

# The demise of ungentlemanly capitalism

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## Synopsis

This paper is an exercise in the political economy of British decline. My intention is to show that such can only be understood through the application of classical Marxist concepts.<sup>1</sup> British economic and political development can only be seen in the context of a world system. This approach imposes on us the need to identify the laws peculiar to world processes. Britain's industrial decline is inseparable from its decline as the world's hegemonic super-power. Any study must therefore come to terms with the laws of motion of England's/Britain's rise and fall as a great power: essentially the rise and fall of its empire. This contrasts sharply with the "gentlemanly capitalist"/"culturalist" thesis which sees the perennial domination of a finance and commercial elite dedicated to international rentier activity to which industrialists and industry were and are subordinate – in a word, an antagonistic City-Industry split. What this analysis fails to understand is that the construction of a commercial-financial global network was a pre-condition for the industrial revolution; and that the Empire was a major asset to industry. In the modern epoch, it fails to see that far from a bifurcation between financial and industrial capital, there developed its opposite: a symbiosis of finance with industry and the emergence of finance capital. This endures and deepens to this day.

To this end, we identify a distinct periodisation:

- The century from 1688-1783, which saw the ascendancy of landed, commercial and banking interests expressed politically in the dominance of the Whigs. These bourgeois forces were dedicated to Empire building and ipso facto a world-wide commercial and financial web.
- 1783-1832 is the period of accumulation of industrial capital and essentially, the industrial revolution itself, presided over by Tory governments. Britain was only able to become the workshop of the world through the prior achievements of the landlord-commercial-banking oligarchy.
- From the Reform Laws to the mid-1880s, the industrial bourgeoisie and laissez-faire capitalism reign supreme - expressed politically by the Whigs/Liberals. This period saw a structural shake-up in the British economy, agriculture and landlordly income from rents being marginalised. Britain now exchanged manufactured goods (and coal) for primary commodities and, especially, foodstuffs.
- Towards the end of this period, the epoch of classical British imperialism begins and is marked by the rise of the Conservative-Unionist party. Industrial capital becomes fused with financial capital, giving birth to finance capital.
- The inter-war years saw the curve of capitalist development turn downwards. The dialectic of those elements which had defined its ascendancy, turn into their opposite manifest in the vicissitudes of Britain's losing battle against the US for world hegemony.
- The "Golden Age" was a period of untrammelled US hegemony. This required the re-positioning of the UK as a subordinate partner to the US defined under the rubric of the "special relationship". This period was marked by financial repression, a deepening financial collaboration and division of labour between the City and Wall St.
- During the Long Stagnation the UK, alongside the world economy as a whole, has experienced a marked economic slowdown, and inter-imperialist rivalry has progressively intensified. The "Big Bang" marked the unleashing of an Anglo-Saxon financial offensive, which has seen the victory of the Dollar-Wall St Regime over its rivals, especially that of Germany, but also Japan. There is a clear tendency to an equalisation of the rate of profit across the imperialist world. The price has been the deepening and irreversible world-wide financial instability.

To this degree, we reject the proposition that the ruling class gains of the 80s and 90s have launched the UK economy on a new growth path and catch-up. Now the fate of the

UK can only be appreciated in the context of the new global world order, dominated by the US. Here, the US and therefore the imperialist system as a whole are weaker than it has ever been. Military might should not be confused with political and economic strength. The progressive erosion of democratic liberties and the major offensive against workers rights is a sign of weakness and a lack of confidence by liberal democracies here and abroad. The two-party system exhibits a profound malaise. The way is being paved for Bonapartist forms of rule.<sup>2</sup> We are entering a new period of depression and imperialist wars. Whilst these elements have not yet crystallised into clear-cut trends, nonetheless the basic elements can be identified. The working class has not been defeated: the decisive battles still lie ahead.

## **Introduction**

The English nation-state was established through the bourgeois-democratic revolution occasioned by the Civil War. The "Glorious Revolution" of 1688 saw the consolidation in power of a capitalist landlord-commercial-banking oligarchy. In the wake of this Britain went on to conquer the world for capitalism, pushing aside its feudal competitors and establishing its Empire. A crucial component of this had been the forging of the United Kingdom out of four nations. Empire was an indispensable ingredient in the launch of the industrial revolution in the face of which, the bloc of '88 became an impediment requiring the industrial bourgeoisie to seize the reins of state. The tribute from Empire and its protected markets saw the world-wide ascendancy of British industrial capital and its necessary complement, financial capital. It was able to provide key capital goods to the newly industrialising countries of continental Europe and North America. It was also relatively well-endowed with primary commodities, especially coal. Coal was the oil of the nineteenth century. The City provided the wherewithal to finance this. As competitive capitalism gave way to monopoly, the primary characteristic was no longer commodity export but capital export, producing a new animal: finance capital. All Britain's previous strengths, notably Empire, now began to pull it down. It was not so much victory in war, but the late arrival of US imperialism on to the world stage that allowed Britain to hang onto world power status in the inter-war years. Empire became a bulwark and retreat allowing Britain to weather the worst effects of the Great Depression. From the Second World War on, Britain's history was shaped in the shadow of the "special relationship" with the new hegemon. Britain's formal Empire, at first opposed by the US, was eventually recognised by it as a useful complement in establishing its own industrial, financial and political hegemony. It gave an extra lease of life to sterling, and the City, helping alleviate a world liquidity crisis in the age of financial repression. So was born the "special relationship", cemented through the common front in the Cold War. Whilst this allowed Britain to record its highest rate of growth in its history, the attempt to use Empire to present the UK as a third force alongside the US and USSR, meant that Britain's relative decline against its main rivals, accelerated.

The Golden Age gave way to the Long Stagnation which the street-fighting tactics of Thatcherism - and neo-liberalism in general - ignominiously failed to reverse. It has been proven that no New World Order can be put in place under US tutelage. Yet, there is no new super-power waiting in the wings to take over from the sclerotic US Empire, as had the US when Britain could no longer play such a role. At this stage in history, the project of a new European super-state is a forlorn endeavour. Even the long-term viability of the euro has been thrown into question. Equally, no new markets, sufficiently large to underpin a new stage of sustained capitalist development are looming on the horizon. China cannot provide this. It is doomed to follow the "Great White Hope" of the ex-Eastern bloc as they seem to be presented by the collapse of the Stalinist regimes. After a decade and half of short sharp shock, they are still in "transition". In all this, the prospects for the struggling British ruling families in the face of increasing inter-imperialist rivalry are bleak. It can find no ready place in the EU nor successfully re-cement an enduring "special relationship". The UK needs the US, but the US doesn't need the UK, despite Anglo-Saxon unity in the "war against terror".

There isn't anything 'peculiar' in the character of British decline. Its present reality results from the normal working of capitalism. British imperialism is weaker today than it has ever been. This is just as much true of the manufacturing and industrial sector as of the City as a centraliser of British capital. This has its reflection at the political level. Whereas the Monarchical form of the British state had hitherto been an enormous unifier of the four nations making up the United Kingdom, today it is a rotting edifice. Historically, a weakening of one of the spars was able to be absorbed by the overweening strength of the whole. Today, a blow against one element weakens the rest. We will endeavour to identify these secular trends both economically and politically.

The alternative "gentlemanly capitalist" interpretation of English/British economic history attracts support across the ideological spectrum. According to this view, the industrial bourgeoisie has perennially been dominated, first by the landed aristocracy, and then to (internationalised) financial capital headed up by these same social forces. This is a slippery hypothesis. It has been used by left and right alike to explain the perceived relative decline of British imperialism: domestic investment in industry "squeezed out" by rentier gentlemen chasing short-term speculative gains overseas.

As with the concept of "Asian values", which, according to fashion, can be used to denote either backwardness or a model to emulate, the preceding combination of elements has been used to draw the exact opposite conclusion to that of the culturalists. Analysts place this dominance of the landed-financial-commercial capital over industry as the central ingredient in the *dynamism* of British capitalism. Prominent amongst the advocates of this "gentlemanly capitalist" paradigm should be numbered P.J. Cain and A.G. Hopkins in their two volume work on British imperialism, and ancillary writings; and W.D. Rubenstein (Cain, P.J. and Hopkins, A.G., 1993; Rubenstein, W.D., 1993).<sup>3</sup> For these authors, it is not a question of the dominance/subordination of particular ruling class strata. Much more boldly they declare that England/Britain never was primarily an industrial nation but one whose wealth was based on financial and service enterprise. When looked at from the optic of British comparative advantage in service industries, they insist, it is misleading to talk even of relative decline: 'Britain's was never fundamentally an industrial and manufacturing economy', W.D. Rubenstein asserts, 'rather it was always, even at the height of the industrial revolution, essentially a commercial, financial and service-based economy whose comparative advantage always lay with commerce and finance. Britain's apparent industrial decline was simply a working out of this process. ... What is so often seen as Britain's industrial decline or collapse can be seen with greater accuracy, as a transfer of resources and entrepreneurial energies into other forms of business life'. Thus, 'Britain's underlying culture, elite education system, or fundamental value system ... (was) ... an entirely rational economic response ... rather than a pre-modern obstacle to economic development' (Rubenstein, *ibid*, p. 24 - 25).<sup>4</sup> From this perspective, the "culturalist critique" just misses the point. It is equating British (economic) decline with industrial decline, when the latter activity never was - and is purportedly not today - central to the healthy functioning of the British economy. The undisputed relative industrial decline from the latter quarter of the nineteenth century is, therefore, strictly irrelevant. The UK was and is a service and financial economy, not an industrial capitalism. Part of the explanation, insist Cain and Hopkins, was that '... manufacturers neither owned enough "top wealth" nor made it in a sufficiently acceptable way to be able to impose their will on the political system. In the nineteenth century the industrial bourgeoisie in Britain was forced to come to terms with gentlemanly capitalism: it modified it rather than superseded it, and in turn felt the weight of its compelling influence' (Cain, P.J. and Hopkins, A.G., 1994, vol. I, p. 38). This whole thesis has been given added intellectual support by a number of revisionist historians who argue that there never was such a thing as an Industrial Revolution in Britain.

The affinal "culturalist" school was pioneered some 40 years ago by Perry Anderson, Tom Nairn and others centred on the journal *New Left Review* (Anderson; P., 1966/92; Nairn, T., 1964/76). The "Anderson-Nairn thesis" identified the crisis of British imperialism in the ongoing weakness of the industrial bourgeoisie as against that of an essentially aristocratic ruling class, stemming from England/Britain's 'unfinished revolution' of the mid 17<sup>th</sup> century. They see the crucial determinant, and therefore what had to be explained as the '... agrarian and aristocratic stamp of English rulers in the era of Pax Britannica, the

subordination of bourgeois manufacturers and mill owners to them, with all the consequences - economic, political and cultural that followed from the cadet role of industrial capital in the Victorian age' (Anderson, P., 1987/92, p. 121, 130). From this perspective, it was the cultural predominance of an aristocratic rentier capitalism which, in imposing its will on the economic structure – and in the process dominating and reshaping the industrial bourgeoisie - that accounts for the UK's industrial decline. Accordingly, the homogeneity of the British ruling class was forged under aristocratic tutelage - honed up through the public schools system. In this version there have been no fundamental discontinuities in English/British history since the English Civil War, or at least since the Glorious Revolution of 1688. It is, of course, acknowledged that landlordism has been superseded, but these same social forces maintained their continuity, and political and economic pre-eminence, through dedicating their accumulated and superior wealth to financial activity, centred in the City of London. The same de facto social forces continued to skew the British economy and polity in an image constructed in an earlier epoch, whatever the vicissitudes of their source of income. In this way, even after the industrial revolution and the rise of an industrial bourgeoisie, and after inevitable antagonisms surfaced, they maintained their hegemony by integrating the industrial bourgeoisie under their tutelage through a variety of means. The eventual conclusion is the purported fatal bifurcation of the British economy: a finance and commercial sector dominating a separate and inferior manufacturing one.

Similar paradigms have informed the critique of the Thatcher years by Marxists such as Colin Leys, who openly insisted that his work was an updated application of the Anderson-Nairn thesis.<sup>5</sup> In similar terms, neo-Keynesians, such as Will Hutton, have also taken up the cudgel (Leys, C., 1989; Hutton, W., 1995). Hutton sums up the whole school of thought when he proclaims: 'What binds together the British financial and corporate system is a particular value system – "gentlemanly capitalism" - that places particularly high social status on the less risky, invisible sources of income generated in trading and financial activity rather than production'. He then adds a nuance to the culturalist version. The indictment of the City stems from the primacy accorded to the stock market - players in which being more interested in short-termist capital gains, rather than long-term investment. Thus he continues: 'By the First World War, a pattern was firmly established: a national banking system disengaged from production; a risk-averse London stock market focused on international investment; equity finance made available only on the most onerous terms, heaping large dividend demands on British producers; a Bank of England concerned to preserve price stability and the international value of sterling; and an industrial base losing ground to foreign manufacturers with higher productivity – and having to respond by bidding down wages to maximise retained profits, the only reliable cheap source of finance' (Hutton, W., 1995, pp. 21-22 and p. 123).

Academics from the other end of the political spectrum have adduced the same causative principles for Britain's relative decline. Such New Classical economists - taking succour from "revisionist" historians – equally locate the essence of Britain's malaise in cultural factors. The logic of the argument follows something like the following pattern. The inculcation of the ruling families in an aristocratic classicist culture rather than a business ethos secreted an ongoing nineteenth century paternalist, "one nation" liberalism. Its very elitism had spawned a dependency culture resulting in the welfare state. This feature combined with a corporatist state structure embedded the overweening power of the trades unions. Untrammelled union power has been a key factor undermining the competitiveness of British industry. Worse, aristocratic culture not only diverted entrepreneurship away from industry and manufacturing, but produced a management lacking best practice and therefore incapable of closing the productivity gap with its competitors. Britain's decline, they argued, was neither necessary nor irreversible. As they saw it, what was required involved the "freeing" of the market, the pushing back of the state, "flexible labour markets", and other monetarist and supply-side nostrums. Far from contributing to a leftist perspective, these authors aimed to provide a justification for the neo-liberal offensive of the Thatcherite 1980s and beyond (Barnett, C., 1987; Wiener, M.J., 1981; Crafts, N., 1993). In that regard, these rightist forces have seen their ideas implemented: Thatcherism turned out to be a historical *cul de sac*. The test of practice has knocked on the head at least their variant of the paradigm.

Two sorts of things can be said about this approach. First, it fails to situate Britain's itinerary in the context of a world system. Failure to follow such an approach impugns mainstream analyses whether academic<sup>6</sup> or "orthodox" Marxist<sup>7</sup>. Second, that Britain's downward trajectory resulted from incorrect policy choices by the British ruling families, rather than the inevitable working out of the capitalist mode of production. Capitalism, by definition cannot plan. It functions and develops according to the capitalist law of value. Uneven and combined development is unavoidable. To be sure, choices were posed at each conjunctural inflection. However, these choices are always posed in a specific historical context that determines particular outcomes against others. The fact is that there is nothing peculiar about British capitalism. Of course, the British social and economic formation was assembled out of its own history and within a specific world reality. But this is trivial. In this sense, all countries are 'peculiar'. No answer to British industrial decline can be found through contemplation of the internal characteristics of the British social formations. Even at the apex of its power, British capitalism was a subordinate part of a world system governed by its own general laws of development. Karl Marx gave the appropriate framework when he explained:

'The revolutions of 1648 and 1789 were not English and French revolutions; they were revolutions of a European type. They did not represent the victory of a particular class of society over the old political order; they proclaimed the political order of the new European society. The bourgeoisie was victorious in these revolutions, but the victory was of bourgeois ownership over feudal ownership, of nationality over provincial, of competition over guild, of the division of land over primogenitor, of the rule of the landowner over domination of the owner of land, of enlightenment over superstition, of the family over family name, of industry over heroic idleness, of bourgeois law over mediaeval privileges. ... These revolutions reflected the needs of the world at that time rather than the needs of those parts of the world where they occurred, that is, England and France' (Marx, K., 1977, p.161).

