Feed-the-Rich Economics
by Gwydion M Williams

How the West was tricked into mistrusting its highly successful Mixed Economy system

How the Baby Boomers were sold ‘Imaginary Capitalism’ as the answer to their dreams of Freedom

How it failed overall, but allowed the rich to gain a lot more than their fair share

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From ‘Sick-Man Britain’ to All-Sick-Together.

Britain in the 1960s and 1970s was often called ‘the sick man of Europe’. Scorned or pitied as a country with a hangover from its lost World Empire. It was falling behind the other fast-growing economies of the West.

Britain also had a series of currency crises, and a 14% devaluation in 1967.

Britain was less out of place when the rest of the West became almost as sick. Nixon in 1971 ended the Breton Woods system of Fixed Exchange Rates. He was under pressure after the USA ran up a huge deficit while fighting the Vietnam War and spending huge sums to win the race to the moon. Nixon’s choice of solution damaged the previously highly successful Mixed Economy system, which began coming apart.

Nixon also won working-class support for policies that in the long run cheated the ‘hard-hat’ voters who had trusted him. He used anti-tax rhetoric to shift the main burden of taxation from the rich to the working mainstream. Anti-trade-union rhetoric to create a system in which most US workers no longer got the benefit of the extra wealth that they went on producing.

Controlling market forces is difficult. It has never been impossible. And a failure to keep control damaged actual wealth creation, contrary to the promise of Trickle-Down. But it boosted the power of the rich to get an unfair share. That’s why it has lasted so long.

Despite turmoil in the 1970s, Britain back then was growing faster than it had when it was the centre of a gigantic empire. But our neighbours in Western Europe were doing even better. That made it seem like a malaise.

There was also a social crisis in the 1970s. Traditional social and family values were being challenged. Trade Unions had a lot of power but no clear positive goals.

In the 1980s, solutions were found, but they were very bad economically. Continental Europe
slowed down to British levels of growth. With everyone ‘sick’, Britain no longer looked so bad. And Trade Unions lost power when ordinary workers lost confidence in the never-ending struggle.

Overt challenges to traditional bourgeois values were reduced. But in practice, Thatcher abandoned them. Anti-state rhetoric was a nice excuse for letting them vanish. We got an unexpected new capitalism with the respectable middle class (bourgeois) dumped or marginalised.

Unexpected – but a neglected sentence in the 1848 Communist Manifesto says that the working class is an even purer product of capitalism that the bourgeois.

If it ever occurred to Marx that a much stronger working class might try to run capitalism for the benefit of the working class, he certainly never mentioned it. But this has the reality from the 1980s, and before that in the USA. The New Rich are often working class in social terms. They no longer bother pretending to have come from the old elite. You even get individuals from solidly middle-class backgrounds pretending to be working class. John Lennon was one, getting away with it because no one outside of Liverpool could place Liverpool accents in class terms.

I mistrusted the standard spiel well before it ceased to be fashionable. (A shift that gained strength with Thomas Piketty’s Capital in the Twenty-first Century, whose merits I continue to doubt.) Thinking for myself, I went looking for hard data on real economic history. This was surprisingly hard to come by. (Or perhaps not so surprising, given the vast amount of attention the rich have given to getting economists on their side.) Regardless, I found an enormously valuable 2004 reference work by the late Angus Maddison: The World Economy: Historical Statistics. It considers the entire world for as long as there is hard data or reasonable guesses. Most people, including Free Market enthusiasts, accepted it as the best source.

When Thatcher died, people said that the 1980 saw less overall growth for Britain than the 1970s. Maddison’s figures suggest a small improvement, perhaps caused by the gigantic bonus of North Sea Oil. But Maddison also shows that the despised 1970s were better for Britain than 19th century capitalism had ever been. And for the USA, the picture is even clearer.

Since I was looking at general trends, I copied data for selective years to get an overall picture. You can find that data at the back of this magazine. I then used Excel to make charts from the data, being a highly visual person for whom seeing is usually believing.

The 1990s were substandard. We then had the 2008 crisis, which Britain and the rest of the West have not yet fully recovered from. But the Tories managed in the 1915 General Election to sell it as a crisis caused by excessive state spending.

Europe suffered in its two World Wars, obviously. Germany suffered the most, being two times

1 https://www.beatlesbible.com/people/john-lennon/songs/working-class-hero/
the loser. But overall, the West’s post-war economic system, known at the time as Mixed Economy or Keynesianism, was a lot better than anything before or since.

This becomes even clearer if you leave out Japan, arguably a special case.

The system was in trouble in the 1970s, the decade the charts show as [To 1980]. But that decade was still a lot better than 19th century capitalism.

Mrs Thatcher’s aggressive claim that ‘there is no alternative’ was nonsense. There were many alternatives: she chose one of the worst. Or worst for ordinary people: her own privileged class flourished by taking unfair shares. This is detailed later, for anyone who doubts it.

That’s the reality of Wealth Creation. Many even on the left have been sold the claim that Thatcher cured the ‘British Sickness’. But it’s not true. Her seeming success was based on the previously successful economies of Continental Western Europe falling to an inferior British rate of growth.

And if you want to see that as numbers rather than graphics, here are the numbers:

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The system was at its best in the 1950s and 1960s. It was in crisis in the 1970s: yet even then was much better than anything that had existed before. It outperformed the Soviet system, which was also doing very nicely in that era.

Soviet success before the 1970s has been written out of history, so I detail it later. Contrary to New Right insinuations, contrary to what they have got most of the left to believing, the Soviet system was for several decades a vast success. It grew faster than the USA in the 1950s and 1960s, even though the USA was at its optimum for growth and social stability. In the 1970s and 1980s, both did worse.

The Soviet decline was much more severe, certainly. But that looks like a failure of the specific policies of Leonid Brezhnev. Including his crushing of the Prague Spring in
Thatcher’s Cure – Much Worse than the Disease!

No one literally wants to go back to the economics of the 1970s. But if the option existed, it would be a boost to the British economy. A huge boost for Continental Europe.

Restoring the economic optimum of the 1950s and 1960s not be that hard. Thatcher and Reagan came to power promising a return to Free Markets. Promising to shrink excessive and wasteful state spending. But the reality has been:

1. Privatised industries are still heavily regulated and often subsidised.
2. Many of them are owned by similar foreign companies that are still nationalised.
3. The share of the economy run by the state has not shrunk.
4. Taxes have not gone down, except for the very rich.
5. State intrusion into private life has increased.
6. The quality of social care has gone down. (Especially Britain’s NHS.)

So why did Thatcherism stay as the norm in Britain, accepted by Labour before Corbyn?

The 2017 election, where Labour dared challenge that norm, showed that the Tories depend on the surviving Baby Boomers, now elderly but staying alive quite nicely. People born in the 40s and 50s are now in their sixties and seventies. They don’t entirely like the world that they made. But they cannot see the real causes. Many blamed the European Union. With Brexit, we are on course for a disaster that will hurt the younger generations.

I’m a Baby Boomer myself. Born 1950, and part of the 27% in my age-band that voted Labour.4 I remember well that a majority of my generation were selfish and not active politically. I was part of the radical minority whose social values became the norm because the silent and selfish majority had a selfish interest in removing rules that stopped them having fun. That same ‘silent majority’ would not actively defend other forms of racial and sexual inequality when the radical minority made them an issue. But they preferred to do nothing when it was somebody else’s pain.

Most of us, including the radicals, resented taxes and state authority. Many had dreams of a stateless society. We mostly thought that attacks on state power must be a good thing. And most of my generation hang on like limpets to this world view, no matter how badly things go wrong. The world worsens for the young, poor and vulnerable – but it is definitely not our fault.

The post-war economic system, known as Mixed Economy or Keynesianism, was a lot better than anything that has existed before. But it had few active defenders. It had any number of left-wing critics who sneered at it for not being perfect.

The Mixed Economy was defended badly. We were told that it was ‘common sense’, which it was not. Spending your way out of a crisis would be crazy for an individual or a firm: it works for a whole society when and if it can change the overall economic climate by its spending.

