Lord Skidelsky's criticism of NATO: the driving forces of "ethical imperialism"

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There is a particular significance to the criticisms of the NATO war against Serbia by Lord Robert Skidelsky and his warning that its doctrine of "ethical imperialism" could result in a breakdown of the economic and political order of world capitalism.

Skidelsky, who issued his criticisms in a series of lectures in Sydney and Melbourne last week, is the author of a widely-acclaimed two-volume study of the life and work of the British economist John Maynard Keynes. He is currently writing a third volume dealing with Keynes' role in the Bretton Woods Agreement of 1944, which played such a central role in the economic restabilisation of world capitalism following World War II.

In the popular mind Keynes is most directly associated with the policies that bear his name, based on government stimulation of the economy and "demand management" to prevent the emergence of slump and depression. But this was only part of his theoretical work, which was aimed at trying to establish the mechanisms to effect a stabilisation of world capitalism.

Keynes first came into public prominence in the aftermath of World War I. A member of the British delegation at the Versailles negotiations he resigned his post in June 1919 and issued a devastating critique of the Versailles Treaty under the title *Economic Consequences of the Peace*. Keynes had two central objections to the Versailles arrangements: that the policy of harsh war reparations imposed on Germany would destroy the economic mechanisms on which pre-war Europe had been based, leading to a war of vengeance by Germany, and that the terms of the treaty increased the power of American finance capital over Europe.

Following his criticisms of Versailles, Keynes became increasingly critical of the free market orthodoxy which dominated official government circles and in 1925 wrote a scathing attack on the decision of the then British Chancellor of the Exchequer, Winston Churchill, to return Britain to the pre-1914 gold standard. Issuing a pamphlet entitled *The Economic Consequences of Mr Churchill*, he warned the policy would require a 10 percent cut in British wages and could only be achieved by "intensifying unemployment without limit."

As the economic problems deepened in the 1920s, Keynes was increasingly concerned with devising measures which, in Skidelsky's words, could "reconstruct the capitalist social order on the basis of improved technical management."

In the aftermath of the economic collapse of 1932, he appealed to the incoming US President Roosevelt to reverse the policies of the previous Hoover administration, which threatened to bring social revolution. In an open letter to Roosevelt on the New Deal early in 1933, he wrote: "If you fail, rational change will be gravely prejudiced, leaving orthodoxy [the doctrine of the free market] and revolution to fight it out."

In 1936, Keynes published his most famous work, the *General Theory of Employment, Interest and Money* in which he denounced the assertion of the defenders of free market orthodoxy that the capitalist system could automatically reach equilibrium at full employment, arguing that government intervention was necessary to increase "effective demand" to lift national income and employment.

His policy prescriptions for state intervention were based on a key assumption--that finance capital should remain within the confines of the national state. As he had written in 1933, ideas and culture should, by their nature, be international, goods should, where possible be "homespun", but capital had above all to be national in scope.

The necessity for the strict regulation of finance capital in order to facilitate national economic regulation by governments was to form a key component of the Bretton Woods Agreement of 1944, drawn up by Keynes and his American counterpart in the negotiations, Harry Dexter White.

Under the agreement, the value of major world currencies were tied in fixed exchange rates to the US dollar, which, in turn, was to be backed by gold at the rate of $35 per ounce. Loans were to be provided to countries that experienced balance of payments difficulties, ruling out the need for the imposition of tariffs, and currency devaluations, which had brought about the devastating contraction of world trade in the 1930s.

While providing the framework for free trade, the Bretton Woods system embodied strict government controls on the movement of finance capital. As US Treasury Secretary Henry Morgenthau told the conference, the aim of the agreement was to "drive the usurious moneylenders from the temple of international finance."

In less flamboyant language, Keynes explained that: "Not merely as a feature of the transition but as a permanent arrangement, the plan accords every member government the explicit right to control all capital movements. What used to be heresy is now endorsed as orthodoxy."

Both Keynes and White insisted that the unrestricted international movement of capital was incompatible with the establishment of government measures to regulate the national economy. The new welfare state, which the Bretton Woods architects aimed to set in place, would be undermined if capital were free to move to escape the effects of taxation measures and social policies introduced by national governments.

"In my view," Keynes explained, "the whole management of the domestic economy depends upon being free to have the appropriate rate of interest without reference to the rates prevailing elsewhere in the world. Capital control is a corollary to this."

For 25 years, the Bretton Woods system provided a stable framework for the most sustained period of economic growth in the history of world capitalism. But this very expansion undermined the system of national regulation upon which the post-war order was based.

Beginning with the removal of the gold backing from the US dollar in August 1971 and the final dismantling of the system of fixed currency exchange rates in 1973, the past quarter of a century has seen the complete disintegration of the Bretton Woods arrangements.

With the abandonment of fixed currency relations in the 1970s, capital controls were progressively dismantled in the 1980s.

Throughout the 1990s, and particularly since the advent of the Clinton administration in 1992, the over-riding economic agenda of the United States, reflected in the policy prescriptions of the International Monetary Fund, has been the demand for the scrapping of all national restrictions on the penetration of foreign capital. Finance capital must have a global reach, free to move anywhere at any time in order to take advantage of continuously changing economic conditions and thereby maximise its rate of return.

But as critics of this new orthodoxy, such as Skidelsky, point out, such a system threatens to bring a return to the violent disorder of the 1920s and 1930s which Keynes sought to control. According to Skidelsky, the experiences of the recent period have demonstrated that without a new system of rules governing exchange rates and capital movements, the experiences of the 21st century will resemble "the worst of our own" including not only economic turmoil but military conflicts.

During his lectures, Skidelsky drew attention to the connection between the vast changes in the global economy and the new doctrines upon which the NATO war against Serbia has been based.

The British Prime Minister Tony Blair had based his new ethical foreign policy directly upon globalisation which, he maintained, had not only economic but political and security implications.

But, according to Skidelsky, if NATO now asserted the right to intervene militarily in any country where there were actual or potential ethnic conflicts, this meant the overturning of the doctrine of national sovereignty, which had formed the basis of political relations in the post-war period.

While Skidelsky, as a defender of the capitalist free market system, did not draw out the full implications of his own remarks, their logic is nevertheless clear enough.

Just as the imperialist colonisations of the latter part of the 19th century were "justified" by references to the "white man's burden" so the driving force of the "ethical imperialism" being practised against Serbia is neither humanitarian concerns nor the protection of minorities. Rather, the overturning of the doctrine of national sovereignty is the political expression of the deepest interests and global drive of finance capital.