### A century of decline

In 1870 Britain was the leading industrial and financial power with the largest Empire in

	UK	France	Germany	Japan	US
<b>Real GDP growth</b>					
<b>1870-1913</b>	1.9	1.5	2.8	2.3	3.9
<b>1913-50</b>	1.3	1.1	1.3	1.3	2.8
<b>1950-73</b>	3.0	5.0	5.9	5.9	3.6
<b>1973-93</b>	1.6	2.1	2.2	3.6	2.4
<b>1993-2005</b>	2.9	1.9	1.3	1.2	3.3
<b>GDP per capita</b>					
<b>1870-1913</b>	1.0	1.3	1.6	1.4	1.8
<b>1913-50</b>	0.8	1.1	0.7	0.9	1.6
<b>1950-73</b>	2.5	4.0	4.9	1.0	2.2
<b>1973-93</b>	1.4	1.5	2.1	2.9	1.4
<b>1993-2005</b>	2.7	1.5	1.4	1.9	2.3
<b>GDP per hour worked</b>					
<b>1870-1913</b>	1.2	1.6	1.9	1.9	1.9
<b>1913-1950</b>	1.6	1.9	1.0	1.8	2.4
<b>1950-73</b>	3.2	5.0	5.9	7.6	2.5
<b>1973-93</b>	2.0	3.2	2.3	3.1	1.0
<b>1993-2004</b>	2.03	2.06	1.91	2.07	2.16

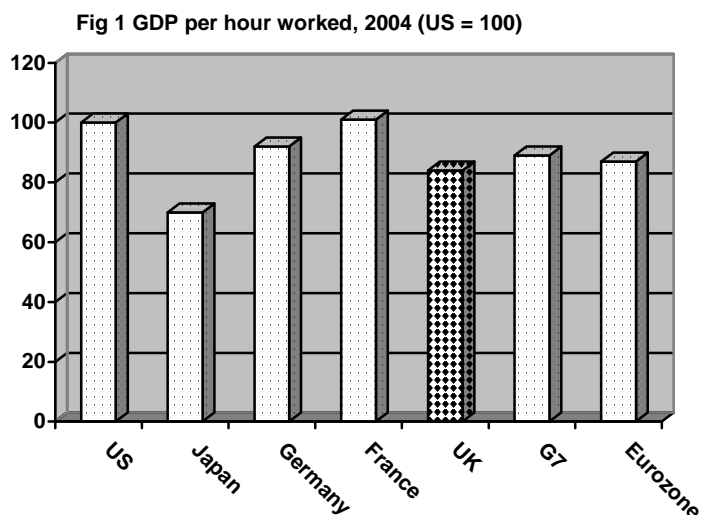
Table 1 Growth and Productivity, selected countries, OECD Factbook [www.oecd.org](http://www.oecd.org); IMF WEO Dec 2001, and April 2006 [www.imf.org](http://www.imf.org)

world history. Yet within less than 50 years it had been overtaken by the US and threatened by the superior German economy. In the decade following the Great War, the US spurred ahead and Germany, although flattened through the war, was by the end of the 1920s once more vying with Britain. In the inter-war period the curve of capitalist development turned downwards. There was an absolute decline in all of the world's economies as a result of the 1930s Great Depression. Britain for a variety of reasons, not least its Empire, was less affected than its rivals. Yet it was

unable to reverse its subordinate position in the pecking order. This relative decline continued into the modern period. Indeed, during the post-Second World War "Golden Age", its relative decline accelerated – ironically whilst attaining historically unprecedented growth. The "Keynesian Revolution" ended in ignominious failure in the stagflation of the 1970s. This opened a new downward phase of capitalist development, dubbed the Long

Stagnation which continues to this day. The neo-liberal response has proven to be a historical cul de sac: the 1980s "productivity miracle" was a mirage, despite making significant inroads into the social wage - cutting deeper than all its rivals with the exception of the US. After twenty years of "flexible labour markets", speed-ups, lean production, privatisation, tax re-distribution to the wealthy, "entrepreneurship" and "best practice", the UK has witnessed no sustained reversal. More broadly, the promised restoration of a new historical epoch of worldwide, expanded capitalist growth has failed to materialise. This can be seen from Table 1.

Despite, the marginally superior growth rate in productivity since the turn of the century, its level still lags that of the G7 average and its main rivals, with the exception of Japan (see Fig 1).



OECD statistical database 31 March 2006

The clue to Britain's rise and demise is to be found in its insertion into the world economy and specifically the role of its Empire, either contemporaneously or in terms of its legacy.

### Transition from feudalism to capitalism

A highly developed world market existed before the inception of capitalism (Wallerstein, I., vol I, 1974). Although this market was mercantilist and feudal-based, its existence was a precondition for capitalist take off. Capitalism, to develop and be sustained cannot be confined to the boundaries of any single country. Capitalist expansion pre-supposed a world market as such - a high stage of economic development. Moreover, to guarantee access to such markets, England needed to be already occupying a high position in the world pecking order. Without this, money rents could never have taken hold in a generalised way. The transition from feudalism to capitalism was made possible because of the prior creation of a world market that had grown up with commercial capitalism, but which now became ever more oriented to trading manufactured products. Capitalist England started out as a supplier of raw materials - cereals, wool, leather, and metals. Cereal exports diminished in importance from the fourteenth century on, and wool exports from the fifteenth century due to increased competition from Spain. On the other hand, this led England to erect protectionist barriers against wool imports. It made up for this through the incorporation of Wales and the forcible prohibition of wool exports from Ireland (except to England). It was behind this protectionist barrier that the cloth-making industry became world class. The home market was too small to make this an economic proposition. Accordingly, commercial capitalist began to look for markets abroad starting in the second half of the fourteenth century. The exports of this industry became so important that, as Lawrence Stone put it, '(by this time), England's trade ... consisted in bartering a single product, cloth - the result of what, for the age was a truly gigantic

industrialisation involving a great agrarian economy and a change in the whole pattern of internal economy - in return for a number of articles ... together with a range of industrial finished products of every kind' (Stone, L., 1965 p., 39).<sup>8</sup> So there was a necessary symbiosis between the home and world market.

However, it is a mistake to see this impacting exogenously on the English feudal setup (c.f. Sweezy, P.M., 1945/76; and Wallerstein, I, 1974). On the other hand, it is equally one-sided to concentrate on the immediate production relations (Dobb, M. 1945 and Brenner, 1987). To be sure, the transition flowed out of the internal contradictions within feudalism, but it was the needs of the world market that highlighted the terminal inefficiencies of the feudal circuit.<sup>9</sup> In any event as Karl Marx correctly identified the genesis of English capitalism was in agriculture and more generally in the countryside - rather than industry and urban areas. Crucial here was the commodification of land title. As Doug Jenness has explained: 'The transformation of the titles to land into a commodity was of great historic moment. For the first time in the history of humanity titles to land could be bought and sold, rented, mortgaged and divided. As a result, many serfs previously bound to the land by a web of feudal relations, became freeholders' (Jenness, D., 1994 p. 126). This opened up a pincer movement from above and below leading to the establishment of capitalist social relations. The commercialisation of land-title resulted from the movement of capital from the towns and cities to the countryside by non-agrarian layers (merchants, burghers, money-lenders and the like) A similar development came 'from below': The commodification of land also allowed the richer peasants (yeomen) to purchase land from their poorer neighbours - and then to employ these dispossessed peasants, as wage workers, at least on a part-time basis. The yeomanry themselves therefore become capitalist farmers. Expulsion of the peasantry from the land *ipso facto* created a reserve army of labour ready for employment in industry. This was the real "primitive accumulation" as Marx put it. England's accumulated plunder and its ready access to credit could only have been combined to enable sustained capitalist development insofar as these social preconditions existed. The emergence of the capitalist farmer and the emergence of a proletariat go hand in hand. To this degree, it is completely one-sided to focus on the capitalist farmer as does Robert Brenner.<sup>10</sup> He is also mistaken in his identification of the primogenitor of this process in the 'self-transformation' of the feudal magnates: 'Capitalism developed in England ... by means of the self-transformation of the old structure, specifically the self-transformation of the landed classes. As a result, the rise of capitalism took place within the shell of landlord property (my emphasis) and thus in the long run not in contradiction with and to the detriment of, but rather to the benefit of the landed aristocracy' (Brenner, 1989). This gets the direction of causation the wrong way round and moreover conflates two different social groups. The feudal lord has a completely different economic relation to other classes than the capitalist landlord. In the former, the landlordly income is gained from the surplus product generated from a tied peasantry, even if this is in the form of money rents. Under capitalism, it is gained from commercial rent, which is now deducted from the profits of the capitalist farmer - itself derived from appropriation of surplus value (as opposed to surplus product) generated by the farm worker. Use of the aphorism 'landlord shell' simply confuses the social domination of the landlord with the quite different forms of economic parasitism. There was no 'self reform' of landlords. It was a sharp rupture. The ever-deepening generalisation of capitalist social relations eventually came up against the barrier of the feudal Absolutist State requiring its overthrow and the forging of a nation state. That this happened in world dominated by feudal powers determined the assumption to power of a capitalist landlord-commercial-banking oligarchy - but within a monarchical shell. This has marked English/British industry since then.

### **The English revolution: the formation of England as a nation state**

Capitalism, then, developed within feudalism, but by the time of the Civil War, much still remained to be done: the dismantling of the monopoly guilds in the towns spurring manufacturing and industrial production, and diversification of land use. An additional requirement was the subordination of state-granted mercantile monopolies in favour of capitalist-based commercial enterprises opening the way for a different type of commercial activity. It required a legal code unambiguously defining the new property relations and a

state prepared to defend this by force and violence. This latter had to be applied both domestically and extended to the world market as well. The combination of all these objectives required the development of a modern banking system, the basis for which was laid by the nationalisation of the Royal debt and a concomitant taxation system to pay for it.<sup>11</sup> It also required the creation of a negotiable currency across border.

As capitalism developed, the encroachments of the Crown on capitalist landed property and reliance on pre-capitalist commercial monopolies became ever more intolerable. The Absolutist Monarchy and the social forces on which it relied eventually presented an insurmountable obstacle to the further development of the rising capitalist forces. The warning bells were sounded when, in the period leading up to the Civil War, Charles began to restore secularised land to the Church in Scotland, amongst other things. Crypto-Catholicism gave an ideological cloak to Absolutist rule that stood opposed to both parliamentary sovereignty and broader freedoms of the people. It also expressed the underlying foreign policy preferences for alliances with feudal France and Spain. As the developing capitalist production needed to take on and defeat its pre-capitalist rivals on the world market religious ideological disputes were not unimportant. The clash of the new mode of production against its pre-capitalist rivals was presented as Protestants increasingly threatened by the growing strength of the Catholic powers, France and Spain. Religion provided the ideological armoury for the gentry and the bourgeoisie. The autonomy of the English Church vis-à-vis the papacy was vital to the security of the greater landlord's formally monastic lands. Against "divine right" they counter-posed parliamentary sovereignty and the "divine right of property". In other words the ascendancy of Parliament over Crown was also the hegemony of secular over ecclesiastical authority in the realm of religion - specifically the subordination of the established Church (Brenner, R., 1993b).<sup>12</sup>

Today's academic orthodoxy denies that the English Civil War was the occasion for any sort of revolution at all. Conrad Russell states bluntly: '... there was no bourgeois revolution. ... The two great upheavals in our economic history were the Black Death and the industrial revolution, neither of which occurred in the period of the Civil War. There was no 'transition from feudalism to capitalism' in the early modern period and since it did not happen, it explains nothing' (Russell, C. 1992; see also, MacFarlane, A. 1987; for further references, see below). However it has rarely been argued, at least by Marxists, that the transition from feudalism to capitalism took place during the course of the Civil War. There was not, and could not be, such a sharp shift. To that degree, modern revisionist historians are hitting at a straw man. It is only after the maturation of capitalist relations within the interstices of feudalism that the question of state power either needs to be or even can be posed. Capitalism, engendered by the blind laws of the market, develops before the winning of political power by the bourgeoisie. This is a crucial difference with the pre-conditions for the construction of socialism (or, more accurately, a planned economy). In the latter case, it is indispensable to first win political power in order that a planned economy can even begin to be put in place. For a bourgeois revolution, the opposite pertains. Accordingly, capitalist relations could only further progress with the ending of all major feudal remnants which meant the overthrow of the Absolutist Caroline state and the seizure of power by the outright capitalist forces – the establishment of a nation-state.

Moreover, pointing up that the different social strata were actually to be found on both sides is trivial (Brenner falls into this trap, see Brenner, 1987). However, this type of sociological argument rests on a caricature of the essence of any revolutionary upheaval. In no revolution in history do we see serried ranks of the various classes all lined up on their different sides. Not all members of the same class or strata see clearly where their long-term interests lie - or stay the course. The English revolution was no exception. Indeed, the make-up of the various alliances inevitably shifted during the course of the civil war. What gave to the parliamentary forces their revolutionary thrust was not the class position of its leading actors, but the social support of the mobilised plebeian masses, and the construction of alternative organs of power which, for a while vied with the established power, until one or the other side had prevailed (Novack, G., 1972; Manning, B., 1978). The most prominent of these organs of power was the New Model Army, something much more than an ordinary army (Hill, C., 1972/75). Much less well



known, but of major significance for all that was that organised by the radicalised City merchants and petty bourgeois strata against the Aldermanic institutions of old feudal City. Each element of the parliamentary alliance, therefore, was forced to weigh up at each stage which was the greater danger: the encroachment of the Royalists on their property rights, or the threat of the mobilised plebeian masses to these same property rights. By the same token, it is facile to attempt to revolve the argument around the question as to whether the eventual victors in the Civil War were clear at the beginning as to their ultimate objectives or methods of struggle. As in all revolutions, the bulk of the insurgents – in this case the parliamentary forces broadly defined - began as reformists. During every successful social revolution whether bourgeois or proletarian, the revolutionary class or classes have forged, in the heat of battle, a popular revolutionary dictatorship to consolidate the conquest of power and defend it against counter-revolution.<sup>13</sup> The key indicator as to whether a transformation occurred was the upshot of the victory.

'Nobody, then willed the English Revolution: it happened', concludes Christopher Hill, 'But if we look at its outcome, when the idealists, the men of conscious will on either side had been defeated, what emerged was a state in which the administrative organs that most impeded capitalist development had been abolished: Star Chamber, High Commission, Court of Wards, and feudal tenures; in which the executive was subordinate to the men of property, deprived of control over the judiciary, and yet strengthened in external relations by a powerful navy and the Navigation Act; in which local government was safely and cheaply in the hands of the natural ruler, and discipline was imposed on the lower orders by a Church safely subordinate to parliament' (Hill, C. 1980, pp 134-5).

The other inter-related plank is the denial that the Civil War resulted from fundamental antagonistic social forces. It takes its strength from the fatal flaws exposed in the initial attempt to identify the key actors in this contest - what Robert Brenner has characterised the "traditional social interpretation" (Brenner, R. 1989). According to these theories, the key class antagonisms lying behind the Civil War lay between a bourgeoisified landed gentry and the traditional feudal landed aristocracy (Hill, C., 1940; Tawney, R.H., 1941; and Stone, L., 1948). The revisionists rely on the fact that such a clear-cut division amongst the greater landed classes did not exist.<sup>14</sup> But their counter-argument holds little water. It stands on two major propositions. One strand relies on the fact that market economic relations had existed for centuries before the Civil War. No fundamental economic transformation was necessary, *ipso facto*, why the need for political transformation, let alone a revolution? This rests on a theoretical howler of the first order. The market defined in terms of the simple exchange of commodities had not only existed for centuries, but millennia. The capitalist law of value is of much more recent vintage. On the one hand, it demands the complete generalisation of market relations, most importantly to that of wage labour. On the other, through the mechanism of the formation of prices of production there is an ongoing tendency to the formation of a uniform rate of profit.