It might seem a wasteful luxury to spend billions on scientific research. But overall and in the long run, a vast range of useful products are based on new knowledge that originally seemed useless. (Microchips require ‘Quantum Cookery’:5 calculations based on the deep theories, though without trying to understand what they mean.) Nor is there much scope to ‘freeload’ on basic research paid for by other countries: without personal links to the actual researchers, detailed understanding is not achieved.

The Mixed Economy should have been justified as a much better system for wealth creation than

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3 Data taken from Maddison, and given on the last pages. He makes no estimate for the years between 1913 and 1928.
4 See https://gwydionmw.quora.com/British-Tories-rely-on-the-Old-and-the-Uneducated for more details
5 https://kevincbrown2012.wordpress.com/tag/quantum-physics/
19th century capitalism. But I don’t remember that argument ever being used. The view was: we are the experts, the brilliant technocrats. You must believe what we tell you.

Tragically, it was left to Thatcher and Reagan to catch the general mood that something needed to change. The centre-right were failing as conservatives: they tried being Radical-Right instead. And they did this while talking a lot about Freedom, so attempts to smear them as fascists failed.

Fascists genuinely believed in looking after ‘their people’. Or did this apart from their unhealthy fascination with war, which of course far outweighed any good they did. Still, if you were an ordinary German or Italian, and not Jewish or part of some other hated minority, you’d have done very nicely under peacetime fascism. The flip-side, of course, was that some seven or eight million non-Jewish German died in a war Hitler had no need to fight. But few saw this ahead of time.

It would be nice if one could say that a country with multi-party politics and newspapers free to criticise the government could not be dragging into a pointless war in the same way Hitler and Mussolini dragged their countries. Sadly, both Vietnam and the various Gulf Wars showed that this was untrue. Spain and Portugal, dictatorial and often called Fascist, avoided World War Two.

It was silly to attempt to smear Thatcher or Reagan as fascists. The New Right were a different breed of radical-right. They tapped into White Racism, but treated ordinary White Racists with contempt, letting them suffer unemployment and massive drug addiction. They uprooted the basis of existing life, while sounding reassuringly conservative on social issues. Were disfunctionally conservative, because they would not rely on state power, the only machinery that could have done the job. But by the time that became apparent, the older generation of authentic conservatives had mostly died off. Died after a lot of whining and futile protests, which is also likely to be the fate of the right-wing majority among the Baby Boomers. For the radical minority that I am part of, things are perhaps less bleak.

The 1970s balance was indeed unstable. But the need for change could have been met in many ways. There was the demand for Workers Control, which I was a small part of at the time.\(^6\) A limited but useful amount of worker’s power already existed in West Germany. It is still going strong in an economy that has done much better overall than Britain.

Workers Control was favoured by Tony Benn, though few now remember it. It peaked with the 1977 Report of the committee of inquiry on industrial democracy,\(^7\) which would have allowed workers to stop many of the Feed-the-Rich changes that happened since. It was however sneered at by many on the left, who were convinced that successful moderate reforms would block a millennial socialist revolution that they believed would sweep them to power quite soon. And it was disliked by much of the Labour Right, who felt at home with the existing balance of power. The option was ignored by the Callaghan government, which was then defeated by Thatcher in 1979. Tragically, people then lost interest and let it be forgotten.

The other big failure was the defeat of Incomes Policy. Unlike Workers Control, this was the policy of successive Labour governments, and even of the Tories under Edward Heath. It was the Militant Left that defeated it, full of fantasies about getting something better. Free collective bargaining was upheld, even though it was relying on market forces and not really socialist. The idea was that it would lead on to Revolution.

In the real world, rejecting Incomes Policy did not lead to a Socialist millennium. It led to decades of economic inequality and unfairness. And yet those same decades saw huge progress for left-wing views on sex and social equality, where there was widespread support for piecemeal reform.

Left-wingers and militant trade unionists were persuaded that an imperfect system should be smashed rather than improved. Or persuaded until they had to face the consequences of genuinely

\(^6\) See [http://free-magazines.atholbooks.org/problems_2/](http://free-magazines.atholbooks.org/problems_2/) for PDFs of 2008 reprints of our work at the time.

trying to smash it. It is one thing to sloganize among friends and quite another to get into a massive confrontation with the rest of the society.

Another ‘road not taken’ was a broadly conservative fix. Accept the Mixed Economy and force the Trade Unions back into their older role. Many people supposed that Thatcher was doing this. She was really in the grip of Libertarian delusions. She sincerely believed that Britain had been made great by Capitalism and blamed the Mixed Economy for our decline.

Tories under Churchill in World War Two were in coalition with Labour, and gloomily accepted that the future was Mixed Economy and Welfare. It had anyway been the mix that had succeeded for Roosevelt in the New Deal and for Hitler in Germany. Hitler had been highly successful as a peacetime leader. Had he chosen to keep the peace, his reputation might be no worse than that of General Franco in Spain.

Hitler ignored Economic Liberalism, with its dogmas of Sound Finance and its determination to strangle the real economy to make sure that creditors were protected. Hitler was ignorant of economics: he wanted a quick fix. This worked wonderfully, unlike other matters where he ignored expert opinion, because Economic Liberalism was pompous nonsense. Hitler’s boost to the economy by public spending might as easily have been done by Germany’s Social Democrats, had they been bolder and less conventional. There was no need to discard Social Liberalism, as Hitler and Mussolini had. (But as Roosevelt had not.)

In the 1980s, fear of fascism was still strong. But the wrong lessons had been learned. Too many people thought that the evil had been State Power, rather than the use of State Power to impose racism and to wage war for the ‘living space’ that Germany supposedly needed. Germany since 1945 has managed fine despite the loss of East Prussia and other ethnic-German territory still part of Germany when Hitler came to power.

The left had vigorously spread a fear of State Power and ‘Corporatism’. Tapping into this, the New Right dismantled necessary controls on the rich. Encouraged the mindless self-multiplication of capital. This made them Dysfunctional Conservatives, if indeed they were conservatives at all. They removed social controls that had been broadly successful.

Those of the New Right not burdened by needing to herd vast numbers of authentic conservatives and reactionaries into the polling booths have mostly been open about sharing of the left’s ideas of extended personal freedom. You could get this from the science fiction of Robert A. Heinlein, for instance. (But from 1970 onwards, his novels are much longer, more dogmatic and duller.)

The politicians running the government and the journalists who backed them may genuinely have believed they were authentic conservatives. They were fools if they did.

You might also ask, where could authentic conservatives go? Who could they vote for? That has indeed always been a problem for such people. As they said when my generation were young, ‘You’re nowhere, man’.

Small property was reasonably well defended by the Mixed Economy system. But there was also a well-financed right-wing press that was carefully crafted to please such people. That fed their prejudices. That was owned and controlled by the rootless rich, so the real interests of small property were never really looked after. The common pattern was a Lemming-like rush to remove all the controls, which did indeed curb the Authorised Freedom of small property-owners.

Agriculture is a good example. Farmers have a natural wish to do as they please on their own land. They were hostile to state controls put in place to protect them. Urged on by the New Right, they did indeed establish Market Freedoms. And were then very surprised to see Market Forces destroying them. As far as I know, they are still treating it as an oddity. As an evil caused by the supermarkets, their main outlet now that the end of Retail Price Maintenance has eliminated most small shopkeepers.

The Milk Marketing Board was established in 1933, and effectively abolished in 1993. Farmers now suffer from very low milk prices. But fail to understand why they are suffering.

There was also an Egg Marketing Board also set up to deal with low prices. It existed from 1956 to 1971, but farmers mostly disliked it. Now low prices are destroying the industry.

There are also huge oddities in farm subsidies. They should target poor farmers, who are also the most efficient users of the land. Not the most profitable, since profit comes after the normal costs of

8 http://www.bbc.co.uk/news/business-18951422, Milk prices row and how the system works
living are deducted. But since those people would need to live somewhere, it is a sensible social arrangement. Sensible if you think in terms of the whole society and the long term, but that’s just what that don’t do. Marx’s insulting description of French peasants as being like ‘potatoes in a sack’, unable to act for themselves and detached from those with similar interests, is sadly borne out by decades of rural failure.

Subsidies are based on acres of land, which might seem very fair and rational. Except it means that the bulk of it goes to enormously rich farmers. People who do not need subsidies to keep them on the land, unless they are speculators or tax dodgers who we would be better off without.

