

The historical basis of socialism

Nick Beams addresses Australian SEP election meeting

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During the course of an election campaign, we often encounter people who agree with much of what we have to say, but who balk at the question of socialism. “It might be a good idea, but it cannot work” is a typical response. In order to address such conceptions I would like to examine the question of socialism in relation to the development of the historical process itself.

Fifteen years ago, in the summer of 1989, on the eve of the collapse of the Stalinist regimes of Eastern Europe and the Soviet Union, the American academic Francis Fukuyama caused something of a political sensation. He published an article which suggested that history, understood as the evolution of the forms of human economy and society, had come to an end with the triumph of liberal democracy.

The system of representative government, based on the capitalist free market, he insisted, had conquered all rival ideologies such as hereditary monarchy, fascism and, in the most recent period, communism. More than that, liberal democracy may in fact constitute “the end point of mankind’s ideological evolution” and the “final form of government.” As such, it signified “the end of history.” Earlier forms of government had been characterised by fundamental defects and irrationalities, which had led to their eventual demise. But liberal democracy was “arguably free from such internal contradictions”.

Fukuyama did not mean to suggest that today’s liberal democracies had no problems—there were, he maintained, grave problems of injustice and social inequality. But these did not arise from inherent flaws in the principles upon which these societies were founded, but rather from the incomplete implementation of those principles. Likewise, history had not ended in the sense that events, in particular large and grave ones, no longer took place, but in the sense that it could no longer be understood as a whole process in which human society was developing towards higher forms. The greater part of humanity had accepted liberal democracy as the culmination of the historical process. There was nothing beyond it.

Fukuyama’s article acquired such widespread fame because it summed up the triumphalism of the ruling classes and their spokesmen as the Stalinist regimes collapsed. Falsely identifying those regimes with socialism and communism, they maintained that the socialist challenge was dead. After 200 years of bitter struggle, starting with the French Revolution, capitalism had finally conquered.

In the years since Fukuyama’s article was published there have been numerous criticisms of his claim that history had somehow ended. But the essential content of his thesis is maintained: socialism has been removed from the historical agenda. There are no inherent contradictions, either in the system of so-called representative democracy, or in the capitalist market, which forms its economic underpinning, that would make necessary a new form of society. Problems arise, sometimes major ones, but the source of these problems lies not in capitalism and the free market,

but rather in secondary factors. Accordingly, the socialist challenge to capitalism, and above all Marxism, has been finally repulsed and defeated.

Today, I want to briefly examine these conceptions and show how the ever-growing problems, not to speak of catastrophes, now engulfing the world are not some passing afflictions of an otherwise healthy system, but have their roots in the very foundations of the capitalist order. Such an examination will establish, at least in broad outline, the necessity for the socialist perspective in the twenty-first century. In other words, socialism has not failed, it has yet to be realised. Upon its fate rests the fate of mankind as a whole.

In the *Communist Manifesto*, Marx explained that the program of socialism was not derived from the ideas of this or that would-be reformer, but was grounded on the historical process itself. The theoretical conclusions of the Communists, he wrote, “merely express, in general terms, actual relations springing from an existing class struggle, from an historical movement going on under our very eyes.”

Marx set out the law-governed character of the socialist transformation of society as follows:

“At a certain stage of development, the material productive forces of society come into conflict with the existing relations of production or—this merely expresses the same thing in legal terms—with the property relations within the framework of which they have operated hitherto. From forms of development of the productive forces these relations turn into their fetters. Then begins an era of social revolution. The changes in the economic foundation lead sooner or later to the transformation of the whole immense superstructure.”

In establishing the law-governed, objective, character of the socialist transformation of society, Marx in no way implied that this somehow took place outside the agency of human beings, or was accomplished automatically. On the contrary, he insisted it was necessary to “distinguish between the material transformation of the economic conditions of production ... and the ideological forms in which men become conscious of this conflict and fight it out.”

What happens if these contradictions are not understood and the working class, the overwhelming majority of the population created by the very expansion of capitalism itself, is not able to advance its own independent program? The contradictions will not disappear. They become ever-more malignant and assume the form of deepening social and political crises.