The other strand argues that the Civil War was occasioned by little more than avoidable personal rivalry, lack of perspicacity and sheer incompetence. Undoubtedly, personal idiosyncrasies of Charles I, as well as Court intrigues played a role. The avowed self-destructive behaviour of Charles is not only tautological but, even if it had any meaning at all, could only affect the timing of such momentous events (Cust, R. and Hughes, A., 1969). The fact is that over a prolonged period there was a more or less systematic dispute by the counter-posed coalitions and alliances over constitutional sovereignty, fiscal policy, commercial orientation and foreign affairs. Whilst each political crisis had its own specific causes, the underlying issues remained basically the same.<sup>15</sup> Such continuity cannot be ignored under a welter of minutiae adduced to explain each crisis.

### **A Thoroughly Modern State**

The two decades after the Civil War were marked by political crisis. The final form of state issuing from the "Glorious Revolution" of 1688 was a result of real compromises by the

bourgeoisie. Formal monarchical features were maintained or, rather, restored, because the bourgeoisie feared its radical wing more than its vanquished foe. After having secured its dominance, the bourgeoisie did not follow through its victory to the end as demanded by its radical wing: the Levellers and the Diggers. The Levellers stood for a fully-fledged democratic republic based on the people as a whole; the Diggers, a marginal force, stood for a primitive form of communist society (Hill, C., 1980a). Popular sovereignty had been debated out and rejected by the Cromwellians in the seminal Putney debates. Instead, they had declared themselves in favour of a Hobbesian contract of independent property owners. What the bourgeois required was simply a state capable of defending capitalist private property. Liberalism, not democracy is the programme of the bourgeoisie, as explained by their leading theorists. Their freedom was freedom *from*, not positive freedom: freedom *from* arbitrary government by the Monarch; freedom *from* encroachments on their property rights; freedom *from* pre-capitalist monopolies; freedom *from* Church interference; and so on. Liberty meant something quite different from that of a democratic republic: as Locke following Hobbes explained: freedom was freedom of property to use as you liked; and also freedom from encroachment and appropriation (Hill, C. 1980a). Faced with the democratic challenge from the radicalised masses, the bourgeoisie took fright. The gentry had no interest in encouraging a further radicalisation of the peasantry and the rest of the popular masses. They feared that a political system subject to majority vote would be a threat not only to the private property of the Royalists, but that of the parliamentary gentry as well. Accordingly, after securing their ascendancy they turned on their radical supporters and sought compromise with their opponents - as has happened in all bourgeois revolutions. Fundamental democratic rights are never granted to the mass of the people *gratis*; they have to be taken in struggle as the suffrage required the mass mobilisation of the Chartist movement, and then the suffragettes. So, too, freedom of speech and the press, trades union rights, as well as the array of more recent gains for black and women's rights has shown. However, it was too early in history for the Levellers (let alone the Diggers) to head up the nation, and secure their democratic republic.

The Commonwealth could not survive the death of Cromwell. However, it would be a mistake to see in the Restoration a return to the status quo ante: the Rubicon had been crossed. There was absolutely no continuity between the pre- and post-revolutionary state. The relation of Parliament to the Crown had been turned upside down. To be sure, an unelected second Chamber dominated by the landed aristocracy was kept in place; an established Church was maintained; the legal framework continued to be based on common law; and the whole edifice rested on an ineffable unwritten constitution. But the legislation of 1641, which outlined the supremacy of Parliament, was re-asserted. The Crown was now subject to - not dominant over - it. Hitherto, the King had summoned Parliament. Now Parliament summoned the King. The House of Lords became the subordinate chamber. Now, common law was subject to change through parliamentary legislation. Henceforth, legitimacy emanated from 'the people', not "Divine Right" - notwithstanding the different levels of commitment to democratic rights of the different layers involved (in inverse proportion to economic power and wealth). This marked it out as a democratic revolution. The locus of power had shifted definitively from the Monarchy to Parliament. Just to underline the new relationship, when subsequently William of Orange was proclaimed sovereign in 1688, he was forced to accept a Bill of Rights drastically curtailing Royal prerogative and re-asserting the primacy of Parliament. The feudal hangovers should not be allowed to obscure the fact that England was now a thoroughly bourgeois state. "Civil society" was formally instated, that is to say, the separation of the state from the private sphere: the economy, the family, and a series of private associations (newspapers, clubs and political parties - and subsequently trades unions). In other words a nation-state was born.

This was a thoroughly modern state despite its quasi-feudal political structure. Far from being a source of weakness, it was a major asset for British capital in establishing its world hegemony. By way of comparison, it was Germany that saw the ongoing prominence of an essentially feudal land-owning class. Yet, it was under this geriatric formation that German capital gained the strength to challenge Britain (Meiksins Wood, E., 1991).<sup>16</sup>

## “Empire Capitalism”

The new dominant bloc was not homogenous but a combination of diverse capitalist layers. The Empire and its extension was the glue. Capitalism in one country is just as absurd as “socialism in one country”. Without securing its ascendancy on the world market against feudalism, capitalism could never have survived even in England (Wallerstein, I, 1975). Specifically, ever since Cromwell the bourgeoisie understood that British capitalism could only continue to prosper by subordinating France in the world market, its main (feudal) competitor and the sponsor of a number of counter-revolutionary expeditions. Britain, accordingly undertook a series of wars against these feudal rivals. These were the first commercial wars in history (Stone, L., 1980). It may have been Holland, not England, which witnessed the first bourgeois revolution. What was significant about England was that it took on and defeated the feudal powers of France and Spain, conquering the world market for capitalism.<sup>17</sup> If there is anything “peculiar” about British capitalism it was the construction of an overweening British Empire in an essentially feudal world. After England's supercession of Holland in the aftermath of the English revolution, every other capitalist power, as it developed, reached take-off in a world already dominated by capitalism. Not so with Britain. The fact that English capitalism had to establish itself in a feudal world marked its social structure in a different way than other capitalist states.

A key first step on England's road to world dominance was the subjugation of the other nations that were to form the United Kingdom. This went hand-in-glove with the development of a broader colonialism. In pursuit of this, it promulgated the Navigation Laws granting a monopoly to British ships of the transport of commodities between the home country and Empire. This latter sparked a war with the Dutch, which England won. After a series of wars that in its final phase lasted some 30 years, England had pushed aside its feudal competitors. In the process it: secured the Spanish Americas; opened the way for the interloping commercial class to exploit the English American colonies; and, even after the American Revolution, eventually forced France to cede Canada and other major possessions in the Caribbean. Britain's wars with France were not only over the Americas but also, and crucially, over control of India. This conquest more than anywhere else gave to an offshore island off the European continent the means to dominate the world.

The Settlement of '88 equally laid the ground for a financial revolution. Here the basis for a fractional banking system was laid with the nationalisation of the Royal (war) debt through the issue of sovereign bonds, the levying of the first high-yield income tax in history to pay the interest, and the formation of the Bank of England (Roberts, R. & Kynaston, D. 1995). As Marx noted: ‘The public debt becomes one of the most powerful levers of primitive accumulation. As with the stroke of an enchanter's wand, it endows unproductive money with the power of creation and this turns it into capital, without forcing it to expose itself to the troubles and the risks inseparable from its employment in industry or even in usury. The state's creditors actually give nothing away, for the sum lent is transformed into public bonds, easily negotiable, which go on functioning in their hands just as much as hard cash would. But furthermore, and quite apart from the class of idle *rentiers* thus created, the improvised wealth of the financiers who play the role of middlemen between government and the nation, and the tax farmers, merchants and private manufacturers, for whom a good part of every national loan performs the service of a capital fallen from heaven, apart from all these people, the national debt has given rise to joint-stock companies, to dealing in negotiable effects of all kinds, and to speculation: in a word it has given rise to the stock exchange gambling and the modern bankocracy’ (Marx, K, 1997, p. 919).<sup>18</sup>

On a historical scale, all this was *willy nilly* a highly progressive development. It was the financial revolution, just as much as British armed might, which tipped the military scales in Britain's favour against its feudal rivals (Brewer, J. 1989; Dickson, P.G.M. 1967). In 1708, the Bank of England had been granted a monopoly in joint-stock banking.<sup>19</sup> It exploited its close relations with the state to the fullest extent. It held government cash balances, purchased bullion for the government, bought and sold government bonds, and handled international financial transactions for the state. It was also banker of last resort,

setting interest rates through the manipulation of the money supply.

But that was not all. A financial system was developed which could provide the capital for Britain's industrial revolution. In addition to the Bank of England, there were several large private banks. Connected to these through a cobweb of ties, were a myriad of local banks. The latter grew in proportion to the development of manufacture, the demand for loans accelerating as the industrial revolution took off. It was the ready endorsement of Bills of Exchange by the large London private banks that allowed these local banks to more than fulfil the demands made upon them by manufacturers. The upshot in the post-revolutionary period was the growth of a new breed of property owners, accruing wealth (and income) in paper assets. In 1721, the national debt had been some £50m. At the end of the Napoleonic wars, it had mushroomed to some £709m. We can get a measure of the weight of the debt (and, therefore, bankers profits in accrued interest) from Victor Morgan's judgement that 'The debt, in relation to national income and to the total value of property, must have been as great as that left by either the First or Second World War' (Morgan, E.V, & Thomas, W.A. 1962, p. 43; quoted by McRae and Cairncross, p. 3). Socially, this re-making of the City elevated the 'bankocracy' – money-men, bankers, brokers and stock jobbers - to a powerful force in the economy. There was a symbiosis between these and the mercantile capitalists whose trading provided 60% of government revenues, but who, in turn relied on the Bank of England for their funding. 'The Bank can be seen as having played a vital role in the development of British commerce and imperialism', write Roberts & Kynaston. 'By offering short-term credit facilities and "running loans", the Bank underwrote British activity in the wider world by helping to oil the metropolitan wheels of corporate finance, and this was particularly the case with the East India Company' (Roberts & Kynaston 1995 p.15).

Ownership of land and being christened with a peerage, as well as engaging in "gentlemanly pursuits" associated with this – foxhunting, grouse shooting and the like – was (and is) essential to British social esteem. But, this did not mark the economic and political ascendancy of the aristocracy. Anyone with wealth could buy into land. And the landed aristocracy had little choice but to open up to new entrants (Mathias, P., 1983 p. 48).<sup>20</sup> The traditional landed nobility from the beginning was thoroughly integrated into all economic activities. It was not a separate caste as, for example, the Prussian Junkers. This marked off the British landed interests. The consequence of the move of moneyed layers into land ownership - whilst continuing to draw their main income from elsewhere – was to change the very concept of property rights, and therefore the content of the designation of "aristocracy". Previously, this had been equated with hereditary land ownership per se. Such was the terms within which Adam Smith approached the analysis of capitalism, seeing agriculture as the only legitimate form of economic activity. But with the integration of the bankocracy, the notion of "aristocracy" went through a metamorphosis. Wealth gained from financial and commercial activities could now legitimately be deemed 'property'. Through inter-marriage, buying and/or being conferred with a title, non-hereditary landowners were able to cover themselves with the necessary social adornments that marked social esteem.

As time wore on, the enormous wealth of the traditional landlord class was invested elsewhere. The income of the larger landlords relied less and less on agricultural rent, instead coming from commercial property and, most significantly, from the investment of their accumulated wealth in commercial interests based on exploitation of the Empire (Cain, P.J., and Hopkins, A.G., p. 31). In addition, because of primogenitor, younger sons were forced off the land. They therefore sought income through commerce, staffed the empire or married the daughters of wealthy merchants. This criss-cross movement was a means of socially and culturally homogenising the different fractions of the oligarchy. This process was reinforced through a common education of their offspring. By 1800, 70 per cent of upper class children went to one of the four top public schools - Eton, Winchester, Westminster and Harrow – engendering cultural homogeneity. But it was the shared economic relationship that moulded the culture, not the other way round. It was the aristocracy that was integrated into the bourgeoisie.

## **The heroic age of capitalism**

As the eighteenth century wore on, the structure of British capitalism more or less rapidly began to change in favour of manufacturing. The fiscal and foreign policy orientation of the landed-financial-commercial bloc suited the nascent industrial bourgeoisie. The Empire constituted a protective wall behind which Britain's industrial base could be built and its ascendancy secured. The burgeoning trade of the agricultural/mining sector consolidated a national market and price structure fed by an extensive transport network, at this stage, most often funded by landlords. The development of such an advanced communications system equally clearly aided manufacturing industry (Kerridge, E., 1988 pp. 5-6). It was primarily the dynamism of capitalist agriculture that dramatically expanded the home market for manufactures. The existence of a national market, meant that industrialisation in specific centres (notably Manchester and Birmingham, in addition to London), allowed its effects to be transmitted nationally, rather than being locked into a localised enclave, as was often the case in other countries which had witnessed some regional industrialisation (Hobsbawm, E.J., 1969, pp. 47-48). The existence of a sufficiently large home market was vital to ensuring sustained growth. Moreover, for industrialists, the interplay between the domestic and export markets played an indispensable role. Without the domestic market to fall back on when exports conjuncturally declined, capitalist industry would have found it difficult to sustain growth.

The fact that Londoners had to buy their food from the rest of the country further deepened a national market. In so doing, it disseminated across the Kingdom, income from imperial tribute and international trade, the locus of which was London. This was a key difference between London and other capitals at that time. These developments, were a key ingredient in the development of the distinctive character of the English/British banking system, for an extensive local network linked into the City - despite the latter being primarily oriented to trade, processing bills of exchange and managing the national debt (Kerridge, E., 1988 p. 1). Empire provided a protectionist shield fostering infant industries; industry grew through a burgeoning domestic market fuelled by tribute and financial returns from investment in the Empire; and it found the necessary funds for investment from a local banking system keyed into the City which could provide the necessary liquidity from an advanced financial system based in government debt pumped up by financial returns from loans and other investments overseas.

By the 1820s, however, the quantitative weight of new industries imposed itself on the economy as a whole (Crafts, N.F.R., 1985). By then investment in industry became significantly larger than in agriculture. From the beginning of the nineteenth century onwards "Free Trade", which in the first place meant free trade in food and raw materials, became the battle cry of the bourgeoisie, against the wishes of commercial capitalists and a section of the more economically backward agrarian interests. Manufacturing capital began to develop a communality of interests with capitalist-minded landlords. The balance of capital flows was reversed: capital now flowed from the land to industry. This change signalled a shift in ruling class alliances. As manufacturing began to take off and as it became dominant in the domestic economy, it found the specific form of Empire capitalism based on protectionism an impediment. The need to re-focus the domestic economy required it to confront the existing power structure. This began to tip the balance against traditional commercial capital. Industrial interests in alliance with the liberal wing of the Whigs began to speak for themselves. This culminated in break-up of the ruling oligarchy and the assumption of power by the industrial bourgeoisie.

The conquering of this world market by capitalism saw a further stage in world-wide inter-connections: commodity export from the developing capitalist states, raw material imports from the colonies, and even investment by commercial capital in the colonies to boost production of the required raw materials. This latter witnessed the forced immigration of indentured labour and then slavery. With the industrial revolution, world market integration took a major leap-forward.

## **The rise of the industrial bourgeoisie as "representatives of the nation"**

The whole debate over the position occupied by the industrial bourgeoisie in Britain has been unutterably confused. Something peculiar really would be going if the industrial bourgeois remained permanently subordinated to other ruling factions in a state that led the struggle to establish the ascendancy of capitalism in the world market; was the seat of the Industrial Revolution; and became the "workshop of the world." Again, at first sight, it defies belief that a state supposedly dominated culturally by militantly anti-industry forces could have produced so many entrepreneurs. In fact all the most decisive indices lead to one conclusion: that from the early 1830s until the emergence of imperialism in the last quarter of the nineteenth century, the British State *was* dominated by the industrial bourgeoisie. The progressive removal of impediments to commodity and capital flows both domestically and internationally, government fiscal, monetary and - most revealing of all - foreign policy, worked in favour of the industrial bourgeoisie often (if not always) against other ruling strata. The content of such policy options are the indicators as to which class is in power - whoever may, at any one time, be in government office. The government is not co-terminus with the state. The latter embodies, more or less transparently, a separation of powers. However, from the time when the industrial revolution was consolidated until the rise of imperialism, other strata either adapted to, or were forcibly subordinated to, the industrial bourgeoisie - not the other way around.