George Monbiot explained the problem:

“Last week the chancellor stood up in parliament to announce that benefits for the very poor would be cut yet again. On the same day, in Luxembourg, the British government battled to maintain benefits for the very rich. It won. As a result, some of the richest people in the country will each continue to receive millions of pounds in income support from taxpayers.

“There has been not a whimper of protest. The Guardian hasn’t mentioned it. UK Uncut is silent. So, at the other end of the spectrum, is the UK Independence party.

“I’m talking about the most blatant transfer of money from the poor to the rich that has occurred in the era of universal suffrage. Farm subsidies. The main subsidy, the single farm payment, is doled out by the hectare. The more land you own or rent, the more money you receive.

“Since 1999, more progressive European nations have been trying to limit the amount of public money a farmer can capture under the common agricultural policy. It looked as if, this year, they might at last succeed. But throughout the negotiations that ended last week, two governments in particular resisted: those resolute champions of the free market, Germany and the UK. Thanks to their lobbying, any decision has yet again been deferred.”

Why don’t ordinary farmers object to a system that costs them plenty? Sadly, they show a failure of rural thinking that stretches right back to the invention of an agriculture in the Neolithic. They can occasionally generate a static customary organisation to preserve their way of life, as in Switzerland. But beyond that, they usually generate a ruling class with utterly different interests.

In Britain, the main rural voice has been something called the Countryside Alliance. This is in suicidal alignment with Fox Hunting and other blood-sports practiced almost entirely by the rich and privileged. This alienates it from the urban majority that has sentimental feelings about rural life and might be ready to use tax money to defend it. And of course the idea of not giving gigantic subsidy gifts to the very rich is missing from the agenda of the Countryside Alliance.

The movement has 100,000 members, but just look at who it has chosen to lead it:

*President — The Baroness Mallalieu QC, Labour peer
*Vice President — The Baroness Golding, Labour peer
*Executive Chairman… — Lieutenant General Sir Barney White-Spunner KCB, CBE
*Chairman — Simon Hart MP, Conservative...
*Deputy Chairman — Lord Mancroft, Conservative peer”.

You could break your heart trying to persuade rural folk in Britain to look after their own best interests. They are not going to break my heart: I regard them as a sad lost cause. I look for progressively movements to happen elsewhere.

Even Mr Monbiot isn’t such a grand prospect. He makes sensible criticisms of what exists. But he is one of those who hang on like limpets to the failed notion of curbing capitalism by unregulated self-organisation, without protection by state power.

An unregulated self-organising collection of humans need not produce anything good. Crime is one such systems, in particular the drugs trade. Some anarchists see criminality as liberating, but they look just at a few rare cases who may anyway have been romanticised. Jacques Mesrine is a notable recent case – but he did very little that was not selfish. And was anyway no more than a middling crook. Crooks who get political are mostly right-wing. Or if they don’t care, they will go with whoever pays them.

Hopeful little protests have little chance against people rich enough to hire a gross of thugs if they need them. Hollywood films often show otherwise – but who funds such films? Who decides which stories will be told, and which ignored?

10 https://www.theguardian.com/commentisfree/2013/jul/01/farm-subsidies-blatant-transfer-of-cash-to-rich, published 1/6/17
11 https://en.wikipedia.org/wiki/Countryside_Alliance

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A further layer of control can apply with films shown on television or easily available for DVD rental. I can think of three of these that happened to attract my interest:

- The Beijing 2008 Opening Ceremony, showing the Chinese view of history. Can be purchased, but not easily rentable in the UK.
- Friendship’s Death: an odd SF film sympathetic to Palestinians. Could find no DVD.
- Carbon Copy: the subtle racism of the white elite. Only available as a US import.

When it comes to self-organising and bottom-up movements, the rich always have a vast advantage over the rest of us.

After thinking a lot about the matter, I also decided that this was why the state was invented in the first place. Going against most Hard-Left thinking, I now see it as a progressive minority among the rich saw that even their selfish self-interest was not being well served by everyone grabbing what they could. Engels said the opposite in The Origin of the State, Private Property and the Family; but if you look at his own examples, they show some of the more enlightened rich stepping in to limit the power of their own class before it destroyed the wider community they were part of.

**Authorised Freedom and Functional Freedom**

I earlier used the term 'Authorised Freedom', without explaining it.

My explanation might seem out of place in an article about economics. My view is that this is one of many errors that hold back our understanding. That real economics is always *Political Economy*, the name used by Adam Smith and most others up until the late 19th century.

But why am I talking about types of freedom, rather than declaring my love of Freedom and making loud complaints that Freedom has been neglected?

I do this because vast numbers of people have done that and failed. And because, after much contemplation, I find it to be muddled thinking.

As I see it:

**Authorised Freedom** is what the law allows you to do.

**Functional Freedom** is what you can actually do.

In Britain, I may not own a firearm, except with a special licence that I personally would be very unlikely to get. I live in a city with no foxes or similar vermin to shoot; and shooting Tories is not approved of. That’s a limit on my Authorised Freedom. But it also improves my Functional Freedom: I am vastly less likely to get shot than if I lived in the USA. Sixty times less likely, to be exact.\(^{12}\)

It would also be nice as a Selfish Optimum if I personally could be armed while my neighbours were not. But that’s not something I could sensibly ask for. No more just or sensible than that I should be let off taxes while others had to pay them, etc. Inconvenient curbs on my Authorised Freedom make sense as a defence of my Functional Freedom.

**Selfish Optimum** is something else I need to explain. Economists call it ‘rational’, and are puzzled that humans often have ‘irrational’ feelings. Back in 2011, I explained in detail why this was wrong, calling it *The Disagreement Between Anyone and Everyone.*\(^{13}\) We have common interests, but almost all of us (including me) are also tempted to shirk and to cheat. Many of us will also exaggerate our own share of the work and over-estimate the usefulness of what we like doing. So to get along, we are helped by generous feelings. By concern for the weak and the needy.

What economists and Enlightenment philosophers thought of as irrational is really the oil that lubricates the social machinery.

For most of the history of our species, we have existed in small bands that shared food with each other. Bands with a core of close relatives, but which needed to accept outsiders to prevent unhealthy inbreeding.

Pre-humans more generous than the norm risked being exploited by those who looked for a Selfish Optimum. But humans are also very good at spotting such deceptions – women more so than men.

Let’s imaging that humans got very good at spotting deception. And that they reacted strongly to being deceived, punishing the offender way beyond the value of the offence. (Or perhaps one should say *the specific offence that was suspected or proved*, since mostly it will be part of the pattern.)

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Also sometimes hypocritical – inclined to punish others for things we ourselves have done. That seems to be what evolution shaped us to be, and is one of many reasons why I reject the notion of a Creator-God that could shape us to be so imperfect. By contrast, if you think in terms of Natural Selection taking part in small social bands, it all makes sense. A band of pre-humans who each act on their own Selfish Optimum would in the long run do worse than those who were generous.

Tests using simple games showed that when there was long-run interaction, as there is in a tribe, it paid to be nice, retaliatory and forgiving. Start off trusting. Hit back if cheated. But allow the offender to earn forgiveness.

I also thought of this as ‘Survival of the Grandkids’: an answer to Richard Dawkins’ foolish notion of a Selfish Gene. I noticed that some major historic villains had several children but few no grandchildren. They raised children with the wrong attitudes: the next generation self-destructed.

France’s Catherine of Medici and England’s Henry 8th had children but not grandchildren – their gene-lines ended. Phillip of Macedon, father of Alexander the Great, had many other children. But he had created a dysfunctional family in which most of the gene-lines were cut short or petered out. Alexander’s own son died at age 13 or 14: the age at which he might have taken power.

The formidable Qin Shi Huang united China after the Warring States era. But his sons perished in court conspiracies. His only known grandchild was killed after a reign of just 46 days.

The genetic heritage of Emperor Augustus ended before his own death, unless he was the actual father of his adopted sons from the Claudian dynasty. If at least Drusus the brother of Tiberias was his, his gene-line managed three more generations with Caligula’s daughter, murdered along with her hated father. And terminated with the later suicide of his great-grandson Nero.