With these conceptions in mind, let us make an assessment of where we are going. Is humanity travelling, through turmoil and difficulty, towards a liberal democratic society and a resolution of the deep-going problems it now confronts—the eruption of militarism and war, the expansion of terrorism, ethnic wars and conflicts, global poverty and the growth of global inequality, the looming environmental crisis and the increasing

economic insecurity of working people in the major capitalist countries, to name just a few? Or are these phenomena the expression of an irresolvable crisis of the capitalist economic and political order?

Let us consider the invasion and occupation of Iraq from this standpoint. All the lies on which the war was launched have been exposed. It was not to counter the danger posed by Saddam Hussein's weapons of mass destruction, or to defeat an imminent terror threat, much less to rid the world of a dictator and establish liberal democracy in the heart of the Middle East.

The real reason for the war was the drive by the US to secure its domination of the Middle East and the command of its resources. Regime change was a means to that end—the establishment of a puppet government through which the US could dominate the Middle East at the expense of its rivals in Europe and Asia. In other words, the European powers were much more the enemy than Saddam Hussein.

The conflict between the US and Europe which preceded the war, and Rumsfeld's remarks about "old" versus "new" Europe, did not arise accidentally. With the collapse of the Soviet Union at the beginning of the 1990s, the underlying strategy of the US has been to ensure that, in the post-Cold War world, no one power or group of powers is able to attain a position from which it can challenge US hegemony.

This is not merely a "Bush doctrine". It is the position of the dominant tendencies within the US ruling class. Bush and Kerry have no fundamental difference on the war. Kerry voted for the Congressional resolution authorising war against Iraq. And, even after all the lies and deception had been exposed, Kerry said he would do so again, because the resolution gave Bush the kind of powers that an American president had to have. The differences between Bush and Kerry are purely tactical. Kerry insists that Bush's conduct of the war has weakened America's position, and that he, Kerry, should be installed as president in order to strengthen it.

In his speech at NYU on September 20, on the eve of the meeting of the UN General Assembly, Kerry exposed the real, material, interests underlying the war and the continued occupation of Iraq. His plan is not to end the occupation, but to involve the European powers in it—in return for which, in the language of all criminal enterprises, they get a piece of the action.

"The President" he declared, "should convene a summit meeting of the world's major powers and Iraq's neighbours, this week, in New York, where many leaders will attend the UN General Assembly. He should insist that they make good on that UN resolution. He should offer potential troop contributors specific, but critical roles, in training Iraqi security personnel and securing Iraq's borders. He should give other countries a stake in Iraq's future by encouraging them to help develop Iraq's oil resources and by letting them bid on contracts instead of locking them out of the reconstruction process."

What is to account for this eruption of American imperialism? It is not an accident or aberration, or the result of the seizure of the foreign policy agenda by a particular group of right-wing ideologues. It is rooted in objective processes within the very foundations of the global economy.

In the past two decades, world capitalism has undergone a series of changes as profound and far-reaching as any in its history. The development of globalised production, the integration, across countries and continents, of all aspects of the production process, and the emergence of a global financial system, have once again come into contradiction with the nation-state form of political organisation.

National capitalism has been superseded by global capitalism, but there is no such thing as global political power and authority. The political power of each section of the capitalist class is derived, in the final analysis, from its own national state. Yet the global economy transcends the national state, even the most powerful such as the United States. How is this contradiction between world economy and the nation-state system

to be resolved?

The US aims to overcome it by establishing the hegemony of one state—the US—over all others, a perspective shared by all sections of America's ruling elite. History shows us what the consequences will be, for this is not the first time this contradiction has erupted.

In the last decades of the nineteenth century and the first ten years of the twentieth, capitalism underwent a truly global expansion—the first phase in the process we know today as globalisation.

Powerful economic forces were unleashed by the establishment of unified national states and markets in Europe and America. But they did not stop at the national border. Capitalism expanded on a truly global scale and, in doing so, came into conflict with the national state structures within which it had developed.

Giant corporations replaced the small firms so beloved of those economic theorists who sought to depict so-called "perfect competition" within the "free market" as the highest form of economic organisation. But monopolisation did not signify the end of competition. On the contrary, competition assumed an even more destructive form, in the conflict among the capitalist great powers for markets, resources and colonies, leading eventually to World War I. In that catastrophe, the contradictions of capitalism—the clash between the forces of production and the social relations of production—were no longer simply a matter of theoretical analysis in the works of Marx and other socialist writers, they assumed palpable form in the hunger, cold, savagery, death and destruction which swept across Europe.