Nonetheless, there is a substantial body of literature spanning several decades which insists that not only prior to, but also during and after the industrial revolution, it was the industrial bourgeoisie that bent the knee. This conception is so widespread that, in the words of Martin Daunton 'it is in danger of becoming a new orthodoxy among historians, attracting a surprising degree of support across the ideological spectrum' (Daunton, M.J. 1989 p. 119). (Anderson, P. 1964; Ingham, G 1984; Cain, P. & Hopkins, A.1993; Pollard, S. 1989; Clarke, J.C.D. 1985; See also Mooers p.172). Even after the industrial revolution, Perry Anderson, one of the most influential theorists of this paradigm, speaks of the industrial bourgeoisie's 'cadet role'. As for the industrialists, remark P.J. Cain and A.G. Hopkins, they 'were only too eager to lift themselves and their families into the landed and gentlemanly sphere' (Cains & Hopkins, p. 38). True as this latter was, this trite observation proves nothing as to who pulled the levers of power. Such assertions, however, are in fact crucial to sustain a culturalist rationale for British industrial and political decline. In this vision, the British State is held to reflect the interests of the traditional landed aristocracy even after manufacturing had become economically dominant over agriculture, and despite the fact that farming was becoming itself subject to industry. The diminishing economic weight of agriculture was deftly sidestepped by the aristocracy, the story continues, in turning their hand and accumulated wealth to financial activity. Key issues are at stake in *de facto* reducing the issue to one of snobbery. Those that do end up - wittingly or not - in variously rejecting the view that Britain ever conquered the world for capitalism, denying that there ever was an industrial revolution, and, indeed, that Britain was ever the "workshop of the world".

Let me first clear the decks. Credit and financial institutions are always parasitic on productive capital. Yet banking families exercise substantial influence, as financial intermediation is indispensable for the very functioning of capitalism. This much is not in dispute. Yet to say that finance has always sat atop productive industry is little more than a tautology. The role of financial institutions and the weight of financial interests vary and are themselves changed according to the stage of development of the economy. Before the industrial bourgeoisie asserted itself, the most significant proportion of the City's earnings came from the provision of short-term loans for trade and the discounting and re-discounting of bills of exchange. Whilst those engaged in the latter services are indifferent as to whether demand for their services comes from home or abroad, the fact is that the availability of such services greatly facilitated domestic industry, local banking and trade.<sup>21</sup> It certainly didn't work to its detriment. Indeed, the industrial revolution would have been impossible without it. To be sure, manufacturers, notably those associated with the woollen trade, had been prominent well before the Civil War. However, as the eighteenth century wore on, the deepening domestic market and ever more generalised commodity production progressively expanded demand for manufactures, promoting economic growth and enhancing the specific weight of manufacturing capital. The massive expansion of export industries - mainly cotton - created pressure for

mechanised production. Thus the decade of 1760-70 saw the transition from mercantilism to industrial capitalism: the Industrial Revolution began (Hartwell, R.M., 1990, p. 575; Frank, G., 1978, pp. 7-10).<sup>22</sup>

There was a close symbiosis between industry and the financial set-up. Thus the Industrial revolution also occasioned a transformation in the financial system: the linking of the hitherto local banking system into a national network tied to the City. To be sure, overseas investors and government held substantial funds in London, which were recycled internationally, but this was to the advantage of industrial capital: the very size of this activity precisely provided the indispensable liquidity and extra-sources of long-term borrowing for domestic industry. The suggested counter-position between industry and the financial sector just didn't exist. Moreover, insofar as any structural features inimical to industrial capital began to develop, the financial system was transformed in favour of industry. The benefit derived by fledgling industry was, however obscured by the fact that, in addition to providing those domestic funds precisely to the degree that demand existed, the City also underwrote the trade of foreign countries between themselves. Many trading houses had affiliates abroad and also dealt in the provision of financial services internationally. This brought rich pickings to the City. Whilst this, strictly speaking, was a commercial, as opposed to a financial function, such international operations were only possible because of the economic and trading dominance of British industry – and the weight of the military might to enforce paper contracts. Britain's growing industrial might was the real underpinning of sterling's weight and the City's creditworthiness.

Some academic historians have attempted to argue that the transition to mechanised production was so gradual that it is inappropriate to talk about an Industrial *Revolution* (Clarke J.C.D., 1985, pp. 64-92; Crafts, N.F.R. 1985. p. 87). Of course, the question of whether there was acceleration in economic growth is an important one. In fact, despite claims to the contrary, economic growth did quicken. A close examination of the figures and sources of the revisionists (inspired by Harley and Crafts) exposes the claim that the industrial revolution failed to accelerate economic growth (Harley, C.K. 1982; Crafts N.F. .R. 1985). As R.V Jackson aptly remarks: 'Crafts view of the rate of growth is conditioned by what he expected to see and his growth estimates are not the source of some new view, but its reflection' (Jackson, R.V. 1994, p. 95). Jackson broadly supports the earlier estimates of Deane and Cole (Dean & Cole, 1962). On his figures, industrial production grew at an annualised rate of some 2.2% between 1780 and 1820 and at some 2.7% between 1790 and 1830.<sup>23</sup> This compares with a rate of 0.9% between 1730 and 1770 (Jackson V.R., 1992, p. 19). The industrial revolution was also a technological revolution. Those sectors that applied innovations showed impressive productivity growth – a fact obscured by concentrating on overall aggregates. Take the obvious case of the cotton industry. It benefited from a whole series of innovations. The introduction of the spinning jenny resulted in a sixteen-fold increase in productivity. Meanwhile, on the other side of the Atlantic the invention of the cotton gin transformed the production and price of cotton. Now, it is quite true that many of the inventions applied in the Industrial Revolution had been made some time earlier. It was not so much the timing of the inventions that determines whether the appellation of revolution was appropriate, but rather the transformation of social relations which created the conditions for the application of such inventions. The designation of *revolution* cannot be decided in terms of the level of technology. The crux of the matter lay in the complete transformation of the worker's relation to the means of production, which, *ipso facto*, required technological advances. Previously the tools were at the service of the worker; the Industrial Revolution put the worker at the service of the machine. It became the machine that now governed production, to which human labour power was a mere ancillary. Such manufacture (handicraft) was no longer based on the ownership by the worker of his or her own instruments of production; and commodities were not the property of the individual craftsman, but the merchant-employer. The technical division of labour had lagged behind what were in fact capitalist relations of production. This was Marx's point in characterising such a transformation of the economy as a change from *manufacture* to *machinofacture* (Marx, 1976b). There is nothing new in this debate and nothing more appropriate in reply than the words of Maurice Dobb in 1945: 'Its (the industrial revolution) lies less in the speed of technical change itself than in the close connection between technical change and the structure of industry and of economic and social relations, and the extent and

significance of the effects of the new inventions upon the latter' (Dobb, M. 1946/63 pp. 260-1; see also Thompson, E.P. 1974). In other words, the primary and distinguishing framework for the Industrial Revolution and why it can be called a *revolution* is because it was a social revolution first and foremost and not a technical revolution.

Revisionists seek confirmation for their approach from yet another angle: that, far from there being a generalised application of new technology, they point to the fact that backward production techniques were actually reinforced in certain sectors - outworking, for example (Thompson, E.P., 1968, pp. 288-9). To be sure, machinofacture was not immediately generalised to the whole economy. But this fact does nothing to reinforce the revisionist critique. It is characteristic of capitalism to this day that it yokes together the most advanced with the most primitive forms of production. Then, as today, machinofacture made use of backward production techniques where it suited them as an integral part of the production process. Additionally, the higher rate of profit in the technologically more advanced sectors, attracted surplus capital to these sectors. Thus, the Industrial Revolution saw precisely the transfer of value from backward industries to the more technologically developed. Nothing else can explain the emergence of growth sectors and the generalisation of machinofacture. In sum, it just cannot be taken seriously that Britain becomes the leading producer of manufacturing goods if it had had to rely primarily on 'medieval' production techniques (*pace* Pollard, p 217; Clarke, J.C.D. 1985, p 4). Even where such mis-named 'feudal' production techniques continued Martin Daunton explains: 'these were often far removed from the nostalgic picture of apprentices, journeymen, and masters in a cohesive family unit' (Daunton, M.J. 1995 p127). In any event, neither now nor at the time of the Industrial Revolution were such backward techniques the leading edge. Until the industrial revolution capitalism developed by bringing together under one roof essentially semi-skilled and handicraft labour based on the tool or simple manually operated machine (e.g. the spinning wheel). Machinofacture upturned all this. It was in such a context that science and invention quickened the pace of capitalist industry. 'The textile innovations of the eighteenth century did not involve great scientific novelty', observes Angus Maddison 'Nevertheless, they were a spectacular demonstration of the potential profits from innovation' (Maddison, A., 1991 p. 37). Machinofacture from the last quarter of the eighteenth century on became the leading edge in economic expansion. It gave rise to various inventions or found a productive application for previous inventions (like new methods of smelting iron). In turn, this spurred the transport system - turnpike roads, canals - and subsequently railways.

Last, but not least, the ever-growing demand for labour inaugurated a broader social revolution. Peter Mathias who is himself unhappy with the epithet of industrial "revolution", nonetheless has to admit that '...judged against the long perspective of recorded history, the late eighteenth century did see pivotal changes of this (social) nature and development of new trends which may be claimed in retrospect to have changed the nature of the economy and to have established a watershed between an essentially medieval and an essentially modernised context in the economic sense' (Mathias, P. 1983, p 3). I would question the appellation 'medieval' to the pre-industrial economy, but the social transformation to which Matthias points cannot be denied. In 1700, three quarters of the population lived in the countryside. Towns of 5000 or more comprised only 13 per cent of the total. By 1851, the population was mainly urban. New, large towns had sprung up in Manchester, Birmingham and Wolverhampton (mainly to serve industry). The major ports had massively expanded: 'More changed in Britain in those years', insists Joel Mokyr 'than just the way that goods and services were produced. The role of the family and the household, the nature of work, the status of women and children, the way in which people chose their rulers and supported the poor - all these were altered more rapidly than before' (Mokyr, J. 1993, p. 5).

But even this picture is deformed without seeing the world historical transformation. The Industrial revolution was marked by a qualitative extension of the exchange of products in the *world* market and gave capital, labour and culture, an unprecedented mobility. It was the advent of industrial capital that saw the definitive creation of a world market beyond the core economies. Footloose capital began searching the globe for new openings for trade and investment. In line with this, not only did millions of people move to new towns and cities, amplified by massive Irish immigration. Added to this was the distribution of



millions more from the Old World to the New in the greatest mass migrations in history. Prior to Industrial Revolution, few toilers ventured beyond their own village or nearby town. Cosmopolitan culture transformed the horizons of millions (Novack, G., 1972). This over-determined conjuncture signalled the sharp dislocation that, in Britain, witnessed the ascendancy of the industrial capitalist and the end of the dominance of landlordism.

### **Fruits of Empire**

The Industrial Revolution put Britain at the centre of the world market. This change brought in its wake a new international division of labour, in which Britain produced the manufactured goods and the rest of the world, the raw materials (Barrat Brown, M., 1972 p. 47).<sup>24</sup> Britain's exports to Empire distinguished it from other industrial powers. In Europe, trade was primarily intra-European (as it still is), but for Britain the Empire became ever more central in the face of the hardening of protectionism in the other industrialising countries (Crouzet, 1982 p 355). India - the "Jewel in the Crown", as Gladstone accurately dubbed it - played an absolutely central role in its pole position in the world market. Initially, from 1765 when Bengal was seized, the East India Company had administered India on behalf of Britain. Progressively, the rest of India was brought under its aegis. In 1858 the British government assumed direct control partly in response to the 1857 rebellion.<sup>25</sup>

Financially, too, the City gained enormously from the loans advanced to the Indian government. These were used for its capital imports from Britain (often under the direct instructions of the British colonial administration) to the direct benefit of industry. The 'home charges' whereby India paid for the privilege of being ruled by Britain brought major tribute. India was essential to the stability of the Gold Standard. Its Silver Standard, at the time when Britain itself was spearheading the adoption of the Gold-Exchange Standard, allowed the appropriation of Indian gold. But India, perhaps more than the rest of the Empire, was equally vital and lucrative for industry. Thirty per cent of British exports went to India; India was one of the few countries with which Britain had a balance of payments surplus - which facilitated a system of multilateral settlements with those countries with which Britain had a deficit, notably the US. The relationship of Britain to India was absolutely crucial to Britain's overall international financial role. 'Had not British exports found a wide-open market in India', comments S.B. Saul, 'it would have been impossible for her to have indulged so heavily in investment on the American continent and elsewhere' (Saul, S.B., 1960, quoted Walter, p. 109). Britain dumped its often uncompetitive goods on India (and the rest of the Empire) and exported its capital goods, and often loans for them, to the "old" and newly industrialising countries alike: Belgium (the second country to industrialise after Britain); Germany; and the US (especially in railways); and in other countries. The peculiarity of Britain's economic structure stemmed from the fact that *both* industry and finance gained from Empire.

It is important to note that Britain's colonial relations with India also shifted to reflect more sharply the interests of the industrial bourgeoisie as the industrial revolution matured. Quite quickly, it became obvious that British manufactures could only find a market in the colonies insofar as these economies had the liquidity to purchase British goods. Such liquidity was posed especially in relation to India. Having smashed the indigenous Indian industry, the English cotton industry - by now the backbone of the whole British economy - became more dependent on the Indian market. Here, resources for imports had declined drastically. It became obvious that some exports industries had to be created in India and broader trade facilitated by improving its communications network (Marx C.W. 12, pp. 154-6 and 218-19). In turn, this required the removal of import duties against overseas products - even if such products were only for re-export. Such an arrangement had the knock-on effect to the benefit of British shipping in allowing two-way carriage of goods between importing countries and exports to Britain it went a long way in keeping British commercial shipping profitable. For the same reasons, the colonial countries themselves required the penetration of new markets. One example of this was revealed by the "Opium Wars" waged by Britain against China whose aim was not only to open Chinese markets to British goods - and prepare it for colonisation - but also

to provide a market for the opium grown in India (and to prevent it being produced domestically in China). These new needs of the industrial bourgeoisie meant that the old protectionist economic set-up in India and elsewhere, as hitherto demanded by the commercial bourgeoisie, had become a significant impediment to capitalist expansion. The removal of many of these restrictions on trade opened vast new areas of the world to British manufactured exports.

By mid century, however, Britain's older industries had begun to stall somewhat. Nonetheless, and despite trends to import substitution, the preconditions for take-off of the newly industrialising economies multiplied the demand for British capital goods, iron, steel and coal, in all of which Britain had a comparative advantage. Meanwhile, British exports to Europe began to grow again to their former level (Crouzet, F. 1982 p. 354, Table 61). Everything now needed to be dedicated to the needs of these industries and their new markets. Remaining obstacles to this trade needed to be removed. The need for the shift can be gauged from its *post facto* consequences. The decade after the repeal of the Corn Laws saw British exports rise by 7.5 per cent per year. Between 1840 and 1860, the proportion of capital goods doubled as a proportion of manufactured goods, from some 11 per cent to 22 per cent (Hobsbawm, E.J. 1969 p. 109). Even at this point, it should be noted that the City played an indispensable role in driving industrial expansion. At the financial level, it facilitated trade through the provision of loans for overseas capital investment projects, or loans to governments for the same - if they offered an above average rate of return. Quintessentially here, was investment in railway construction. Much of this was provided during the heroic epoch of British capitalism, between 1830 and 1850. During this period, such capital-intensive investment amounted to some £3250m in nominal capital and was the major factor in reversing the falling rate of profit after 1840 (Hobsbawm, E.J. 1969 Ch. 6; Dobb, M., 1945 pp. 296-298; Mathias, P., 1983 p. 131). British industry gained as much out of such direct investment as did financial and commercial capital. As Trevor May details amongst other things, railway construction was itself a major industry; it 'created an entirely new section of the British engineering industry'; and it pushed up the rate of investment to 10% of GDP by the middle of the century (May, T. 1995, pp. 177-184). And even in its directly commercial functions whether it be in shipping, insurance, or commodity (raw material) exchanges, the City was vital to domestic industrial growth.<sup>26</sup> Nonetheless, the two-faced role of the City clearly posed a potential conflict of interest.