Ruthlessness has a way of being self-destructive in the long run.

Sadly, even Natural Selection understood as Survival of the Grandkids is imperfect. Those who follow their own Selfish Optimum survived into modern humanity if they were cunning in their deceptions. Or if they also had boldness that led them to heroic acts that got them forgiven their faults. I’d suppose that this explains why a minority of modern humans are sociopaths. But that’s a large topic: something for a future study. The point here is that though most of us can calculate our personal Selfish Optimum, most of us find our emotions leading us somewhere else. Sometimes compelling us to do what we know to be costly but the right thing to do.

(Some would call this the Voice of God. Myself, I feel that an Interventionist God would have managed things much more neatly in all sorts of ways, including avoiding the accidental deaths of innocents. Not allow thin...)

Evolution leaves us imperfect. It is also much easier to apply the Selfish Optimum when you are dealing with strangers. Even more when you never see the faces of those you might be harming. Hence the rise of capitalism.

Fans of capitalism call it a ‘Free Market’ system. To me, this means maximum Authorised Freedom for business people. Freedom at the expense of the Functional Freedom for the working mainstream.

When Tories say ‘Free Market’, they do not mean ‘a market without government-imposed rules’. A few mad Libertarians do, but people with power and responsibilities know better. They might feel the consequences, and seek a market where regulations meet the wishes and desires of business. This privileged stratum is said to know best: have pushed their own selfish interests; they have not improved the overall creation of wealth.

In the real world, there are many curbs on economic Authorised Freedom. Lots of rules are needed, to allow commercial life to survive at all. And despite the New Right rhetoric, there has not been a return to Classical Capitalism.

The secret of the last 35 years is that the capitalist counter-revolution was a sham. The size of the state sector was not reduced – just rigged so that private profit could be made from things that the state had competently provided. Taxes were not reduced, except for the very rich.

The state still dominates the economy. But now it looks after the rich rather than ordinary people.

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17 https://data.worldbank.org/indicator/GC.TAX.TOTL.GD.ZS?locations=GB
Full employment, achieved from the 1940s to 1960s, came under strain in the 1970s. Thatcher convince many ordinary people that it was no longer possible. This allowed her and her successors (including New Labour) to follow policies that made unemployment very much worse.

The supposed grand achievement – a property-owning democracy – has been undermined by the reality of a Free Market. It is much harder than it used to be for young people to buy a house. Prices rise to ludicrous levels, with a big expansion in private renting:

“A Daily Mirror investigation found a third of ex-council homes sold in the 1980s under Margaret Thatcher were now owned by private landlords.

“In one London borough almost half of ex-council properties are now sub-let to tenants.

“Tycoon Charles Gow and his wife own at least 40 ex-council flats on one South London estate.

“His father Ian Gow was one of Mrs Thatcher’s top aides... Housing Minister during the peak years of right-to-buy.”

Market forces mostly favour those with an initial small advantage, which they can work on to make it vastly larger. Or can if they are selfish and ruthless: people don’t often mention these as factors in ‘success’, yet it is almost always the case. No one gets rich by being polite to their competitors, or by doing more for their customers than is needful to keep them as repeat customers.

Thatcher and her heirs (including Blair) did cause one profound change – they speeded the decline of British manufacturing. Fancy finance and cultural products were supposed to take its place – but the rest of the world might find these optional.

Britain does now produce enough food to feed ourselves in an emergency. We suffered during two world wars thanks to the Victorian policy of neglecting agriculture and counting on the rest of the world to feed us. But the weakness of manufacturing could prove just as serious:

“Britain has never properly recovered from the 2008 financial crisis. At the end of 2015, inflation-adjusted income per capita in the UK was only 0.2% higher than its 2007 peak. This translates into an annual growth rate of 0.025% per year. How pathetic this performance is can be put into perspective by recalling that Japan’s per capita income during its so-called “lost two decades” between 1990 and 2010 grew at 1% a year.

“This is remarkable, given that the value of sterling has fallen by around 30% since the crisis. In any other country a currency devaluation of this magnitude would have generated an export boom in manufactured goods, leading to an expansion of the sector.

“Unfortunately manufacturing had been so weakened since the 1980s that it didn’t have a hope of staging any such revival. Even with a massive devaluation, the UK’s trade balance in manufacturing goods (that is, manufacturing exports minus imports) as a proportion of GDP has hardly budged. The weakness of manufacturing is the main reason for the UK’s ever-growing deficit, which stood at 5.2% of GDP in 2015.

“Some play down the concerns: the UK, we hear, is still the seventh or eighth largest manufacturing nation in the world – after the US, China, Japan, Germany, South Korea, France and Italy. But it only gets this ranking because it has a large population. In terms of per capita output, it ranks somewhere between 20th and 25th."$

British industry always had good workers, clever inventors, substandard managers and investors who prefer to play games with money and not risk it on new products. It was said that the three main ways to lose a fortune was women, gambling and inventors, with inventors giving the least pleasure in return. But that’s a Selfish Optimum view for investors: it is lethal for an entire economy.

It was never that great a system. And once the basic tricks of modern industry had spread beyond Britain, British investors were substandard when it came to putting money into promising new ideas. Many were pioneered in Britain but developed elsewhere. Jet aircraft and computers are notably cases. Britain once again lost out with Sir Clive Sinclair’s interesting but unsuccessful venture into home computing.

The problem was known in the 1960s and 1970s, with much discussion of how to fix it. It was assumed that the state could and should fix it. Then Thatcher came along, saying ‘let business run itself’. But British businesses mostly chose not to deal with the hard and messy world of manufacturing, preferring smart financial games. Supposed rescues for ailing manufacturers were often spoofs that left behind a wreck that either vanished or was taken over by foreigners.

Britain was the first country to develop modern industry, but it wasn’t ever that modern in its outlook. The British economy in the 19th century typically grew at 1% a year – astonishing in a world

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where most economies were static, but Britain as ‘workshop of the world’ was nothing like modern enough. Britain at the start of the 20th century was being overtaken by the USA and Germany, who followed the same path with less inhibitions about the use of state power.

The British version of capitalism was obsolete even before the 1914-18 war threw the world into chaos. Tory dreams of restoring British greatness by returning to ‘good old values’ are ridiculous.

Why do people vote for such policies? They forgot that they were living in a Mixed Economy. In the 1950s and 1960s, there were mainstream thinkers who reckoned that the pre-war Western system was no longer capitalist. It was definitely very different from the pre-1914 system, which British governments tried in vain to restore in the 1920s and 1930s. Left-wing militants managed to get it re-labelled as capitalist. Since words mean what the average speaker thinks they mean, let’s concede that it was indeed capitalist. But it was also a blend of capitalism that freely borrows from socialism, and which took it for granted that state power was needed to make sure that the bulk of the population were looked after.

It was very foolish to blur the distinction between this and pre-1914 Capitalism, or both with the Imaginary Capitalism of the economic textbooks.

Thatcher’s achievement is a Mixed Economy system that gives the poor and the working mainstream as little as possible, while looking after the rich. The ideological aim was to return to pre-1914 capitalism. Beyond that, there was a dream of realising Imaginary Capitalism: the asocial world that right-wing theorists dream of. (But actual business people are intensely social, always seeking useful contacts, so the chances of it ever becoming real are remote.)

The near-collapse of the global capitalist system in 1987 is almost forgotten, eclipsed by the much more dramatic collapse of the Soviet system in 1989 to 1991. Yet it happened.

In 1987, money was pumped into the entire system to keep it afloat. This was before it was clear that Labour as New Labour would take such a timid view of New Right doctrines. In the crisis that began in 2008, the grip of New Right doctrines on Establishment thinking had got stronger. They managed to sell a stimulus package in which the lion’s share went to the rich.

‘Quantitative Easing’ is a fancy label for the government bailing out financial institutions that might otherwise have needed to be nationalised and would have lost a lot of money for the very rich.

Once Quantitative Easing had been swallowed, austerity was pushed as necessary. Money used to cover the bad debts of the rich had to come from somewhere, if inflation were to be avoided.