Capitalist Europe had exhausted itself. But across the Atlantic a new, even mightier power, based on great advances in industrial technique, was on the rise. Would the United States be able to reconstruct capitalism on new foundations, or would the world be rebuilt on socialist foundations—the task which had begun in the Russian Revolution of 1917?

For more than three decades that question hung in the balance. It was not until the conclusion of the World War II that the US was able to undertake the reconstruction of the world capitalist system. Using its vast economic superiority, and ensuring that its more productive methods extended to Europe and elsewhere, it laid the foundations for a new capitalist upswing, which was to result in the longest period of expansion in the history of capitalism—the post-war boom.

But the contradictions of capitalism were only contained, not overcome. They emerged again in the form of a series of economic crises from the beginning of the 1970s, sparked by a now ever-present downward pressure on the rate of profit.

For the past 25 years, capital has attempted to overcome this pressure through a series of measures: the introduction of cost-cutting and labour-saving technologies based on the computer chip; the disaggregation and globalisation of production processes to cut costs; the transfer of whole industries, first manufacturing and now services, to cheaper labour regions; the introduction of measures to open up every corner of the globe to penetration by globally-organised corporations and, above all, a never-ending assault on the social position of the working class. But to no avail.

The crisis of the entire capitalist order is expressed in the fact that the most powerful capitalist power on earth, the United States, is the most indebted. Its financial system depends on an inflow of \$US1.8 billion per day from the rest of the world. Should this inflow dry up, there would be catastrophic consequences for both the US and global financial system. The past 25 years have been marked, not only by the globalisation of capital, but also by a decline in the economic power of the United States. The most indebted nation in the world is now seeking to maintain its position through military might, bearing out a prediction made by Trotsky more than 80 years ago that: "In the period of crisis the hegemony of the United States will operate more completely, more openly, and more ruthlessly than in the period of boom."

One of the key predictions of Fukuyama, and those who followed him,

was that what he called the growing “common marketisation” of international relations meant “the diminution of the likelihood of large-scale international conflict.” The spread of the free market, it was claimed, ruled out the prospect of war, because liberal democracies did not go to war against each other. No two countries with a McDonalds, the foreign affairs editor of the *New York Times*, Thomas Friedman, later told us, have ever gone to war against each other.

These conceptions found their echo in the Bush 2002 National Security Strategy, which set out the justification for the doctrine of pre-emptive war as the US prepared the invasion of Iraq.

“Today, the international community,” Bush declared, “has the best chance since the rise of the nation-state in the seventeenth century to build a world where great powers compete in peace instead of continually prepare for war. Today, the world’s great powers find ourselves on the same side—united by common dangers of terrorist violence and chaos.”

If competition is to be the basis of international relations, the question immediately has to be asked: what is the goal of competition—the never-ending struggle within the capitalist system for markets, profits, new resources, cheaper labour and so on? It is not to perpetuate competition for its own sake. The logic of competition is monopoly—the defeat of rivals and the establishment of the hegemony of one capitalist power over all others. That is the meaning of the US “war on terror”, and it is increasingly recognised as such by the other capitalist great powers.

There is a growing realisation in the European capitals that the conflict with the US over Iraq was not an isolated, one-off event, but the outcome of far-reaching changes. A comment in the *Financial Times* of September 27 on the transatlantic rift noted that European governments are concerned that even if Bush were to be defeated by Kerry, they could face greater pressure from a Democratic Party administration for troops and money.

“The more fundamental European concern, however, relates to the awareness that transatlantic relations are passing through a traumatic period that goes well beyond the disaffection with the present Bush administration. It is a change that really dates from 1989, with the fall of the Berlin Wall. And it coincides with a growing divide on social and cultural values.” In the words of one commentator cited in the article, there is a “systemic rupture” between the US and the European powers.

Apart from the immediate military issues, there are other, economic, processes that point to the deepening conflicts among the capitalist great powers. One of the most prominent is the increasing shift away from the post-war multilateral trading system towards exclusive trade agreements. The Free Trade Agreement (FTA) between the US and Australia is part of this tendency.