In the first quarter of the nineteenth century as the Industrial Revolution accelerated, this underlying tension came to the surface. To argue that Britain was essentially a "service" economy is unsustainable. Already, by the turn of the century, the British economy was dominated by industry, banking and wholesale trade. Let us allow for a moment that "shipping" can be considered a service, rather than part of industry. The fact of the matter is that at the height of the industrial revolution service exports only covered some 10% of imports of goods; and by the First World War only amounted to some 14% of visible imports. Meanwhile, visible exports covered 80% and 60% respectively (*Abstract of Historical Statistics*, 1971). The same is true of Britain's entrepot role. It is undeniable that Britain also generated considerable earnings through re-export. But such trade was derivative of primary trade in domestic manufacturing and could not have existed without it. Much of it developed to provide cargo for returning British vessels after delivering British manufactures to the four corners of the earth. More often than not, this was in payment for British manufactured exports, rather than 'buying cheap and selling dear'. More to the point, as with today's commodity exchanges, much of this "re-export" was actually based on the market in contracts. A significant proportion of the commodities that were traded in London and other centres in Britain never saw British soil.<sup>27</sup> This reality, therefore hardly justify the pithy assertion by Cain and Hopkins - in pursuit of their "gentlemanly capitalist" thesis - that Britain in the nineteenth century was not so much the "workshop of the world" as the "warehouse of the world" (Cain and Hopkins I, 1993, pp. 88-9).

Moreover, even these figures are cast in a different light when two other factors are taken into account. First of all, can we talk about shipping - and transport, in general, for that matter - as a service? This is not any easy question to disentangle. It cannot be resolved by in the fact that official balance of payments accounts, place transport under 'services'.

The question needs to be decided on its own merit. The fact is that transport (shipping) adds value to commodities: it transforms use values into exchange values. In its own right, therefore, it should be considered an industry.<sup>28</sup> This answer is of some significance as two thirds of traditional designation of services was contributed by shipping. Moreover, most business services were a spin-off from this. In other words, services were a direct consequence of the dominance of British merchandise and capital goods trade. That is to say, services, certainly at this stage, were derivative of manufacture.

In 1831, on the eve of the Reform Laws, manufacturing, mining and construction accounted for a third of GDP whilst agriculture had fallen to less than a quarter (Crafts, N. 1985; Ross, J, 1983, p 57). However, by the first quarter of the nineteenth century, the staple industries - mainly cotton - began to experience a falling rate of profit (Church, R.A. 1980, Ch. 1). This began to strain the alliance with the oligarchy. The bourgeoisie saw thus both landlords and commercial/moneyed interests, in their different ways, as intolerable blocks to ameliorating this situation. Industry's progressive advance opened up a turbulent period in British history. The industrial bourgeoisie demonstrated great antipathy to the imposition of the Corn Laws after Waterloo. The high price of corn raised the price of means of subsistence of the worker, putting pressure on wages, lowering the rate of profit still further.<sup>29</sup> The repeal of this tax became therefore a key policy objective for the industrial bourgeoisie fostering a collision both with landlords and commercial capitalists, but protectionism was defended by these latter two fractions for different reasons. These differences could and were exploited forcing a breach in the oligarchy, the backbone of the 1688 settlement.

Landlords were mainly concerned with the domestic relation of forces, which only indirectly touched on protection from overseas competition. 'Protectionists', explains Boyd Hilton, 'were primarily concerned with social balance inside Britain, and only indirectly with the external situation ... to regulate the *internal* balance of investment (in favour of agriculture), rather than simply to discriminate against foreigners' (Hilton, B 1987 p.292 - emphasis in original). Landlords are not concerned with the reproduction of the capital-wage labour relationship in the economy as a whole. They may (or may not) encourage this on the land insofar as movements of capital into agriculture or mineral extraction increases their rent. During this period, if anything, capital was moving from the land to industry, as was the population. The Corn Tax had initially been imposed in 1815 as a way of maintaining the high price of corn occasioned by the Napoleonic wars. But a major motivation for maintaining it was in order to forestall the withdrawal of capital from agriculture (Hilton, B 1987, p.16). Landlord rule now stood as a barrier to the free movement of capital and therefore to the further development of the capitalist economy. It could no longer be tolerated.

To understand this, it is necessary to identify the specific character of a capitalist economy as it begins to mature: the specifically capitalist law of value. The economic argument is somewhat technical but relies on the establishment of "prices of production" - through competition between large capitals resulting in the tendency towards the formation of an average rate of profit. This allocates surplus value according to the size of the organic composition of specific capitals. It is through this anarchic process that labour, raw materials and production goods are allocated. *Ipsa facto*, it is this, which reproduces the distribution of wealth and income. The corn tax erected a barrier to this process extending into the countryside and preventing agriculture from being subsumed under the capitalist law of value. It allowed corn to be sold above its price of production, allowing hitherto marginal land to be kept in cultivation - especially in Ireland - and thus a rent to be accrued from this land which it wouldn't normally be economically viable (Hilton, B 1987 p.24). This would have a ripple effect raising all rental income - pocketed by the landlord. Marx called this "absolute" ground rent. In the best of circumstances, landlordly monopoly of land-titles is a barrier to agricultural production, as it tends to discourage investment in farming, the fruits of which would be appropriated in the long run by the landlord, not the capitalist farmer. Such an underlying tension between landlord-farmers is expressed within the agricultural sector. Absolute ground rent, however, adds a different sort of hindrance to the free movement of capital by fencing off a segment of the overall surplus value produced from the stock which would normally be re-distributed to other capitals according to the level of their organic composition (Marx, K 1981, p1001 and Ch 45

passim; Kautsky, K. 1988, pp. 77-83; Mandel E, 1981 p 56; Murray, R. 1977 pp 100-102). Absolute ground rent allowed a transfer of the social surplus to the landlords at the expense of industrial capital. This meant a lower rate of profit for industrial capital. It put the landlord and industrialist on a direct collision course. In a nutshell, Marx explained: 'Corn is not high because a rent is paid, but rent is paid because corn is high' (quoted in Murray, R., 1978, p. 103). Ricardo's version of this - the law of diminishing returns and the proposition that rent was dependent on price and not a factor determining it - provided the ideological framework at the time within which the attack on landlordism was formulated. Thus W. Jacob, a government advisor at the time averred that state protection was only necessary within 'the great producers of corn, to the *bad* farmers' (quoted Hilton, R. 1985, p. 295 - emphasis in original). This negative situation for industry was compounded by another factor - the Tory government's response to overproduction after the Napoleonic wars. They decided on severe deflationary policies consequent upon the early return to the Gold Standard, consciously targeting industrial investment. This impacted on both manufacturers and farmers but benefited landlordism and their affinal City associates. The severe economic downturn additionally engendered large-scale unemployment - intensifying social unrest.

In sum, the repeal of this tax was not only an important factor in shoring up the declining rate of profit in industry; it was also a key step in the necessary transformation of farming into just another sector for capitalist production. Industry could now accelerate its domination of farming through the application of science, fertilisers, stockbreeding and so on.<sup>30</sup> It was equally a crucial element in the free trade requirements by which the world could be opened to the greater productivity and industrial might of the UK. Finally, in lowering the prices of staples, for the working class as well, they saw repeal as a weapon to lower wages and boost the profit rate. Victory in this struggle put the industrial bourgeoisie firmly in the driving seat.

### **The Reform Laws and all that**

However, the repeal of the Corn Laws in 1846 – the victory for 'free trade' - was only the end product of a complete restructuring of the economic set-up of British capitalism and the role of the state (and thereby Britain's relation to its Empire) in the interests of industrial capital. It signalled the subordination of commercial capital to manufacturing capital. As Marx put it: 'The complete domination of industrial capital has been acknowledged by commercial capital and by the 'moneyed interests' (financial aristocracy) only since the abolition of corn duties' (Marx, K CIII p 444 n 46). In fact, *the* major turning point in the shake-up of the ruling class bloc was the period 1828-32. It requires a tendential reading of the facts to judge the passage of the Reform Laws as mere tinkering with the political set-up. So, too, is the proposition that, at best, the constitutional change which they expressed can be reduced simply to the opening some tiny crack which prepared the real breach - the winning of universal suffrage nearly 50 years later. In many ways, the struggle over the Reform Laws was a profound process - a root and branch transformation which ended the domination of the landed interests and broke the back of the oligarchy's control of government and state. The events of 1846 could never have been posed without the Reform Laws of 1832. The important thing is to look behind the facade of the maintenance of the quasi-feudal structure of the state. Henceforth national policies and international orientation was decided in the interests of British manufacturers and industrialists, not the oligarchy.

In the period leading up to 1832, Britain faced a pre-revolutionary crisis. It was not only the industrial bourgeoisie that desired fundamental change in this period. As with all great political transformations, a heterogeneous coalition lay behind the demands for political reform. The most militant components of the alliance were, on the one hand, the mobilisation of the working class for full political. On the other hand, there was the struggle of the Irish people for independence. In January 1830, a 'General Political Union between Lower and Middle Class of the People' was formed in Birmingham. Similar bodies were established in other major manufacturing and commercial cities. These political unions attracted mass support. More menacingly, as far as the ruling oligarchy was

concerned, in April 1831, a broad based National Union of the Working Classes was founded - the forerunner of the Chartist Movement. Meanwhile, O'Connell had formed the Catholic Association in Ireland and, to the dismay of the ruling oligarchy, won a parliamentary seat in 1828. The obvious strength of the movement led to Irish Emancipation in the following year. This placed the question of reform on the agenda from quite another angle: the militancy, determination and mass extra-parliamentary action of the workers movement and the Irish independence fighters. The tragedy was the failure of these two struggles to unite in the face of the cowardice of the middle class leadership of both movements. But the industrial bourgeoisie was clear: when property ownership as such seemed to be challenged, it closed ranks with its erstwhile enemies, albeit with the latter now as junior partners. This was not without its price, even within its own ranks. The Manchester school was reined in and the spoils of office were conceded to the political representatives of the traditional oligarchy. This represented genuine concessions, too, at the political level and the continuing political prominence of landlordly aristocratic elements. But, as Frederick Engels pointed out, in many ways the existence of this bureaucratic elite, its capacity to run the government machine and its experience in state office - so long as it had no fundamentally antagonistic ambitions - was actually a definite asset. The bourgeoisie has neither the time nor the inclination to staff and run government directly. Accordingly, no new layer had to be trained up; they had one ready-made.

The bourgeoisie never had any intention of eradicating landlordism. Moreover, whilst it was determined on reform, strict limits were set on the amplitude of the struggle. Once having achieved sufficient reorganisation of political institutions to allow their hegemony to be expressed over landlordism, they dropped whatever interest they may have had in furthering wider democratic objectives such as demanded by the working class. The latter's revolutionary methods of struggle they viewed with absolute consternation. This compromise with landlordism however reflected something more fundamental for the functioning of capitalism. Commodification of land title was indispensable to the formation of a working class in the first place and it remains an indispensable socially necessary condition in order to ensure that toilers would be forced to rely on the sale of their labour power to reproduce themselves and their families. As David Harvey comments: 'From this standpoint, we can regard rent as a side-payment allowed to landowners in order to prepare the sanctity and inviolability of private property in general' (Harvey, D., 1982, p 360).

To be sure, absolute (monopoly) rent represents a barrier to the formation of an average rate of profit through hindering the free-flow of capital. But insofar as capital can play a role through investment of enhancing the productivity of marginal land, the landlord can have a commonality of interests with industrial capital. And, to the degree that such investment increases competition with better quality land, landlordly ownership is a means of regulating the flow of capital onto the land in such a way as to further the interests of the capitalist class as a whole in regulating the appropriate size of capital investment (Harvey, D, 1982 pp. 362 – 366). Exactly how great the share of total surplus value the landlord can appropriate as rent, is decided in struggle. This was what was fought out between 1830 and 1846. Throughout all this change, the monarchical structure political superstructure proved to be a magnificent tool in neutralising potentially independence forces amongst them. Its very archaic features were a source of the strength of the British state (Meiksins Wood, E. 1991, Ch 2f). Amongst other things, it overcame the contradiction inherent in a state formed out of four nations. As J.C.D. Clarke explains: 'In the eighteenth-century, the community of four nations had been dominated by an Anglican-aristocratic England; in the nineteenth-century, it was swayed increasingly by its anti-Anglican, proletarian, Celtic fringe. The monarchy facilitated the invention of an overriding 'British' nationality as far as the three nations out of which the British state was formed (Colley, L., 1984, p. 106; see also Nairn, T., 1988). In this endeavour, it never succeeded with the Irish, but as far as the rest of the Empire was concerned, for a whole historical period it provided a focus knitting it together. In those colonies where white settlement was unimportant, the monarchical framework provided a natural bridge to win support of reactionary indigenous landlord social layers - an essential underpinning for British rule. Contrary, therefore, to the American colonists, the planters in the West Indies, the gentry in the dominions and mainland colonies, all saw themselves as British

and wanted to remain so. To accomplish this whole operation, the cult of the monarchy was re-invented during the reign of William IV (Evans, E.J., 1983, pp. 245-6).

Of course, no overnight change occurred - one set of relations summarily exchanged for another. The process had already begun before the adoption of the Reform Laws. Indeed, governments had taken measures to facilitate manufactured exports well before 1832, and already under pressure of the industrial bourgeoisie, the monopoly of the East India Company had been eased somewhat as early as 1813. From the other side, the influence of the landed aristocracy was by no means eradicated. Aristocratic credentials remained the mark of social prestige. After 1832, the Empire was still dominated by the plantocracy and remained an arena for plunder. It still provided occupations for younger sons of the landed aristocracy. As industrialisation developed, the source of income of the largest and most influential landlords had become many and varied. This meant that the close ties between landlord and farmer were weakened. Landlords began to utilise their accumulated wealth to involve themselves directly in industrial production especially, mineral extraction (or leasing their land to allow this) and in the development of transport, notably canals and roads, a project vital to the development of industry (Saville, J. 1988, pp. 40-1). Yet, even when they began to invest their wealth in industrial, commercial and the banking activities of the City, now they were dependent on the exploitation of industrial capital, rather than agriculture. Such "gentlemanly capitalists" were not able to take the lead in re-organising the economic base and political superstructure. There was no revolution, but 1832 signalled a profound change: the up turning of the previous pecking order. The industrial bourgeoisie had taken over the rudder of state, but the superstructural facade remained. This is what has confused most mainstream historians as to the significance of 1832.