The attempt to restore Classical Capitalism failed. But what they could do was run a Mixed Economy in which the Working Mainstream pay much more than their fair share of taxes. That lets their own more-than-millionaire class evade most taxes by fiddles that were described as impossibly to prevent, even though most were obvious.

They also relied heavily on stoking up anti-immigrant feeling, while being ‘mysteriously’ unable to prevent further massive immigration.

Most of the right-wing poor were persuaded to vote against their own economic interests. All they got was a fraudulent promise to protect their way of life.

The Mixed Economy as a Secret Vice

The Mixed Economy never in fact ended. But in the West, it became a kind of ‘Secret Vice’. It was the squalid reality behind the rhetoric of Imaginary Capitalism. This was never the case in the economies of the Asian Tigers, nor in People’s China when it opened up after Mao. All of them follow the rules of Mixed Economy, with China as the most regulated of all. But rather than being noted as proof of the merits of a Mixed Economy, it gets sneered at as Crony Capitalism.

The New Right get by thanks to a muddled use of the term ‘capitalist’. Sometimes it means current Tory policies. Sometimes it means the Imaginary Capitalism of the economic textbooks. But to find evidence that ‘capitalism’ works, they need to put the label [Capitalism] on state-dominated systems that are clearly Mixed Economy.
The New Right view of 20th century history might run as follows:

*Capitalism, expanding from its original base in Britain, was liberating humanity up until 1914, when it suffered an inexplicable outbreak of Trench Warfare.*

*It bounced back, but then a routine economic slump at the end of the 1920s caused unjustified panic. Very wrongly, capitalism was in the 1930s replaced by capitalism.*

*After World War Two, in excessive admiration for the Soviet Union after it had merely saved the West from Nazism, there were still more drastic change and capitalism was replaced by capitalism.*

*In the 1980s, Thatcher and Reagan rescued us by replacing capitalism with capitalism. Of course, there is still much more that needs to be done to replace capitalism with capitalism in the West.*

*China, while owing its success to capitalism, faces all sorts of disasters unless it urgently replaces capitalism with capitalism.*

To turn this into an account of real history, you would have to apply distinct labels to these variants of capitalism. Classical Capitalism, Interwar Capitalism, Mixed-Economy Capitalism, Feed-the-Rich Capitalism, Capitalism-Subservient-To-Socialism. Or ‘Incredible Living Macaroon Capitalism’ if it pleased you: the specific names are not very important. You just need to be clear that these are several alternative systems.

It might be sensible to say that nothing after Classical Capitalism was really Capitalism. But the standard practice is now to call it all capitalism. So let’s be clear about the differences.

New Right economic thinking usually slithers between very different meanings for the seemingly simple term ‘capitalism’. To justify capitalism as better than socialism, almost anything can be called capitalist. But then they slither to a belief that only the Imaginary Capitalism of Adam Smith and his heirs is really capitalism. Real-world systems are good or bad, to the degree to which they are close to or distant from Imaginary Capitalism.

You disbelieve me? *Capitalism: The Unknown Ideal* is a collection of essays by Ayn Rand and others. Most notably Alan Greenspan, who served as Chairman of the Federal Reserve of the United States from 1987 to 2006. Who was at the time viewed as a genius, and is now widely derided as a fool who paved the way for the economic disasters of 2007-8.

(There should be a song about it. ‘Greenspan was their heart’s delight’, to the tune of *Greensleeves.* ‘But you ended a failure, Greenspan’. Perhaps using bailing with sieves as a metaphor for economic failure, and alliterating with sleaze. Maybe working in Ayn Rand’s real name, Alisa Zinov’yevna Rosenbaum – her main audience were ignorant right-wingers, so she always hid her Russian-Jewish origins, in stark contrast to Isaac Asimov who let his origins be obvious and was somewhat of the left. It could be a great song; free to use for anyone who can make something of it.)

Greenspan and Ayn Rand called Capitalism an *Unknown Ideal*, without explaining how it could also be the cause of all the good things in life. It’s a notion that makes Transubstantiation seem quite sensible and straightforward.

I’ve tried to tie down their hazy notions by supposing that they mean that the optimum in an imperfect world is the closest possible approach to Imaginary Capitalism. But is that true?

Awkwardly for the New Right, the most successful modern varieties of ‘capitalism’ are those furthest from Imaginary Capitalism. That also differ a lot from Imaginary Socialism, it must be admitted. Hybrid systems paying little attention to ideology have been the big successes. The West’s main successes happened before Free Markets and Free Trade got a grip on the minds of both the ruling class and most of the thinking public.

The real economic history of the 20th century is as follows:

- Both Imperial Germany and the USA were overtaking Britain as global centres of industry.
- All Europe was damaged massively by the Great War. Recovery was slow everywhere, but
slowest of all in the new Soviet Union.

- Stalin saved the Bolshevik experiment at a time when it might have collapse, or might have been left too weak to resist the sort of invasion that was broadly expected even before Hitler.

- As it developed, Stalinist State Planning showed itself superior to Classical Capitalism.

- Classical Capitalism was anyway fading out in the Great Slump of the 1930s. It has never been restored in real terms, as distinct from New Right slogans.

- Fascist economics was based on contempt for Liberal Economics. And was quite successful particularly in Germany, which was suffering massive unemployment before Hitler took over.

- Fascism accepted the standard view of right-wingers before Thatcher and Reagan. It was agreed that ordinary workers and other lower-class elements should be looked after for as long as they stayed in a properly subordinate role. In this it resembled the older systems of functional conservatism: Tories in 19th century Britain, Bismarck in Germany and most people in both main parties in the USA in its Gilded Age.

- Fascism was however more democratic than traditional conservatives. Its mass organisations broke down rigid class barriers and people got promoted on merit, subject of course to fascist race-prejudice and their irrational hostility to Jews. Fascism resembled US managerial culture in this. There was indeed a strong mutual attraction: one that lasted up until Hitler’s bizarre decision to declare war on the USA after Pearl Harbour. Hitler did this despite Japan’s continuing refusal to declare war on the Soviet Union, which might well have cost him the war. But the compatibility of ideas remained. Many former Nazis found it easy to adapt to the version of the US system created in West Germany after 1945.

- The USA had invented a hybrid form of capitalism with the New Deal: but most of the business community strongly resented it. They had almost managed to re-strangle the real economy in their defence of Sound Finance, until Japan and then Hitler forced them into a war they had hoped to avoid. No actual government has ever worried much about the principles of Imaginary Capitalism during a war.

- The Cold War has many causes. But a major cause was the need to go on feeding the gigantic Military-Industrial Complex that had grown up during World War Two. The term gained popularity in 1961 after its use in the farewell address of President Dwight D. Eisenhower, who was tradition-minded and thought of it as a necessary evil that might one day be abolished. This is unlikely ever to happen, short of a massive move left. It allows the USA to be run as a Mixed Economy without too much right-wing hostility.

- The Military-Industrial Complex would have been a bad thing if the USA had been willing to accept a straightforward Mixed Economy system of the sort that was imposed of West Germany, Italy and Japan. Or if what was then called the Conquest of Space had remained an active area of global competition after the USA won the race to the moon. But given the habit of both the US Congress and the wider US electorate to seek to strangle the real economy in the name of Sound Finance, US success depended heavily on the continuing existence of the Military-Industrial Complex.

- Vast numbers of successful consumer products were spun off from things developed with little concern for cost by the Military-Industrial Complex. They were pioneers of microchips and the Internet, among other things. (But the World Wide Web, which is a different entity that merely runs on the Internet, was invented at CERN. CERN is a gigantic research centre concerned mostly with subatomic physics and indifferent to profit or possible practical use.)

- Britain’s own Military-Industrial Complex was different: a considerable burden on the state and with very little transfer of anything useful. One instance: some pioneering computers developed to crack Nazi codes at Bletchley Park were kept ultra-secret for decades. The public might have been offended by instances where data from code-breakers was not used. The reason was sound: it was vital that the Nazis should continue to chatter freely using code they believed unbreakable. But it was felt safer to use the pretext of ‘national security’ to stop the nation knowing what had really happened.

- In West Germany, Italy and Japan, Mixed Economy ideas were applied much more freely and were much more successful. This was later extended to the Asian Tigers: South Korea, Taiwan, Hong Kong and Singapore. They all ignored ‘Imaginary Capitalism’.  