This has deep historical significance. One of the main lessons drawn by policymakers from the collapse of the world economy in the 1930s and the eruption of World War II was that the international trading system had to be based on inclusiveness. While trade would not necessarily be free, tariffs, where they were applied, had to be applied to all countries. Concessions, where they were given, had to be given to all countries, and there should be a general movement towards free trade. The greatest danger was the formation of trade and economic blocs, which could become the basis for military alliances. In a sure sign of the times, there are increased warnings that the post-war multilateral trade system is breaking down. And it is significant that the United States, which played the central role in its establishment, is leading the way in its destruction.

In the midst of World War I, Rosa Luxemburg posed the alternatives facing mankind as socialism or barbarism. Today, as all the contradictions that produced that war rise up again, this remains the basic issue. The danger of war—the descent into barbarism, which has already begun—arises not from the ideological conceptions of this or that group of capitalist politicians—and therefore capable of being averted by replacing them with others—but is rooted in the objective contradictions of the capitalist mode of production itself, in processes “going on under our very eyes”.

Let us turn to the argument advanced by Fukuyama that, in contrast to earlier forms of government, liberal democracy does not contain internal contradictions that would lead to its demise, and therefore represents the highest form of political organisation.

If that is the case, then how is one to explain the collapse of support for so-called liberal democracy and representative government over the past period? An accelerating alienation from the official political establishment has been underway over the past decade and a half, an alienation expressed in this Australian election, as in so many others.

The signs of disintegration are clearly visible. An article in the *Financial Times* of September 25 put it this way: “>From London to Ottawa, Washington to Helsinki, Canberra to Berlin, political elites are looking on as the political parties, which sustained them for generations, crumble away.”

The European elections in June demonstrated the “critical state of popular politics in Britain” as the Labour and Conservatives struggled to find enough activists to sustain a campaign. Figures published after the election showed that membership of the Labour Party had fallen by 25,000 in six months. In the so-called “new” democracies in Eastern Europe, turnout for the elections was universally low. In Poland, just 20 percent voted; in Slovakia, just 17 percent. In the Canadian election held in June, the turnout was the lowest since 1867. In New Zealand, party membership has collapsed from 23.8 percent of the electorate in the 1950s to just 2.1 percent today. In Britain, the decline over the same period is from 10 percent to just 1.9 percent.

Such a universal phenomenon must have profound objective causes. The *Financial Times* article put it down to the growth of leisure, wealth, consumerism and the power of the media. In other words, they don’t really have a clue.

In fact, its origins lie in the contradictions of the liberal democratic order, which Marx analysed as far back as 1843. In his critique of Hegel’s theory of the state, Marx explained that liberal democracy—representative government grounded on a free market capitalist economy—contained a fundamental cleavage between the political state and civil society, between the conduct of politics and everyday life.

In the sphere of politics, the citizen functions as a member of a political community. On the other hand, in civil society, he functions as a private citizen, pursuing his own individual interests in conflict with his fellow citizens. The citizen of the free state leads a double life. In his imaginary life, as a citizen of the state, he is part of an integrated community, integrated, at least, in theory, but not in practice. For, in his real life, in civil society, that is, in the real world of economic life, he is an isolated individual, pursuing his own goals.

In other words, liberal democracy was based on a fundamental contradiction. While it offered to every citizen the prospect of shaping and determining the political state, in practice, the political state was separated from civil society, real life, which was shaped not by the political decisions of the members of society, but by the laws of the capitalist market.

The crisis of liberal democracy today arises from the fact that these contradictions, having been suppressed for a whole period, are now being driven to the surface by the revolutionary changes taking place in the structures of world capitalism.

During the post-war boom there was a general increase in the living standards of the working class. But more than this, there appeared to be a measure of democracy. Within the framework of nationally regulated capitalism, there existed the possibility, albeit limited, to change the economic organisation of society, and the conditions of everyday life, through political struggles—not only through elections, but through trade union and other struggles. That is, it appeared that the cleavage at the very centre of the system of liberal democracy could be overcome, at least to a limited extent.

However, today the processes of economic globalisation, which Fukuyama and others maintain have established the historical superiority of the system of liberal democracy, have, on the contrary, raised to a new peak of intensity all the contradictions within it.

To illustrate this process, consider the question of interest rates, which has formed such a crucial component of Australian Prime Minister John Howard's election campaign. The Liberals' scare campaign has had a certain resonance, because millions of people do face economic devastation if interest rates rise, even if only by a relatively small amount, because of the size of their home mortgages.