### **Those in power and those in office**

'Was it true, as Engels put it,' asks Sidney Pollard rhetorically 'that the Reform Act represented the "victory of the whole capitalist class over the landed aristocracy"?' (Pollard S., 1989, p. 217). To which he answers in the negative. He finds justification for this judgement mainly on the basis of the social background of the MPs elected after the Reform Laws. However, it is sheer dogma to define political power through the social make-up of the party that occupies government office.<sup>31</sup> The key change of 1832 was that the social *base* of the parliamentarians had decisively altered. Through the replacement of the rotten boroughs by the existing towns and cities, the reforms brought parliament more or less into line with the real social composition of the ruling families and the lower middle class. This represented a radical shake-up of the constitutional set-up. Whether or not the social composition of the new Parliament was much different than before is beside the point. The key question is: what social interests did Parliament now represent? Indeed, Frederick Engels has found justification in a quite unexpected quarter: J.C.D. Clarke, one of the revisionist historians. To be sure, Clarke puts his thesis to use in a way in which Engels would never have agreed: insisting that it was the 1832 reforms rather than the Civil War that put paid to the *ancien regime*. He writes:

'The provisions of the 1832 Act were not in themselves intended to affect the triumph of Industry or Democracy. Whig ministers generally attempted not to act on radical principles of personal representation, and the Act did not provide for 'one man, one vote'. An attempt was made to preserve a balance between rural and urban interests ... Yet more significant than the *constructive* aspects of the Act were its *destructive* aspects. The removal of these 140 (redistributed) seats shattered the electoral basis on which the late-eighteenth-century Establishment had rested in the House of Commons. ...

The House of Lords had been decisively defeated in 1828-32, and its power to resist future reform dramatically reduced. Together with this ... the cultural hegemony of the aristocracy and the gentry disintegrated. ... If the power of the monarchy and the House of Lords was decisively reduced, the eighteenth-century

constitution, conceived as a system of checks and balances between monarchy, aristocracy and democracy, was at an end.' (Clarke J.C.D., 1985 pp. 410-11)

The relation between party and class is complex. Parties never encompass the whole class whose interests they represent. Neither is the whole class necessarily unified around a common perspective. Different layers whilst having a common underlying unity diverge on short-term objectives - or they may just be mistaken as to what long-term policies are actually in their own best interests. Some are much more far-sighted than others. Above all, one thing is clear from all experience of the functioning of parties in the capitalist system: being in office is not equivalent to exercising power. The fact of the matter was that then, as now, the industrial bourgeoisie was a tiny minority of the population. How could such a minority ever rule in a truly democratic political system? It does not have the benefit of the claim to Divine Right. The truth is, that in a liberal democracy, the bourgeoisie never rules in its own name. It has to win the allegiance at least of the middle class - the social cement of the whole set-up - in exchange for economic concessions and rising expectations. Whilst this fact is most notable in the UK, it is equally true of Germany or Japan, indeed, many other capitalist countries (Mayer, A., 1981). At the most basic level, there is no one-to-one relation between the social position of those in office and those in power. The capitalist class invariably delegates actual day-to-day government to other social groupings; or political parties having a non-bourgeois social base.<sup>32</sup> It is true that the Manchester School of Cobden and Bright, who stridently proclaimed the case of the manufacturer, stood for the elimination of the aristocracy as such and that, after the victory against the Corn Laws and some initial parliamentary success, faded away. But this cannot be taken as representing a failure of the industrial bourgeoisie, as such, to gain ascendancy. Once the foreign policy most favourable to them had been achieved as well as the reworking of the state and financial set-up in its best interests, the existence of an oligarchy ready and able to take on the task of governing was actually a positive asset. It freed them to get on with profit making. The landed aristocrats and gentry for their part were well placed to take on the responsibilities of government. Being the wealthiest land-owning class in Europe, it was able to leave farming in the hands of tenants and devote more time to politics than its counterparts in other countries. Elsewhere, such a political class had to be constructed.<sup>33</sup> Thus it was that a section of the landed classes, after 1832 more and more came to express the interests of the industrial bourgeoisie. As Marx explained, at the time of the Corn Law repeal in the 1846, the Whigs were the 'aristocratic representatives of the bourgeoisie'.

Before moving on, it is useful to developing the underlying thesis to examine another approach to resolving the dispute over the ruling class hierarchy as it evolved in the nineteenth century. This has approached the issues involved on the basis of identifying the respective wealth of the various class fractions. W.D. Rubenstein has provided the strongest evidence to date of the relative weight of income distribution, based on his analysis of wealth as measured through inheritance of millionaires and half-millionaires during the nineteenth century (Rubenstein, W.D., 1981; and Rubenstein, W.D., 1977). Rubenstein, and a number of authors utilising his findings, consider that his figures confirm the ascendancy of the landowners over the industrialists in Victorian society. Thus conclude Cairns and Hopkins: 'manufacturers neither owned enough 'top wealth' nor made it in a sufficiently acceptable way to be able to impose their will on the political system. In the nineteenth century the industrial bourgeoisie in Britain was forced to come to terms with gentlemanly capitalism: it modified it rather than superseded it, and in turn felt the weight of its compelling influence' (Cairns, P.J. & Hopkins, A.G. Vol. I, 1993, p. 38).

However, the question of which class rules cannot be equated with size of income. It is the specifically capitalist law of value that determines the distribution of wealth and income.<sup>34</sup> Relative weights of different classes cannot be judged by who appear in the top of the income league table. What is required is a judgement about historical process, not a snapshot of income. The question is that of the reproduction of property ownership, wealth and attendant income. What we are interested in is gross wealth. There is absolutely no question that the wealth of industry taken as a whole was greater than that in land title (Mathias, P., 1969). It is at the level of production that the basic character of a ruling group is established.

Nonetheless, given the state set-up, entry to the aristocracy was still the route to social esteem: snobbery therefore persisted. The upshot was, as with the bankocracy before it, the industrial magnates began to buy into land and the integration between hitherto separate wealthy families proceeded apace, notably through inter-marriage of sons and daughters. In any event when the obstacles to the movement of capital were removed allowing the formation of one rate of profit, there was absolutely no obstacle to social integration between the hitherto landlord class and industrialists. Most importantly, a ruling class is made up of ruling *families* not an agglomeration of individuals. All analyses accept that there was considerable inter-marriage between the 'three ruling elites' (Rubenstein, W.D. 1986, Thompson, F.M.L., 1963). A different economic relationship was established. The landed aristocracy was integrated into the bourgeoisie. This in no way indicated the *continuity* of the traditional aristocracy, but its transformation. Landlordism does not assure social hegemony in relation to the bourgeoisie as it does with farmers: it was the landlords that bent its knee to the industrial bourgeoisie, not the reverse.<sup>35</sup> Edward Thompson, in his withering reply to the Anderson-Nairn thesis perhaps underplays the continuing strength of the aristocracy, but he clearly identifies this new relation of force. 'Admission to the elite', he wryly observed 'was not in fact, within the gift of the aristocracy: the aristocracy rather registered those shifts and fluctuations of power which occurred elsewhere, and graced a "Society" which came into existence independently of its influence. They were like the staff at an elaborate and prestigious hotel, who could in no way influence the comings and goings of clientele, who or at what time with whom, but who could arrange the Ball and appoint a Master of Ceremonies' (Thompson, E.P. 1978, p. 55).

## Imperialism

In the eighteenth century manufacturing was indeed the junior partner. Yet, as we have shown, industrial capital – in the face of bitter opposition - eventually took its rightful place at the head of the nation. But this did not last long. Within 50 years, its untrammelled rule came to an end. Part of the attraction of the culturalist analysis lies in the weakness of the dominant alternative views: that under mature capitalism, the industrial bourgeoisie must always be hegemonic. This is not to belittle the real strengths of the earlier critics of the cultural paradigm by the likes of Edward Thompson and Michael Barrat Brown. Whilst they effectively demolished the idea that industrial capital never took the reins of state, they are unable to deliver the knock-out blow because of their failure to understand the nature of finance capital – or, at best, to postpone its emergence for several decades after the advent of imperialism. The error is to equate the previous role and function of *financial* capital with a new beast – *finance* capital – which only emerged with the inception of imperialism. What characterises finance capital is the *fusion* of financial and industrial capital. To be sure, finance capital finds its antecedents in financial capital, but its relation is that of one species to another. There is a qualitative distinction and discontinuity between the two. The emergence of finance capital, however, marked the end of the ascendancy of industrial capital *per se*. Since that time, financial institutions have become ever-more important organising centres of the economy. The grain of truth in the culturalist explanation of British economic decline resides here. But, such centrality of financial institutions was and is the characteristic feature of all other imperialist countries, not just British capitalism. The growing together of industrial and financial capital is built into the capitalist relations of production. The inevitable tendency of capitalism is the ever-greater centralisation of capital; the mergers and take-overs involved requiring huge financial resources and therefore the integration of major financial markets – notably the stock exchange – in the very process of production itself.

It was Vladimir Lenin (in collaboration with Nikolai Bukharin), drawing on the pioneering work of J.A. Hobson, the English Liberal, and sharing points of reference with the Marxist Rudolf Hilferding who identified the signal importance of this, which is now the commonplace of bourgeois economic theory<sup>36</sup> 'It is characteristic of capitalism in general' he explained 'that the ownership of capital is separated from the application of capital to production, that money capital is separated from industrial or productive capital, and that the *rentier*, who lives entirely on income obtained from money capital is separated from the entrepreneur and from all who are directly concerned in the management of capital.



Imperialism or the domination of finance capital is the highest stage of capitalism in which this separation reaches vast proportions. The supremacy of finance capital over all other forms of capital means the predominance of the *rentier* and the financial oligarchy; it means that a small number of financially 'powerful' states stand out among all the rest' (Lenin, V.I., 1916/74, pp. 185-304). This separation of finance from its application to industry is not the same as the division between financial and monopoly industrial capital. To the contrary, it signals their fusion. This marks the age of imperialism.

"Imperialism" in the sense used here denotes a special period of capitalism, the character of which is crucial to the argument. As Lenin explained: 'The supplanting of free competition by monopoly is the fundamental economic feature, the *quintessence* of imperialism. Monopoly presents itself in five principle forms:

- (1) cartels, syndicates and trusts - the concentration of production has reached a degree which gives rise to these monopolistic associations of capitalists;
- (2) the monopolistic position of the big banks - three, four or five giant banks manipulate the economic life of America, France, Germany;
- (3) seizure of the sources of *raw material* by the trusts and the financial oligarchy (finance capital is monopoly industrial capital merged with bank capital);
- (4) the (economic) partition of the world by the international cartels has begun. There is already over *one hundred* such international cartels, which command the *entire* world market and divide it "amicably" among themselves - until war *divides* it. The export of capital, as distinct from the export of commodities under non-monopoly capitalism, is a highly characteristic phenomenon and is closely linked with the economic territorial-political partition of the world;
- (5) the territorial partition of the world (colonies) is completed' (Lenin, V.I., 1916b).<sup>37</sup>

The commonsensical notion of imperialism has much broader connotations and a far longer history. 'The distinguishing feature of imperialism', propose Peter Cain and A.G. Hopkins 'is not that it takes a specific economic form, but that it involves an incursion, or an attempted incursion, into the sovereignty of another state' (Cain, P. and Hopkins, A.J., 1993, vol. I, p. 43). This won't do. Imperialist domination clearly involves a political domination. Colonial domination remains one form. But colonialism preceded imperialism. And, imperialism by no means has to take the form of occupation and direct political control. Imperialism is a world system, the inevitable product of the development of capitalism in its decline. It combines capitalist, semi-capitalist and pre-capitalist social relations inter-linked by capitalist exchange relations, dominated by a handful of financially powerful states (Mandel, E. 1972 p. 70; see also, Marx, K., 1978b, p. 196).

Britain became an imperialist power in the latter quarter of the nineteenth century and has remained such to this day. Export of capital became key. If this was counter-posed to investment in the UK, this was because of the falling rate of profit, rather than a starvation of funds. Rather than the City siphoning off funds, it was a key source of capital for industry. Capitalists invest according to the rate of profit. Insofar as there was a general tendency for the domestic rate of profit to fall, then funds will move abroad. In any event, insofar as they are invested in productive assets, it is somewhat irrelevant where, and in what part of the world, they find a home. By 1870, the London stock market was twice the size of all the rest of the world's stock markets combined. Already by that time, it had ceased to be a 'casino', as latter-day critics incorrectly characterise the role of stock exchanges (outside of the transitional economies, where this remains by and large true) (c.f. Strange, S. 1986). Stock markets, which are completely inter-twined with the banking system, are the central organisers of a capitalist economy. Frederick Engels was quick to identify this qualitative shift in Britain. He pointed out: '(S)ince 1865 ... a change has occurred (in the British economy) that gives the stock exchange of today a significantly increased role, and a constantly growing one at that, which, as it develops further, has the tendency to concentrate the whole of production, industrial as well as agricultural, together with the whole of commerce - means of communications as well as the exchange function - in the hands of the stock exchange speculators, so that the stock exchange becomes the most pre-eminent representative of capitalist production as such' (Engels, F., 1991).

The facts are indisputable. Between 1874 and 1913, the rate of growth of capital averaged some 6% of GNP - the proportion progressively increasing between these years (Pollard, p. 61). The growth rate of merchandise exports, on the other hand, averaged a mere 2.9% between these years (Maddison, 1991, pp. 312-13). After 1870, capital export was already one quarter of commodity export rising to some 50% by 1913, at some £4bn. In 1860, for every £7 invested domestically, £1 was invested abroad. By 1913, however, investment abroad was as much as half that invested in Britain itself (Pollard, S., 1989, p. 62; Edelstein, M., p.27). Income from overseas royalties amounted to some £200m per year. Little wonder that despite a trading deficit Britain enjoyed a current account surplus averaging some 4.5% during this period, despite its widening trade deficit. The cumulative size of British overseas investment was such that by 1913 annual repatriated profits were actually greater than new capital exports – so much for the assertion of those that saw lack of domestic investment stemming from the demands of scarce funds drained by overseas capital exports (Semmel, B. 1970, Crouzet, F. 1982, p. 362, Gamble, P., 2002)

Table 2 Realised Returns, 1870-1913 (%)

	Domestic	Overseas
Equity	6.61	8.66
Preference	4.23	N/A
Debentures	3.35	4.49
Average	4.52	5.81

Source: derived from Pollard 1989 p. 77

'What were the reasons for this growth in overseas investment?' asks Francois Crouzet 'The chief inducement for most investors was that the foreign securities they bought held out the promise — which on the whole they kept — of a higher yield than they could get on British stock of the same category and involving a similar degree of risk. The search for the highest rate of return was the main incentive for the private investor' (Crouzet, F. p 361, p. 363). This can be seen from the Table 2.

It has been estimated that some 40% of British overseas investment in the nineteenth century were in railroad companies, and another 30% went in loans to governments primarily for infra-structural development (including railroads). Portfolio investment accounted for the rest. There were objective reasons (as opposed to cultural) why surplus capital favoured portfolio investment and direct loans to governments over FDI. Amongst other considerations were difficulties of direct supervision of overseas production. Ensuring security of fixed assets was more difficult than for paper assets. And the legal infrastructure of many areas whilst appropriate for portfolio and government investment mitigated against direct investment. This is what accounted for the specific structure of the City: its purported abhorrence at holding physical property (and direct equities); the importance of its commercial (intermediation) aspects; and the significance of the international character of the London stock exchange. In these circumstances, what is surprising is not the limited size of Foreign Direct Investment, but its relative significance. In 1913, FDI accounted for £600m out of a total overseas investment of £4,115m (based on figures in Alford, B.W.E., 1996, pp. 80-87).<sup>38</sup> Much of this went into the creation of overseas subsidiaries of British companies. The first manufacturing MNCs had developed in the 1880s and by 1914 there were hundreds of British MNCs in Europe, the US and settler countries of the British Empire.<sup>39</sup> Even before 1914, British-owned freestanding overseas companies, that is, those that were not outgrowths of domestic operations, had come into being (Jones, G., 1996, p. 7). Accumulated capital stock abroad, therefore, was some 90% of domestic fixed capital formation and over 4 times the value of annual exports. In 1913, its stock of overseas investment was between 130-140% of GNP (Hirst, P. & Thompson, G., 1997, tables 2.1 and 2.3 pp. 20-23; Turner, P., 1991).<sup>40</sup> Because of the reasons cited that mitigated against FDI in general, much of it went to North America and the British Dominions (the 'newly industrialising economies') where such types of risk were much lower, or non-existent. In this respect amongst others, there began to be a common purpose between the banks and large-scale industry. British capital, as such, came to rely on overseas profits and dividends from *productive* activity - not only rentier income from bank loans and bond issues, as had been the norm to this point. In this regard, there was

no fundamental conflict of interest between industrial and financial capital.