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China under Mao was hugely successful in applying a copy of Stalin’s State Planning. The economy tripled during his rule and broadly matched the global average, despite hostility and boycott from the USA until the early 1970s.²²

The Soviet Union was also burdened by its Military-Industrial Complex. But it was growing faster than the USA into the 1970s. Only then did it take several wrong turns and declined.

Post-Mao China copied the Asian Tiger version of the Mixed Economy, but with a bigger role for the state. This remains very successful.

Both Russia and its dependencies in Middle Europe declined when New Right policies were attempted. This ended earlier in Middle Europe, where some countries were taken into the European Union. Where there was not the same ideological hostility to the Mixed Economy.

New Right policies as applied in Britain and the USA entirely failed to boost their existing economic growth. It also never dismantled the state, despite all the talk of doing so.

Most of the New Right’s foolishness is a rehash of left-wing ideas, snipped and pasted to favour the rich. It was the left that insisted on calling the Mixed Economy capitalist. Had it been generally understood as a stage on the road to socialism, history might have gone very differently from the 1970s onwards.

Everything about the New Right world-view is bigoted and foolish. But it survives because in practice it is Feed-the-Rich. A Mixed Economy run for the benefit of a more-than-millionaire class. It successfully makes vast numbers of ordinary people resentful about the wrong things.

Blaming most of the unemployed for their plight is no more sensible than blaming everyone who has been involved in a traffic accident.

You could imagine a theory of ‘Rational Traffic-Flow’. It starts from the obvious fact that people would not set off in a car with the intention of having an accident. So, if they have an accident, they must be bad and inferior people and do not merit sympathy! Logical?

Of course, some people do drive carelessly, or too fast. This makes accidents more likely. But there is also almost always some bad luck, and ‘accident black spots’ are well known. And people who drive safely may be hit by speeding fools.

A theory of Rational Traffic-Flow would also ‘prove’ that traffic jams either do not exist, or are a result of needless state regulation. And on the Far Right, you’d find a belief in sinister conspirators who drove their cars for no other reason than to make life hard for the rest of us.

No one really believes this, of course. They may fiercely denounce new rules for road safety as tantamount to jack-booted Stalins thrusting their way into the privacy of your own bedroom. But I’ve never come across anyone protesting at intrusive regulations like a driving licence and compulsory licence plates. Nor denouncing official rules at junctions and traffic lights.

Every road-user has a basic understanding of the dynamics of real traffic. Economics is always confusing and tied up with distant matters.

We interact with the wider society using money. This ‘cash nexus’, once denounced by conservatives, is now seen as the grim and inevitable reality of economics. And the left has not done a good job of explaining, often favouring esoteric notions that make no more sense than what the New Right say. What they push through popular media owned by the more-than-millionaire class.

Back in 2000, I wrote Adam Smith: Wealth Without Nations.²³ Amazingly enough, it was and still is the only English-language criticism of a work central to the New Right’s self-belief. But no one much has taken notice of it. I’d suppose it does not help that I reject the fashionable notion that Stalin was a very wicked and incompetent person who just coincidentally succeeded. That Khrushchev and Gorbachev were brilliant despite doing enormous damage to the system they were trying to improve.

I will agree that Stalin was very ruthless. But so was Lenin. So were Trotsky and the other Bolshevik leaders. Stalin justified it as survival in a hostile world. Since his system survived and got stronger, I’ve always believed him. And felt from the 1970s that we need to be Post-Leninist. Not apologising for what was done, but saying that new methods are proper for a changed world.

Regardless of what else they think of me, left-wingers should have taken proper notice of my

²³ Available at https://www.atholbooks-sales.org/. Once sold by Amazon. Currently shown as ‘Unavailable’ even though they have been told that it is still available.
exposure of Adam Smith. Done their own work: I suggested several follow-up lines. But no one showed any interest.

There are plenty of good popular accounts of the Galapagos finches that inspired Darwin. Not one about the 18th century pin-making that Adam Smith used as a model. It matters that Smith's account is a false account of a complex industry.24

The 'Theory of Rational Markets' has been a nice cover for the continued existence of a vast tax-subsidised state machine that serves the interests of a more-than-millionaire class, the 1%.

The Tories and US Republicans spent their way out of the brief half-forgotten crisis of 1987, when markets slumped drastically.

In 2008, they prevented a chain reaction of bank collapses by giving them free money under the nice label ‘Quantitative Easing’. Rather than let the assets of the very rich get devalued, they used Austerity to reassure financial markets. To pay for it, they inflicted pain on the rest of the society.

**Chinese Realities**

China in 1949 was extremely poor. It was still poor when Mao died in 1976. But it was also much better off than it had been. Had grown much faster than India and most other developing economies.

The West's current crop of China Experts imply that China under Mao was a disaster of economic stagnation and death. They do this by only mentioning things that went wrong. Not mentioning that in the previous 110 years since the Opium Wars opened up China to global capitalism, there had been no net progress. Not admitting that the hopeful-seeming growth of the coastal cities was matched by an actual decay of the much vaster rural economy. And never ever giving overall figures, either for economic growth or death rates.

I did my own checking, and found that there was steady success for as long as Mao let China be a copy of Stalin’s system. There were problems when he tried to make something beyond that.

Things went badly wrong in the Great Leap Forward. The main mistake was collectivisation on much too large a scale. The People's Communes roughly matched Chinese counties (xians), way beyond what most people were used to coordinating. It also came after several years of massive success, so there was too much ambition. Much false reporting when things went wrong.25

Despite this, China’s death rate never went above 25 per thousand. That’s below the norm for many poor countries. And overall, the death rate went steadily down.26

China under Mao was viewed as an illegal regime by the USA. Until Nixon chose to make peace in the early 1970s, the exiled Kuomintang government on Taiwan retained China's UN seat.27 The USA was able to thwart a lot of Chinese trade, calling it illegal. (A major reason why Mao tolerated Hong Kong, which he could have either walked into or quickly destroyed by closing the border.)

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There were also repeated promises by Chiang Kai-shek to retake the mainland. Taiwan did retain a very large army, well equipped with US military hardware. China had to fear an invasion that would be used by the USA to step in with its own gigantic army.

As it happened, the USA stepping into an Asian civil war was tried in South Vietnam, and failed. But until the peace with Nixon, Mao had to constantly worry about invasion.

He also had to worry about a Soviet invasion after he defied them. With hindsight, he was right to defy them during the Brezhnevite wrong turn, which blighted everyone who followed their lead.

A Sino-Soviet war was widely expected in the 1970s, though most current Western books prefer not to mention the matter. They also prefer not to mention how China was under threat and kept out of the United Nations until the early 1970s. They’d sooner sneer at Mao, and never let their readers know what Mao was up against.

There was then the dramatic shift after Mao, with Deng seeming to justify earlier accusations of wanting to restore capitalism. But what was really created was something quite unlike previous Chinese capitalism. And remote from the Imaginary Capitalism that Britain and the USA held up as an ideal. A broad copy of the Mixed Economy systems of Japan and the Asian Tigers, but always with much more state control.

“The 2008 financial crisis was a shock to faith in entirely free financial markets. But the neoliberal assumptions underlying the previously dominant ‘Washington Consensus’ continue to inform much Western commentary on China’s economy. Deeper financial market liberalization, it is argued, would better discipline the real economy and lead to more efficient capital allocation. Capital account liberalization would prevent wasteful investment in low-return domestic projects. And reducing the role of dominant state-owned enterprises (SOEs) would unleash innovation and economic dynamism.

“But, as Joe Studwell of the China Economic Quarterly argues persuasively in his book How Asia Works, the original East Asian success stories – Japan and South Korea – got rich by ignoring most of this policy prescription. Finance was kept on a tight leash; credit was directed or guided to support specific government-defined industrial objectives; and domestic industry was nurtured behind tariff protection, while being forced to compete aggressively for overseas markets.

“China is attempting to follow Japan and South Korea’s path of rapid economic catch-up. But in some ways it faces a more difficult challenge, because its sheer size makes it essential to move away from a predominantly export-driven growth model at an earlier stage of development. To meet that challenge, it seeks to use a pragmatic mix of market incentives and state direction.