Independent economists, however, have concluded that it will make no difference to the movement of interest rates whichever party is elected to government. Interest rates, they insist, will be determined by conditions prevailing in international financial markets.

Naturally, the Labor Party has seized on this finding as a refutation of Howard's scare campaign. But there is a deeper issue here. This finding underscores the fact that no matter which way people vote, they will not be able to determine the economic conditions that shape their lives.

That is, in the imaginary realm of the liberal democratic state, citizens, through their political activity, are able to change the world. But once we descend from this heavenly sphere to earth, to civil society grounded on the free market, we find that the real life conditions facing real citizens are determined by forces completely outside of their control.

And what powerful forces they are. Last week the Bank for International Settlements reported that the international currency market had expanded to \$1900 billion. That is, \$1.9 trillion churns through the currency markets every day. Its movement plays a far more decisive role in determining interest rates than either Howard or Latham. The size of the daily international currency market is several times the gross domestic product of Australia, which measures the value of economic output over a year. The money passing through the money markets in a week, is more than the value of the economic output of the US, the world's largest economy, for a year. In just three weeks, the amount of money passing through foreign exchange markets is greater than the value of total global production for a full year.

It is these vast movements in the international financial markets, outside the control of any single government, group of governments or international regulatory authority, that determine the economic conditions of working people all over the world. In ancient times, sacrifices, sometimes of human lives, were made to appease the gods. Today such practices are dismissed as primitive. But modern economic conditions are no less mystical, as millions of people have their lives devastated because the market demands it.

But what is the market? It is not some institution imposed on mankind by an all-powerful being. It is nothing other than the alienated product of the social and economic power of mankind as a whole, the alienated expression of the social wealth which has been created by the labour of millions of people, all over world, but which is beyond their control. To bring these social powers back under the control of society as a whole, instead of standing over it: this is the life-and-death question on which the struggle for human emancipation and freedom now turns. This is the perspective of socialism in the twenty-first century.

Everything depends on the genuine democratisation of all social relations. Modern society—the complexity of which has been increased by the development of science, technology and the productivity of labour—cannot be rationally organised on the basis of the private ownership of the means of production, in which social decisions are not taken consciously, according to a democratically conceived and executed plan, but are determined by the blind workings of the market and the dictates of profit.

According to Mr Fukuyama, “the logic of modern science would seem to dictate a universal evolution in the direction of capitalism.” In fact, the

reverse is the case. The advancement of science depends, first of all, on the free flow of information. But the intervention of the market and the struggle for profit into the sphere of science means that information is not freely available. It is, instead, privatised.

Scientific assessments need to be made of all manner of issues facing modern society. Take, for example, the question of genetic engineering. The impact of genetic modifications to plant and animals could provide enormous benefits, or create real dangers. But it is impossible to make a scientific assessment under conditions where scientific bodies, research institutions and universities are dependent on corporations with their own profit agendas, or have become corporate profit-seeking bodies themselves. That is, genuine scientific advance, so important for the progress of human civilisation itself, requires the abolition of the profit system.

The enormous increases in the social productivity of labour over the twentieth century have created the material possibility for the social advancement of the whole of mankind. But the domination of the market and the drive for profit mean that these advances lead, not to social advancement, but to increased misery.

The sackings at Kodak, announced at the beginning of the election campaign, are a case in point. Over the past 15 years, following the provision of a government subsidy to keep the plant operating, Kodak workers have reached productivity levels equal to any in the world—all to no avail. The introduction of digital technology to cameras, replacing film, means the closure of the plant and the destruction of hundreds of jobs. Kodak is not an exception, only a graphic expression of a universal process, in which advances in production, science and technology—the outcome of the common labour of working people all over the world—lead to the creation of greater wealth at one pole and increased misery at the other.

The great historical issue of the twenty-first century is the following: the development of an independent international political movement of the working class guided by the understanding that nothing short of the abolition of the capitalist system itself can eliminate poverty, social inequality and war, and that the world must be democratically reorganised on the basis of a political program grounded on human need, not the requirements of the profit system.

We urge all those who agree with this perspective to not only give their full support to the SEP's election campaign, but to take the decision to join our party and build it as the revolutionary leadership of the working class.



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