound, £16.99

With the growing migration of leading British elites toward British Labour Party leader Tony Blair (see preceding article), Will Hutton's *The State We're In* becomes relevant

reading. Hutton is the economics editor of the London *Guardian*, a left-liberal paper that usually backs the Labour Party. As soon as the book was released, it became one of the widely discussed new issues in Britain during the first weeks of 1995.

Hutton is one of the more intelligent economics commentators in Britain, although that is admittedly not saying much these days. But he does have a good eye for the debacles represented by Thatcherite free-market ideology. As far as these polemics are concerned, the book can be recommended, especially for those lemming-like American populists and conservatives who admire Margaret Thatcher's Britain.

Unfortunately, however, Hutton employs his anti-Thatcherite argumentation, to try to track the reader into support for an alternative that is no better. A fanatical follower of the late John Maynard Keynes, he ends up demanding a "reformed" financial system based on radically strengthened global powers for the International Monetary Fund (IMF)-World Bank Bretton Woods System, of which Keynes was the chief conceptual architect. Also, while several of his proposed measures for reforming the British political system may be useful, his overall design reeks of 1930s-style Fabian social-engineering methods and a form of "soft" corporatism, which, in times of profound crisis, could easily be transformed into dictatorial forms of rule.

Much to the point, is that, in his Preface, Hutton praises Lord Ralf Dahrendorf, warden of St. Antony's College, Oxford, for his "keen interest and support" for the book. Dahrendorf has been receiving considerable publicity in the recent period, in both Britain and Germany, as a proponent of the view that some form of authoritarian rule will necessarily emerge in coming years, because economic stability and well-being are no longer compatible with traditional notions of political freedom. A motto that one might derive from *The State We're In* is, "Blair? Beware!"

A 'millenarian cult' of rentier-finance

On the positive side, Hutton characterizes the Thatcherite ideologues as "a kind of free market *nomenklatura*." In Britain, he notes, "rather as in Soviet Russia, one confronts not reasoned argument but pure ideology. . . . While individual countries may have at least one horror story of radical marketization similar to Britain's, only Britain can tell them all." As a result, "Britain's national affairs are reaching explosive levels of stress."

The system currently prevailing, characterized by the stranglehold of the British Conservative Party mafia over all forms of institutional life, serves "the southern rentier" and "the great financial institutions," rather than manufacturers. This is fully in line with the historical traditions of the City of London and *rentier-finance* groupings, as typified by the 1911 statement of Lord Revelstoke of (ironically) Barings Bank, as quoted by Hutton: "I confess that personal-

ly I have a horror of all industrial companies, and that I should not think of placing my hard-earned gains in such a venture."

In a chapter entitled "Finance Unbound," Hutton writes that the Conservative Party power structure has served a "messianic, *laissez-faire* philosophy. . . . The economy was to be vandalized by the financial sector in the name of market freedoms. . . . [Behind this has lain] the long-standing dominance of the values of finance—of *rentiers* who live off the income others produce—over the values of production. . . . The genuine gains of low inflation were bought at terrible cost, from the growing dilapidation of the public infrastructure to the erosion of the country's productive base." He later writes that "New Right economics" is premised on the "Darwinian" premise that firms "buy cheap and sell dear. . . . In the same way that an automatic and impersonal process of natural selection determines the rise and fall of species, so competition ensures the survival of the fittest economically." The British model of "economic man" is the "natural savage" of the Robinson Crusoe variant. The City of London, charges Hutton, is "an arena in which usury and avarice are excused because they represent market forces. It is an ugly sight."

Hutton documents the devastation of Thatcherite policies, such as the gigantic increase in private debt, from £57 per household in 1980, to £114 by 1990, a consequence of the fraudulent Thatcherite "consumer-driven recovery." Also, "some 28% of the adult working population are either unemployed or economically inactive. . . . [A] second 30% are made up of the *marginalized* and the *insecure*. . . . The fact that more than half the people in Britain who are eligible to work are living either on poverty incomes or in conditions of permanent stress and insecurity has had dreadful effects on the wider society. . . . Britain has the highest divorce rate, and the most deregulated labor market in Europe, and these two facts are closely related." The book is chock-full of accounts of such horror stories.

Hutton declares, "The Thatcherite program had been imposed at a colossal social cost and had weakened democracy, with few discernible gains." Meanwhile, the Thatcherism-obsessed regime keeps promising the population that the results of the "reforms" will be felt after "a little more time." Hutton says that to so declaim "is more akin to the rationalizations of a millenarian cult than of economists observing the real world."

A sin of omission

However, Hutton proposes that the ravages committed by British *rentier-finance* culture can somehow be rectified by "careful economic management," "government institution-building," the creation of "interdependent institutional structures," "cooperative capitalism," and "new systems of corporate governance." Does Hutton, who is certainly not uninformed, really believe that such formulas are advisable

when the global financial system is in a process of disintegration? Even if the disintegration has become more manifest since he finished the book in November 1994, typified by such dramatic events as the collapse of Britain's Barings Bank in early 1995, Hutton had already come around to acknowledging that "the world financial system is spinning out of control."