“Private-sector entrepreneurship plays a vital role. Huge companies such as Tencent and Alibaba are second to none in innovative flair. Chinese bicycle-sharing apps are now being copied in advanced economies. And private companies play world-leading roles in renewable energy and electric vehicles. In part, China is a vibrant capitalist economy.

“But huge state-driven infrastructure investment – in excellent subway systems and high-speed rail, for example – creates a powerful platform for modern economic growth within rapidly expanding and well-connected cities. And through the ‘Made in China 2025’ program, China’s leaders are seeking to use state-defined objectives to drive Chinese economic development.
industry toward higher technology and value-added."\textsuperscript{28}

I must admit to being wrong about this at the time. I took talk of ‘restoration of capitalism’ at face value. And like most of my generation, I was nothing like clear enough about the enormous difference between the successful Mixed Economy system and the fantasies of the New Right.

**Baby Boomer Triumphs and Tragedies**

From 1914 to the early 1950s, Western civilisation seemed to be in terminal decline. George Orwell was just one of many who assumed that they were living in the last days of anything decent. He had considered using the title *The Last Man in Europe* for what became *Nineteen Eighty-Four*.\textsuperscript{29} Unlike modern radicals, the notion of anything decent outside of Europe and its settlement-colonies was alien to this son of a British Imperialist. Son of a descendant of absentee landlords of slave-worked plantations in Jamaica.

Orwell came from a failed class: a stratum within the British middle class that was tied to the empire and which felt lost without it. Orwell in *Nineteen Eighty-Four* was aware that the existing British Empire is doomed. But he imagines it being replaced by a system of three rival World States that are a great deal worse. Like most of those whose social group end up in the dustbin of history, he tried to prove that his people had not been so bad after all.

Others took a more positive view. Rather than denouncing any unfamiliar social system as outbreak of evil and power-madness, they accepted that both Fascism and Leninism had made justified criticisms of the older liberal-capitalist order. They noted that both Hitler and Stalin had delivered massive economic success (which Hitler however threw away in a war he could easily have avoided or ended early on).\textsuperscript{30} Many of these more hopeful left-wingers also concluded that a Mixed Economy could deliver the same benefits without the need for dictatorship. Or at least that it could in countries with a long tradition of constitutional government: the notion of a popular authoritarian regime as the best option for a backward country was once widely accepted. It is now generally denounced, despite a series of disasters that have flowed from destroying such regimes.

I’ve not heard anyone say **give them democracy even if it kills them**. Maybe because it would be an awkwardly accurate summary of what has actually happened in Iraq, Libya, Syria, Yemen etc.

The optimists were broadly right up until the 1970s. The golden-quarter-century of the Mixed Economy were brilliant for the West. The big winners were France, Italy, West Germany and Japan. But both Britain and the USA grew faster than they have since Thatcher and Reagan led the drive for a restoration of capitalist norms.

Thatcher and Reagan tapped into the fear of ‘corporatism’. Not, indeed, that they did anything much about it. Vast impersonal corporations are much stronger now than they were in the 1980s. But the ‘Baby Boomers’ – the children born to adults who were forced to delay family life by World War Two – did have a broad dislike of social controls.

A radical minority of the Baby Boomer generation set out to make the world better for everyone, not just for themselves. Imperfectly and sometimes foolishly, but we’ve been right on a lot more issues than we’ve been wrong. And note also that the leading elements were mostly young white males trying to help women and blacks, even if not entirely accepting them as equals.

Commentators who go on about how 1960s radicals failed to match modern standards neglect to ask themselves if those ‘modern standards’ would ever have become a norm without the original imperfect protests. They must think that such reforms dropped down from heaven. They have often found comfortable niches in political parties, newspapers etc. that were hostile when the reforms were still being fought for.

Big shifts happened on race and the rights of women. Racial hierarchies were mainstream in the 1950s: they had been pushed to the right-wing fringes by the 1970s. The US armies that liberated Western Europe in World War Two were racially segregated. The earlier US contingent of the International Brigade in the Spanish Civil War was the first army in which black US citizens might be in command of white US citizens. Female pilots had always been potentially equal, but only the Soviet Union let them fight in World War Two.

Away from the battlefield, the Soviet Union was the pioneer of women’s rights in all sorts of

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\textsuperscript{28} https://www.socialeurope.eu/china-vs-washington-consensus
\textsuperscript{29} https://en.wikipedia.org/wiki/Nineteen_Eighty-Four#History_and_title
\textsuperscript{30} https://gwydionwilliams.com/44-fascism-and-world-war-2/how-hitler-might-have-had-a-victorious-peace/
sectors up to the 1960s, including sending the first women into space. But then everything seized up under Brezhnev. Yet while the Soviet Union lost its progressive role, the West was moving forward.

The best of the Boomer generation had an attitude of high moral seriousness. And the best were few. A lot of others compromised on the path to power. They were encouraged by the next wave of young people; the generation I call Coolhearts. Coolhearts had an attitude of ‘I grab what I can for myself’. It was a return to the lower end of human nature.

Most of the Coolhearts generation did worse economically out of this lack of solidarity. But as I mentioned earlier, they have drifted into right-wing thinking and cannot sensibly defend their own interests. Are led by the noses by the Top People, and will probably not get any wiser in their remaining years. I would be delighted if it proved otherwise, but I am not hopeful.

The positive side of the Coolheart era was that people who believe in nothing will allow almost anything. Or will allow it for long as it does not inconvenience them. Important negative freedoms were established. People were left free to do as they pleased, if they could pay for it.

Let’s detail the shifts:

**Sex outside marriage.**
The Western mainstream would not legitimise this until the 1970s or 1980s, when a modified form of 1960s radicalism became the mainstream. On this particular issue, fascism and communism both favoured the attitude now accepted as normal. They saw premarital sex as fine, though it was also good to eventually settle down and marry.

All of this excluded official tolerance of homosexuality: one of a small number of radical changes that the Western liberal/left genuinely did pioneer. The Soviet Union never exactly shifted: but People’s China did so in 1997.31

Nazism unofficially tolerated homosexuals when they had useful skills. But so did everyone else.32 Before homosexuality became mainstream, gay Nazis were part of the stereotype. But never close to the reality, after Ernst Rohm and his friends were purged.

There was also the issue of underage sex. At one time, an Age of Consent as low as 12 was considered. The consensus then sharply reversed itself, with the discovery that many young people had been exploited and damaged. I entirely support the current mainstream view.

**Racial equality.**
The left and most effectively the communism pioneered attitudes now viewed as normal. Fascism wanted to go in the opposite direction, rolling back the unofficial softening of the previous few decades.

But the west since the 1970s has gone further than late-Soviet practice. It was disastrous for European leftism that Brezhnev kept the Soviet system stable when it should have changed radically, or else collapsed. Disastrous also that so many on the left were soft about it at the time.

**Imperialism.**
Another left idea, with Global Leninism doing a lot of the ‘heavy lifting.

The fascist powers tried to build their own empires, and were more brutal than the 1930s Western mainstream. They also worked with anti-imperialists to undermine their rivals. In the end, their subversive side mattered more.

Mahatma Gandhi and the Indian National Congress were neutral in the anti-Fascist war. Some Asian nationalists worked with the Japanese. Despite Japanese brutality, this policy broadly worked.

Hitler did more damage to White Racism than was done by any of the west’s principled anti-racists. He opted for an alliance with Imperial Japan, without apparent concern at what this would do to the world’s established racial hierarchies.

Of course, Hitler was following the example of Britain, which made a strange alliance with Japan. Which gave Japan freedom to wage war against Tsarist Russia in 1904-1905. Did they never reflect on how this would be seen by their own non-white subjects? We do know from Mao’s account of his own life given in Red Star Over China that the teenage Mao was one of many cheered by this victory of Asians over Europeans.

31 https://en.wikipedia.org/wiki/LGBT_rights_in_China#People.27s_Republic_of_China
32 This is a rewrite of earlier work, see https://gwydionwilliams.com/history-and-philosophy/the-left-redefined-the-normal/
Green Issues
Awkwardly, Nazism was closer to the modern view than any other governing party before the 1960s. This included recognising that cigarettes were dangerous. Of course, there were plenty of ‘green’ viewpoints that were earlier and were nowhere near Fascism – William Morris, for instance. But I am talking here about the beliefs of people with immediate power to change the world.