Britain was not unique in this new economic trend. As other core economies began to catch up with Britain, all the major capitalist powers saw a similar acceleration in long-term capital export, albeit with Britain commanding the lions share - 45% of the total (see Table 3). For very specific reasons the US accounted for only a small proportion of overseas investment at this time. Given that proviso, there is little doubt that with the advent of imperialism, capitalism globally, not just in Britain, clearly shifted its character. It was no longer quintessentially characterised by commodity export, but by *capital* export. This latter was one of the defining characteristics of the new Age of Imperialism.

Table 3 Foreign investment, 1914 (selected countries)

	£m	% of total
UK	4,115	44.0
France	1,860	19.9
Germany	1,193	12.8
US	720	7.7
Others	1,260	15.6

Source: Woodruff 1966, p. 150 (amended Alford, p. 81).

Extrapolating from his comments on German imperialism, Lenin's view of finance capital has been portrayed as direct control of industry by the banks.<sup>41</sup> However, it was Hilferding's understanding of finance capital, not that of Lenin, which posited the exogenous role of the banks in dominating industry. Lenin explicitly criticised this notion. His starting point in identifying the emergence of finance capital is the inexorable developments within the sphere of production, that is, the tendency to monopoly - a position in direct continuity with the immanent tendency of capitalism identified by Marx (Lenin, V.I., 1964c, p. 338).<sup>42</sup> Moreover, Lenin posited the emergence of imperialism as the highest stage of world capitalism to be the framework within which to analyse specific national imperialism's (Harvey, D., 1982, pp. 291-2). This could take many forms: he did not operate with Weberian "ideal type" concepts.

### War and depression

Until the beginning of the twentieth century, world politics remained essentially European politics dominated by Britain. As this epoch came to an end, Britain's obduracy provoked the conflagration of the Great War. The repulse of the German imperialist challenge, however, was only achieved through the active intervention of the United States, and the latter's emergence as a finance capital in its own right. The inter-war years saw the axis of world politics shift, pitting Europe against America. Specifically, it was marked by a (losing) struggle between Britain and the US. Remarkable as it might now seem contemporaries envisaged the next world war as one between the UK and the US. The revival of the German threat led Britain to back off from such a confrontation. By this time, Britain no longer had the economic and financial strength to dominate the world – sharply revealed by its utopian attempts to re-establish the Gold Standard between 1925 and 1931. It turned its face towards Germany for the second time in the twentieth century. But after the latter's defeat at the hands of the Russian people, and subsequently, the arrival once more of the US cavalry, Germany was re-buffed once more. This allowed Britain to claim victory once more. But if nationalist blinkers are removed, it can be seen that the real victor in the war was the US, not only against Germany (and Japan), *but also against Britain*, its formal ally. The unchallengeable dominance of the US as the world economy entered its "Golden Age" under-pinned by the most rapid advance of capitalism in history saw the axis of world politics shift once more: a cold war against the Soviet bloc, and a hot war against the colonial peoples. The exigencies of the Cold War and the war-time devastation of its continental European rivals allowed Britain to aspire to continuing world power status – albeit under US tutelage. This *illusion de grandeur* lasted until the Suez crisis in the mid-1950s. Through a process of uneven development, the losers in the Second World War - Germany and Japan – soon saw off the brief post-war revival of the UK, and accelerated economically to such an extent that untrammelled US hegemony had clearly ended by the time of the demise of Bretton Woods and the fall of

the “Mighty Dollar” in 1971. The “American Century” was short-lived. The Long Stagnation set in. Led by the US and its side-kick, the UK, a fight-back was launched with the aim imposing the “Dollar-Wall Street Regime” internationally, as Peter Gowan has characterised the reckless financial globalisation of the last three decades. However, this together with a broader neo-liberal offensive both at home and against the Third World, has failed to deliver on its promises – the re-establishment of the Golden Age.

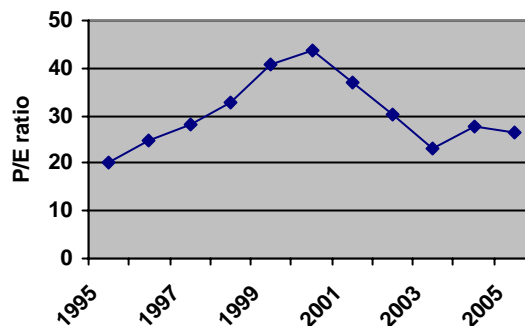
### The balloon economy

The 2000 stock market crash and 2001 international recession proved the instability of the system. ‘The alarming string of financial crises that plagued the world in 1990s, especially the Asian contagion, bear an eerie resemblance to the Great Depression. Instead of the New World Order promised by the triumph of capitalism over socialism, the world economy has turned out to be a much more dangerous place than we imagined’, declared Paul Krugman in 1999 (Krugman, P., 1999). The UK’s economic and political evolution in the new millennium can only be understood by placing it within the world-wide crisis of capitalism. It is more than ever inappropriate to talk about a “British” crisis. There is a world crisis, albeit with different expressions and different combination of world elements in each country or region. The neo-globalisation of the 1980s and 1990s has shown that the world has never been more inter-connected and inter-dependent. The socialisation of production has reached unprecedented heights. The contradiction between this reality and private ownership of the main means of production has never been more sharply expressed. The economic shocks of the 1990s have made it clear that world economic fundamentals of the major imperialist powers, collectively and singly, have qualitatively weakened since the Golden Age. Previously, financial and macroeconomic shocks could be absorbed by a robust world economy. All this has changed with the onset of depression-like conditions. Now such shocks are taken as body blows, which weaken the whole edifice.

The distorted economic development of the 1990s has bequeathed grotesque international imbalances, most readily seen in the unprecedented US current account deficit. Yet on current trends, this deficit is headed to 7.5% of GDP by 2010 (\$1.2 trillion in current dollars) and net US foreign liabilities approaching 50% (some \$8 trillion in current dollars) (Cline, W. 2005). This is unsustainable. Accordingly, as the authors of the IMF’s World Economic Outlook have pointed out, the question is not *whether* the current account will be reduced to a more sustainable 3% - but at what pace this will occur (IMFb 2005, p. 73). The first two options suggested by the IMF - a benign resolution through either a market-driven re-balancing, or a negotiated solution – are virtually ruled out by the growing inter-imperialist rivalries and deepening mercantilist trends. The more likely scenario is characterised by accelerated protectionism and a substantive depreciation of the dollar. As Roubini and Setser point out ‘...a collapsing dollar would lead to a rapid increase in US long-term interest rates and a sharp fall in the price of a range of risky assets including equities and housing. The asset price adjustment would lead to a severe slowdown in the US, and the fall in US imports associated with the US slowdown and the dollar’s fall would lead to a global severe economic slowdown, if not an outright recession’ (Roubini, N. and Setser, B. 2005 p. 5).

However, causation may go in the opposite direction. According to all historical indices, stock markets remain massively overvalued (Campbell & Shiller, R., 2001; Smithers, A., 2004; Morrison, C., 2004). As can be seen from Fig 2, the cyclically adjusted P/E ratio of the S&P 500, whilst

Fig 2 P/E ratio 1995- 2005



Source: Shiller R, 2006  
<http://www.econ.yale.edu/~shiller/>

the cyclically adjusted P/E ratio of the S&P 500, whilst

not yet reaching the heady heights of 2000, remains above 25. Robert Shiller, in a number of studies, and especially in his celebrated study *Irrational Exuberance*, has shown that stock markets revert to their cyclically adjusted mean in the long-run. In the case of the S&P 500, this mean is 15. This implies an over-valuation of at least 25%. A similar overvaluation has been identified by Smithers and Wright using a different methodology - a proxy for Tobin's Q ratio. The latter have applied their valuation method to the London Stock Exchange and have identified a similar bubble. To be sure, these approaches to valuation of the stock market fly in the face of the Efficient Market Hypothesis, a companion to the neo-liberal "Rational Expectations" model of macroeconomic theory. One could add to this the threat posed by derivative markets. The gigantic leverage introduced by the exponential growth of derivatives and the concomitant growth of hedge funds - many masquerading as large banks - threatens a systemic financial collapse. On the other hand, it might be another crisis and/or debt default in the Third World, as the 'search for returns' in risky Third World assets reverses itself once more. We are not in the 1930s: world-shattering crises no longer have to begin in the heart of the beast. In the Golden Age, and indeed for some time after, the robustness of the overall system meant that any or all of these sorts of crises could have been absorbed. But, certainly since the 1987 stock market crash, this is no longer true.

Bourgeois politics as a whole is moving to the right to the extent that fascists are once again finding a place in bourgeois politics, and indeed the broader growth of xenophobia and protectionists currents indicates that the overall tendency is towards a strong state and Bonapartist forms of rule (Barnes, J, 1994). The traditional separation of powers characteristic of a liberal democracy behind and through which the bourgeoisie debates out its differences, is becoming less efficacious. Bourgeois politics is coarsening - the opposite direction to civil society. Bonapartism in this situation is an objective dynamic. It is not the goal to which the ruling families are consciously aiming. Politically, the bourgeoisie always responds empirically. Under pressure from working class resistance to the neo-liberal offensive, social democrats are once more able to take government office. Yet this has not altered the underlying dynamic towards a strong state, as the course and character of the last decade of Labour governments has underlined.

This is because, in the current relation of forces, it is ruled out that the sort of imperative assaults on the working class can be accomplished through 'normal' parliamentary means. The working class remains too strong - including in those countries like the US and the UK where neo-liberal policies have actually met with some success. Even in these latter countries, whilst the working class has been pushed back, it remains undefeated. The adoption of neo-liberal policies was (and is) not a result of the prior defeat of the working class (pace Clarke, S., 1991). Downsizing, re-engineering and supply-side policies have pushed back the working class and weakened the trades unions. But the decisive battles are still to be fought.

The developing new Great Depression is putting enormous pressure on the unity of the Kingdom. Liberal democracy will be eroded as its efforts to stem its loss of international influence and further economic decline through eroding the social wage and hitting the living standard of the working class comes up against fierce resistance. Yet, the solidity of the British State was a function of the strength of British capital as it operated on a world scale. "Great Britain" was a description of the UK plus Empire. During that time, its quasi-feudal components - the Monarchy as figurehead of state, the accompanying social prestige of the aristocracy wallowing in the un-elected House of Lords, sanctified by its Established Church and underpinned by its ineffable unwritten constitution, moulting division of powers and common law legal system - all were mutually reinforcing and eminently flexible. Today, Britain's only substantial remnant of Empire is the Irish six counties. As a third-rate power, the various struts of the monarchical state are rotting in their different ways, and, as each crumbles, the rotting elements undermine rather than reinforce each other.

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<sup>1</sup> For me, Marxist continuity is traced from Karl Marx and Frederick Engels through Vladimir Lenin and kept alive through Leon Trotsky, Ernesto Che Guevara and Fidel Castro. Stalin and Stalinism, far from being part of the "broad church" of Marxism, were (and are) a counter-revolution against it. The demise of "actually existing socialism" and the evolution of Stalin's heirs have settled this question once and for all.

<sup>2</sup> "Bonapartism" was developed by Marx to describe a situation where executive power is concentrated outside of legislative assemblies in a period when the contending classes are incapable of establishing hegemony one over the other. Bonapartism, however, should not be confused with the tendency of bourgeois politics towards ever greater concentration of power in the executive branch and an increase in repressive powers (Miliband, R., 1969). This latter has been dubbed the "strong state" (Gamble, A, 1995, Holloway, J. and Piccioto, S., 1977: 84-97; Mandel, E., 1975: 474-9). Bonapartism is something quite different. The moves to a strong state whilst removing a whole series of important democratic rights and strengthening the repressive apparatus still remains within the parliamentary framework. Bonapartism whilst often maintaining a parliamentary facade is, to the contrary, marked by an independence of the government from parliament by an intersection of the state bureaucracy-military-police nexus reinforced by mass extra-parliamentary action. This situation was last threatened in Britain with the army revolt against the Liberal government's concession to demands for Irish Home Rule just prior to the First World War. Here, Bonar Law's Tory Party, in alliance with important sections of the army, mobilised extra-parliamentary forces with the threat to overthrow the Liberal government. The regime in the dying days of the German Weimar Republic also expressed a tendency to this form of rule.



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<sup>3</sup> We should perhaps also include here Geoffrey Ingham who although expressing reservations about the term "gentlemanly capitalism", nonetheless embraces the same analysis (Ingham, G., 1988).

<sup>4</sup> Rubenstein is not on the virgin territory he seems to imagine. His thesis was already mapped out some 25 years previously by William Manser (Manser, W.E.P., 1971)

<sup>5</sup> Nairn has characterised Leys contribution as 'the most significant analysis of the British crisis'.

<sup>6</sup> Some analysts seem to escape this criticism. On the one hand, P.J. Cain and A.G. Hopkins, whilst having the merit of identifying the dialectic between Britain and its Empire, do not posit this in a changing world-wide system, and certainly fails to identify the latter's independent dynamic. Their analysis therefore remains equally British-centric. More significantly, because of their idiosyncratic equation of colonialism with imperialism, they fail to identify a definite periodisation of British history, social structure, and economy. This is one of the reasons why they posit continuity in the domination of landlordly-commercial-financial interests - inimical to industry - throughout the whole of English/British history from 1688 to the present. On the other hand, Immanuel Wallerstein falls into the opposite trap of seeing the world market as exogenous and causative rather than the threads that bind together domestic and world elements (Wallerstein, I.; 1974; and Cain, P.J. & Hopkins A.G., 1993).

<sup>7</sup>By "orthodox Marxist", I mean those that break from the continuity of Marx, Engels and Lenin. This is essentially the result of embrace of, or at least, an adaptation to, Stalinism. Although a complete break with Marxism, this latter dominated the labour movement in the name of Marxism/communism from the end of the 1920s to the tearing down of the Berlin Wall.

<sup>8</sup> Even so, these different forms of serfdom are actually progressive stages in the dissolution of feudalism. The shift to money rents in particular requires recourse to the market and increases the pressure to advance productivity and technology of peasant farming. Marx: '(O)nce rent takes the form of money-rent, and the relation between rent-paying peasant and landlord becomes a contractual relation - a transformation which is only possible given a certain level of development of the world-market, trade and manufacture - land inevitably starts to be leased to capitalists, who were formerly outside rural limits and who now transfer to the land and to the rural economy capital that has been obtained in the town together with the capitalist mode of operation which has also been developed there: the production of the product as a mere commodity and a mere means of appropriating surplus value. As a general rule, this form can come about only in those countries that dominate the world market during the transition period from the feudal to the capitalist mode of production. (Capital Vol. III, Ch 47, sec 4, p 935)). It's not a question of 'taking account of international/market factors'

<sup>9</sup> Maurice Dobb's is more nuanced than Brenner: 'Sweezy presents my view as being that a decline of feudalism was solely the work of internal forces and that the growth of trade had nothing to do with the process. He seems to see it as either internal conflict or external forces. ... I see it as an interaction of the two; although the primary emphasis, it is true, upon the internal contradiction. ... I am by no means denying that the growth of market towns and of trade played an important role in accelerating the decline of the old mode of production' (Dobb, M., 1976 p. 60). But this is only part of the answer; the question is that we are dealing with different modes of production on an international scale. What links together these different modes of production are exchange relations. That is, there is not only uneven development, but also *combined* development

<sup>10</sup> The essence of his position has been summarised by Ellen Meiksins Wood in the following terms: 'Brenner explains the mechanism of capitalist development by focusing attention on the pivotal figure, the tenant-farmer, who dominated cultivation in England to an extent unequalled elsewhere in Europe. Unlike the landlord or the peasant-proprietor, this English tenant had no secure rights of property apart from the condition of an economic lease, and even his possession of land was subject to the requirement of a competitive market that compelled him to increase productivity by innovation, specialisation and accumulation. The effect of these agrarian relations was to set in train a new dynamic of self-sustaining growth with no historical precedent' (Meiksins Wood, E., 1991).