As U.S. economist Lyndon LaRouche has repeatedly stressed, since he issued his "Ninth Forecast" on the process of systemic financial disintegration in June 1994, there is no "management" or "administrative" means of dealing with this crisis. In advocating such, Hutton ends up proposing 1990s variants of classical Fabian social-engineering approaches, and a strengthening of the very same Bretton Woods System that is responsible for the crisis in the first place. The key in this, is his extreme partisanship for Keynes, and for such architects of the modern-day "welfare state" as Lord Beveridge.

One of Hutton's chapters is entitled, "Why Keynesian Economics Is Best." To so proclaim, is either a sign of commitment to evil, or of astonishing naiveté. Arguably, Keynesian approaches may be better than Thatcherism, much like influenza is arguably better than pneumonia. But to portray Keynesianism as the only viable alternative to either Thatcherism or Marxian socialism, is historical fraud. It ignores the tradition of the science of *physical economy*, initiated by Gottfried Wilhelm Leibniz in the late 17th century, and manifest in the policies of the first U.S. treasury secretary, Alexander Hamilton, later in the German-American Friedrich List and the circles around U.S. President Abraham Lincoln, and now continued by Lyndon LaRouche (with whose ideas Hutton is familiar).

Despite much print being expended in efforts to find certain positive features in the American model of economic activity, relative to that of Britain, and despite a recent revival of sorts of interest in Hamilton, Hutton never once mentions Hamilton. List gets one cursory mention. This is all the more noteworthy, in view of the strangely idyllic picture that Hutton paints of Japan, especially, and Germany, secondarily. Whatever is of virtue in the economic approaches of Japan and Germany—and there is no doubting the relative success of these countries over Great Britain in recent decades—is ultimately rooted in traditions associated with List. Hutton's near-amnesia over List is of a piece with his omission of the more negative features of what has been happening in the Japanese and German economies over the past years, as both countries have increasingly become prey to British-style financial deregulation, derivatives-centered speculation, and the like.

Keynes, the IMF, and British geopolitics

The problem, again, is Hutton's obscene fascination with Keynes. The fact is, Keynes never departed from the axiomatics of a *monetary* approach to "managing" economy, and

had no real comprehension of what drives an economy forward. Were he to have done so, he would have had to break with the British oligarchy, of which he was a leading spokesman (leaving aside, for the moment, his earlier promotion, as a leading member of the secretive Cambridge Apostles cult at the turn of the century, of "The Higher Sodomy," a notion of the supposed superiority of homosexuality). Keynes may, indeed, have raised cogent objections to the excesses of the Versailles Treaty reparations demands on Germany after World War I, and may have been a harsh critic of the more lunatic forms of financial speculation, to the point of even recommending "the euthanasia of the *rentier*." But he was also quite frank in recognizing that his own system of "make-work" projects would, ultimately, require a dictatorship to implement.

The Keynes-contrived IMF system leads to the same result. Hutton, however, blithely, and with no evidence presented to back up the point, attributes global economic progress in the period following World War II through the early 1970s, to the IMF's "custodian" role over the fixed exchange-rate currency system. For the present time, he demands a "supranational authority . . . beyond the nation-state," to bring "order" to the world's financial markets. Better "the IMF holding the ring, in a system of semi-fixed exchange rates," than the system we have now, Hutton advises.

Keep in mind that it was under a Labour Party government, the mid-1970s Callaghan regime, that Britain signed a deal imposing IMF conditionalities on the country.

To put the point another way, Hutton's favored historical precedent for Great Britain, is the period from 1931, when the "National Government" headed by Labour Party leader Ramsay MacDonald assumed power, to 1951. During this period, he insists, the country turned away from *rentier finance*-dominated perspectives, and favored production and investment. He asserts that the British economy zoomed to unparalleled heights during this period.

There is a good deal of sophistry in all this. Aside from omitting reference to the heavy Fabian Society social-engineering element in British policy during this period, there is also the reality of British *geopolitical* priorities. By 1931, the British elites, typified by Sir Peregrine Worsthorne's stepfather Montagu Norman, head of the Bank of England, were busily installing Adolf Hitler into power in Germany. As it would have been obvious that Nazi rule was going to unleash turmoil across Europe, it is not surprising that the British elites would have wanted to be in a better position to command the situation. World War II, indeed, was the lawful consequence of such British geopolitics.

Under such circumstances, a turn away from *rentier finance* approaches would have been mandated. But is that kind of geopolitical turmoil what Hutton and his circle of friends are preparing for, for the coming years? Is this, again, a case of "Blair? Beware!"