<sup>11</sup> Karl Marx put it this way: 'The different moments of primitive accumulation can be assigned in particular to Spain, Portugal, Holland, France, and England, in more or less chronological order. These different moments are systematically combined together at the end of the seventeenth century in England; the combination embraced the colonies, the national debt, the modern tax system, and the system of production. These methods depend in part on brute force, for instance the colonial system. But they all employ the power of the state, the concentration and organised force of society, to hasten, as in a hothouse, the process of transformation of the feudal mode of production into the capitalist mode, and to shorten the transition. Force is the midwife of every society which is pregnant with a new one. It is itself an economic power' (Marx, K. 1977, pp. 915-16)

<sup>12</sup> The language of revolt, including the advanced perspectives of the Levellers, was cast in religious terms. As an ideology, Protestantism was clearly contradictory and was sufficiently adaptable to be used by all the antagonistic social forces. Even so, the religious arguments were not counter-posed to politics as is suggested by many left wing commentators - a key element, it is argued for the ideological backwardness of the British working class (Anderson, P., 1964/1992). But, at this stage in history, politics could not be posed in anything other than biblical terms. As Christopher Hill explains: '(F)or most men and women, the Bible was the point of reference in all their thinking. ... To say that the English revolution was about religion is tautologous; it took place in the seventeenth century'

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(Hill, C (1993, p. 34). The Reformation and rise of Protestantism in general, reflected a loss of awe in the previous ruling classes. For this reason the dissenting ideology of the popular masses, although cast in religious terms, was a serious threat because of the place occupied by the Church in the political power structure. The demands of the Levellers that on the surface seemed limited to religious matters, in fact had very secular implications - for land reform, abolition of the tithe, rejection of indirect taxes, proposals for an income tax and universal suffrage. Clearly, demands which frightened all propertied classes ((Hill, C., 1972). Indeed for the mobilised masses, Protestantism was more than mere ideology: it was a political movement.

<sup>13</sup> Lenin put it like this: 'if you are storming a fortress, you cannot discontinue the war even after you have taken the fortress. Either the one or the other: either we take the fortress top hold it, or we do not storm the fortress and explain that all we want is a little place next to it' (Lenin, V.I. CW Vol. 31 p. 340, quoted Waters, M-A., 1989).

<sup>14</sup> An attempt was made to account for the fact that the aristocracy was actually fundamentally patrimonial. Here the attempts by the Crown to strengthen its powers against that of the landed capitalists were presented as conflict between Court and Country (Hexter, J.H., 1963. For a more detailed expositions see Hexter, J.H., 1968; Stone, L., 1968; Russell, C., 1990; Trevor-Roper, H.R., 1952). However, this approach can best be viewed as a more precise formulation of the traditional "aristocracy/bourgeoisified gentry" model – simply shifting the axis of the struggle between the gentry and aristocracy (Wallerstein, I 1974 Vol. I pp. 235-248). It had the merit of locating different social interests behind the great upheavals, but in many of its formulations denied that such different interests were incompatible. The same social change (pace evolution), could have been achieved without armed conflict. More importantly, it failed to appreciate the key role of the interloping merchants and various petty bourgeois elements in London.

<sup>15</sup> The paradigm advanced by Conrad Russell has much greater conceptual weight. In noting the importance of the defeat of the English army by Scotland in 1640 and the Irish rebellion in 1641 in emboldening the parliamentary forces, he suggests that the reason for the difficulties in coming to grips with the causes of the civil war is because the analysis is English-centric, when the answer is more likely to be found in an all-British context:

'If we look at the British civil wars as a whole, it is clear that they began and ended as a struggle between England and the rest for supremacy over the British Isles. ... In the long run, it is not enough to explain the English Civil War as if it were an isolated event. We should be explaining, in the same framework, the Bishops Wars, The Irish Rebellion, the Solemn League and Covenant, the Irish Cessation, the Second Civil War, and the Cromwellian conquest of Scotland and Ireland' (Russell, C., 1995, p. 11).

There are important strengths in insisting on a framework that situates developments in England in a broader context. Unfortunately, however, at best this just replaces a British-centric framework for an English-centric one. Nonetheless, Russell's catalogue of key events are indeed inter-connected. But to characterise the wars between England and Scotland and English invasion and conquest of Ireland as 'civil wars' depends on an unsustainable judgement that the British Isles already constituted a single state. The whole point of the argument over the consequences of the English Civil War is that for the state to become contiguous with nation required a bourgeois revolution. The fact is that the constitution of the United Kingdom was a future historical event and required the prior founding of an English nation state (Morrill, J., 1980). It turns out, then, that Russell's proffered broader framework is simply a means of side-stepping the question: did the Civil War provide a context for a social overturn or not?

<sup>16</sup>As Marx explained: 'The centralised State power, with its ubiquitous organs of standing army, police, bureaucracy, clergy, and judicature - organs wrought after the plan of a systematic and hierarchic division of labour - originates from the days of the absolute monarchy, serving nascent middle-class society as a mighty weapon in its struggles against feudalism.' ('Civil War in France' S.W. 1968, p. 171)

<sup>17</sup> The Italian City states, for example, failed in this endeavour and therefore succumbed to feudalism

<sup>18</sup> As noted, with the rise of imperialism, Engels recognised the stock market was no longer essentially a gambling den.

<sup>19</sup> This gave it important advantages over the other private banks, which were not allowed more than six Partners

<sup>20</sup> The Stone's who insist that the English aristocracy was a closed elite denies this. But their stance in large part stems from the identification of the "aristocracy" with a social class (Stone. L. & Fawtier Stone, J.F.C., 1984)

<sup>21</sup> Geoffrey Ingham comes to an entirely opposite view (Ingham, G, 1984, p. 48). Looking at the matter from the optic of the special privileges granted to the Bank of England, he considers that restricting Country banks to a maximum of six partners, seriously held back the development of English banking and, by implication, the funding of British industry. But the development of the discounting of the Bill of Exchange by the City institutions gave to the Country banks quite sufficient liquidity to fund the (relatively modest) demand for loans from developing industry at this time. This

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was a very efficient system. As soon as it became necessary to mobilise larger sums, towards the end of the century, legislation was quickly amended and a number of joint stock banks were created.

<sup>22</sup> Rather incongruously, Cain and Hopkins attribute this view also to Immanuel Wallerstein when he, in fact, argues the exact opposite (Cain and Hopkins, Vol. I 1993, p. 57). Equally baffling is their targeting of his arguments as representative of Marxist continuity – when he is a self-acknowledged revisionist Marxist.

<sup>23</sup> Trevor May puts the figures even higher, suggesting that the British economy grew by some 3.8 per cent between 1793 and 1815 - greater than ever before (or since) (May, T., 1987, p. 38).

<sup>24</sup> This perspective was already laid out by Marx in his observations on the cotton trade (Marx, K., 1976a, pt iv, ch. xv, sec 7)

<sup>25</sup> The East India Company was simply ousted. It should, however be noted, that it was financially indemnified for its loss of control.

<sup>26</sup> This domestic role of the City commercial operations is a point overlooked by Geoffrey Ingham in his headlong rush to prove that the City was internationally oriented and cut off from British industrial development (Ingham, G., 1984)

<sup>27</sup> This re-categorisation doesn't alter the broad figures, as the trade in commodity contracts would fall into the services category. I raise it simply to point up the theoretical weakness of the case presented by Cain and Hopkins.

<sup>28</sup> Michael Barrat Brown despite coming to the same conclusion is confused on the question. His argument is that shipping employs wage labour (seafarers) and for that reason is just as productive of value as any other industry. But transport (shipping) doesn't produce commodities. Looked at from that vantage point, therefore, it cannot be considered an industry. All business services, or any office or ancillary services, employ wage-labour. But this doesn't make them an industry.

<sup>29</sup> It was the (correct) suspicion that the removal of the Corn Laws would mean a cut in wages that dissuaded many workers from supporting the campaign for their repeal.

<sup>30</sup> However, it is important to note the quite different processes involved in industry and on the land. Karl Kautsky explains: 'Capital is engaged in an unceaseless metabolism: one day it exists in the form of money, the next in the form of means of production, the day after that as commodities - contracting and expanding, alternating between crisis and prosperity and so on. Land, in contrast, regardless of how often it may be equated with capital, is subject to quite different laws. It does not represent a value that has been created by labour, and is not subject to a process of circulation. In material terms, it is quite different to those means of production which represent capital. These wear out - land cannot be destroyed. Means of production are constantly rendered obsolete by new discoveries - land remains the natural basis of all production. Competition between capital grows as capital accumulates, as industry and population expand: the same processes give land the character of a monopoly' (Kautsky, K., 1899/1988, p. 20)

<sup>31</sup> It is somewhat ironic that those very same people that rest their case on a crude mechanical determinism falsely denounce Marxism for such a deviation (Pollard, S., 1989, p. 288f and Ch. 4 passim). I address this point in my 'Discursus on base and superstructure below' and which is intended to set the record straight as far as the true essence of the Marxist position is concerned.

<sup>32</sup> Has the election of successive Labour governments in this century in Britain. Or the fact the US Congress are mainly lawyers and other professionals meant that the working class (or more accurately, the trades union bureaucracy) ruled in the UK or that lawyers are the dominant social force in the US? And even in the historical period we are mainly concerned with, the comparison with Germany is salutary. Few deny that after 1870 the industrial bourgeoisie was the dominant class in Germany. Yet this was the epoch of Bismarck, the 'Iron Chancellor' and his cohorts - Prussian Junkers. Equally, despite the origins and brief independent rule of the Nazis as an authentic petty bourgeois current, it very quickly becomes the tool of the German industrial bourgeoisie (Guerin, D., 1973). This latter example is somewhat complex as fascism is a genuine revolt from below and its immediate victory did displace the bourgeoisie by petty bourgeois rule. But the basic point remains: as soon as the Nazis consolidated power, the radical petty bourgeois layers were summarily removed - slaughtered in the "Night of the Long Knives" - in the interests of the industrial bourgeoisie.

<sup>33</sup> It is true that Marx saw in Cobden and the Freetraders of the Manchester School, 'the official representatives of Modern English society' which would 'soon achieve the complete annihilation of Old England as an aristocratic country'. This perspective proved not to work out. It had been based on Marx's view, reinforced by the character of the early Chartist Movement, that the revolutionary threat of the working class would be such as to force the bourgeoisie to take on the landed aristocracy and the 'moneyed interests' and confront the working class directly in its own name. But the exact contours of the class struggle cannot be foretold. In the event, the bourgeoisie more afraid of the working class threat than the declining landed interest, backed off. It was this development that led Engels in 1889 to talk about 'the political decline and abdication of the bourgeoisie' (quoted by Anderson, P., 1992a, p. 22). The choice was made all the easier because the declining rate of domestic profit encouraged the bourgeoisie to look overseas. It was the crumbs from the super-profits of Empire which gave rise to a labour aristocracy providing the social base for the domination of the labour movement by a trades union bureaucracy - a petty bourgeois layer subservient to the bourgeoisie (Zinoviev, G., 1916/1983; Trotsky, L., 1970). It was this unforeseen emergence of the labour aristocracy that confounded Marx's prognosis that the revolutionary challenge of the working

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class would force the industrial bourgeoisie to "come out". Marxists are not crystal gazers. As soon as this phenomenon began to emerge, Frederick Engels was able to assert that England possessed 'not only a bourgeoisie but a bourgeois aristocracy and a bourgeois working class'. The choice of reform and concession by the industrial bourgeoisie had undermined the revolutionary character of Chartism by the 1870s (on significance of defeat of Chartism as a decisive victory for the ruling class see Saville, J., 1987). This is quite a different view than that expressed by Perry Anderson who locates the victory of 'labourism' in the backwardness of the British bourgeoisie (Anderson, P., 1964).

<sup>34</sup>This is not to be confused with the law of value that governs the market in general - this existed for several thousands of years before the advent of capitalism (on which, see below, Ch 7)

<sup>35</sup> As Frederick Engels was to put the matter in his supplement to the Third volume of Marx's *Capital*: "It is large-scale industry too that finally conquers the home market decisively for capital ... and puts the entire nation in the service of capital. It similarly equalises the rates of profit in the various branches of commercial and industrial business, to give one general rate of profit, and with this the equalisation finally secures for industry the position of power due to it, by removing the greater part of the obstacles previously stood in the way of the transfer of capital between one branch and another", (Engels, F., in Marx, K., 199,1 p. 1044). It is in this way that the industrial bourgeoisie became the 'leader of the nation'.

<sup>36</sup> In neither case did Lenin or Bukharin share the same framework. Indeed, a pre-cursor of the City-Industry split paradigm can be found in J.A. Hobson's classic *Imperialism. A Study* first published in 1902 (Hobson, J.A. 1902/1965). This was his defining difference with Lenin. Analogous to today's orthodoxy (which actually passes through Karl Kautsky), he drew from his analysis the view that imperialism was the policy of a "military industrial complex". The task of liberals like himself, therefore, was to remove the latter's hands from the levers of power (see Cain, P.J., 1985)

<sup>37</sup> Compare this classical view with that most often presented as the Marxist position, even by honest commentators. Andrew Walter, for example summarises the Marxist conception of an imperialist state one 'which enjoys a comparative advantage in the production of high value-added goods, a significant technological lead over other countries, and privileged access to raw materialism and to markets for its produce' (Walter, A. 1993, p. 18). Cain and Hopkins characterise the Marxist position in similar terms. This may or may not be true of self styled neo-Marxist that he takes as orthodox (although he quite incorrectly throws Ernest Mandel into the pot). Moreover, he does acknowledge their self-ascription as revisionist Marxists. But surely the representatives of Marxism are its classical thinkers and those, via Vladimir Lenin, in direct continuity with them.

<sup>38</sup> The precise figures are still the subject of great controversy. For example, D.M. Platt has reduced by a third the £3.7 billion estimate for British portfolio investment in 1913 (Platt, D.M., 1980)

<sup>39</sup> Amongst these could be counted household names such as Lever Bros., J&P Coates, and Dunlop.

<sup>40</sup> When judging British economic weight at this time, it is important to include overseas production and exports (from the countries in which they were based) by these British owned MNCs.

<sup>41</sup> I go into the different character of the German and UK banking systems below.

<sup>42</sup> See, for example, *Capital*, Vol. 3, pp. 438-41. John Merrington posed Marx's view of the immanent tendency of capitalism towards the fusion of financial and industrial capital in the following terms: 'In reality, the gap between productive industrial capital and the rentier-based 'finance aristocracy' was already closed by Marx - and by the real historical movement of capital - by 1857. The discovery by Marx of the mechanism of mature capitalist crisis as a product of the contradiction between money as commodity and money as capital, coincided with the world crisis of 1857. This crisis was provoked not by any failure in the subsistence sector but by the contradiction between 'bank and factory', between money and capital as a contradictory unity on an international scale'. He continues: 'Marx was accordingly obliged to rework his earlier critique of utopian schemas in the *Grundrisse*; he abandoned his earlier Manchester model of the 'parasitism' of finance capital for an analysis of money and credit as an *immanent* articulation of the socialisation of capital and the motor of its crisis (Merrington, J. 1976, p. 195. See also Sergio Bologna's analysis of this transition to a fully developed socialised capital in his *Marx's Writing of the 1850's in the New York Daily Tribune* (Bologna, S., 1984). A complementary part of Lenin's disagreement with Bukharin was his different views on money (Churchward, L.G., 1959; and Harvey, D., 1982, pp. 291-2)