Equality
Communism demanded total equality and fascism favoured separated and privileged elites. The Western mainstream has moved in the direction of communist ideas.

The New Right has reversed some of the earlier achievements on economic equality. This has been done by mobilising a populist resentment against the ‘managerial elite’ of the Keynesian era. Since the people who listened are now worse off, this may prove a short-lived achievement.

Meritocracy
The communist ideal was that you should earn your status, not inherit it. Fascist ideas were mixed, a bit of both. The Western mainstream has become increasingly meritocratic. A 1958 book called The Rise of the Meritocracy was intended as a satire: it is deservedly ignored nowadays.

In Britain, Sir Alec Douglas Hume was the last prime minister from the old elite. There is unlikely to be another one – Old Etonians are privileged but not elite.

The USA, once a pioneer of meritocracy, has now fallen behind. Since World War Two, Roosevelt and Eisenhower and Kennedy came from families that were already powerful, as did both Bushes. Truman, Nixon, Johnson, Carter, Bill Clinton and Obama were pretty much self-made, as was Gerald Ford, who was appointed rather than elected. Trump had an enormously rich father, but both of them were rich people outside the political elite.

By contrast, no leader of the Soviet Union or the subsequent Russian Republic has been from elite background, apart from Lenin whose father had been an important Civil Servant in Tsarist times. The same has been true of China since the fall of the last Emperor, though Xi Jinping is the son of a former Vice-Premier of China. But this remains the exception: the top leadership as it emerged from the 19th Party Congress is almost entirely people from very ordinary beginnings.

Romance and Grandeur in Politics
This was a major factor in the success of Fascism: a romantic and heroic promise that seemed to make sense of a world where conventional ideas had visibly failed. This sort of promise also helped the Bolsheviks, even though the Communist movement claimed to be the ultimate in rationality.

Critics of ‘irrationality’ in politics overlook what should be obvious – that it meets a basic human need, which must have a safe outlet and is worthy of being turned to useful ends.

Liberal ‘rationalism’ is anyway often phoney, an assertion of prejudices. This has been even more true of the New Right. It is rational to believe that markets will find the ideal economic outcome, because…..

There is actually no coherent basis; just a false claim that Adam Smith proved it. He does nothing of the sort: he simply slips in the notion as an unproven assumption in The Wealth of Nations.33

Genocide
Associated now mostly with the Nazis, genocide was the standard method of Western imperialism when they found native populations inconvenient. Britain’s Liberal Imperialists developed methods used later by the Nazis. It was Anglo policy in the 18th and 19th centuries to evict and largely destroy unwanted native populations in North America, Australia, New Zealand and Southern Africa.

Charles Darwin casually predicted that the Maoris of New Zealand would die out “like their own native rat”.34 They did come close, but then bounced back. But I have detailed in a previous Problems how this was a very common attitude at the time.35

The Concentration Camp was invented by the British in South Africa during the Boer War. It was an application to white populations of methods that since the European Enlightenment had been applied only to non-whites. The British Imperial authorities were building on methods used by Spain in Cuba, but Spain lost that war. Spain put up barbed wire to fence humans, but was not inhumane

34 Page 521, Darwin, by Adrian Desmond and James Moors, London 1991
enough to remove ordinary people from their own homes.

The British Imperial authorities that took several long steps down the road to Hitler’s Death Camps by locking up the wives and children of rebellious Boer farmers. And it was British Imperial authorities that did very little when they began dying in large numbers.

I say ‘British Imperial authorities’, because there was quite strong opposition in Britain at the time, with Lloyd George a major protestor. But Lloyd George was later won over to the Imperialist cause. He threatened to do in Ireland what had been done in South Africa. And he was a strong supporter of the Balfour Declaration, even though many members of the government which decided on it assumed that this would mean in the long run a Jewish state that would clear out the non-Jewish population.36

**Inequality**

“A third of a century ago on both sides of the Atlantic an economic experiment was undertaken. Until then, growth had been amazingly strong in the post-war decades, and there was shared prosperity. In the US, incomes had risen at every part of the distribution, and they rose fastest at the bottom. There was convergence. In the US, especially, there was heavy public investments in infrastructure (the national highway program), education, science and technology—Sputnik gave a particular spur. There was a bipartisan consensus on this, and on the need for regulations, for instance concerning the environment. Air became breathable, and rivers swimmable. Depression-era regulations on banks had resulted in decades of financial stability: again, in the US, an unprecedented half-century without a financial crisis.

“Historians may debate what motivated the Reagan-Thatcher experiment, but the economics of what followed is not debatable: growth slowed and inequality grew. In the US, the bottom 90 per cent saw their incomes virtually stagnate.”37

This is from a magazine called *Prospect*, which is unofficially the place where Britain does its political thinking. Such is part of a general shift by the establishment. They now admit that the 1980s experiment was not a success. In fact the failure is blatant, and so is the unfairness:

“According to the stock market, the UK economy is in a boom. Not just any old boom, but a historic one. On 28 October 2013, the FTSE 100 index hit 6,734, breaching the level achieved at the height of the economic boom before the 2008 global financial crisis (that was 6,730, recorded in October 2007).

“Since then, it has had ups and downs, but on 21 February 2014 the FTSE 100 climbed to a new height of 6,838. At this rate, it may soon surpass the highest ever level reached since the index began in 1984 – that was 6,930, recorded in December 1999, during the heady days of the dotcom bubble.

“The current levels of share prices are extraordinary considering the UK economy has not yet recovered the ground lost since the 2008 crash; per capita income in the UK today is still lower than it was in 2007. And let us not forget that share prices back in 2007 were themselves definitely in bubble territory of the first order.”38

That’s from noted South Korean economist Ha-Joon Chang. He was also expecting a crash:

“Most investors know that current levels of share prices are unsustainable; it is said that George Soros has already started betting against the US stock market. They are aware that share prices are high mainly because of the huge amount of money sloshing around thanks to quantitative easing (QE), not because of the strength

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36 This is detailed in the Athol Books pamphlet *Centenary of the Balfour Declaration 1917*, by Pat Walsh.
37 https://www.prospectmagazine.co.uk/magazine/britains-choice-on-the-economy-mays-80s-rerun-versus-corbyns-bold-rethink
38 http://www.theguardian.com/commentisfree/2014/feb/24/recovery-bubble-crash-uk-us-investors
of the underlying real economy. This is why they react so nervously to any slight sign that QE may be wound down on a significant scale.”

Back in March 2014, I disagreed:

“I’m not sure it will end in such a crash. Perhaps he’s still too orthodox, over-estimating the power of market forces and under-estimating the state. While Western governments are allowed by the electorate to squeeze ordinary people to preserve the wealth of the rich, the situation remains stable. The current leaders know that a crash would probably mean the end of their values and their hegemony. In the absence of popular rejection of their values – which has yet to happen – they have every reason to carry on.”

As of early November 2017, the market wanders between 7400 and 7500, having been at about 6800 a year earlier. Feed-the-Rich, indeed.

Ha-Joon Chang is a champion of the Mixed Economy. Since he comes from South Korea, I’m not surprised that he says nothing about the economic success of the Soviet Bloc under Stalin or of China under Mao. He does at least make clear that the Mixed Economy worked, and continues to work in East Asia.

Much more vagueness is shown by economists like Thomas Piketty. They do indeed report the shocking growth in inequality:

“The top 1 percent of earners have more than tripled their salaries. Today, the ultra-wealthy earn on average $1.3 million a year, according to a research paper in the Washington Center for Equitable Growth from economists Thomas Piketty, Emmanuel Saez and Gabriel Zucman. In the 1980s, it was $420,000. Meanwhile, the salaries for the bottom 50 percent of earners have been stagnant at $16,000 over the same time period...

“The top 1 percent have doubled their income share… The ultra-wealthy control more of the income ’pie.’ In 1980 they received 10.7 percent of pre-tax national income. In 2014, it was 20.2 percent. The bottom 50 percent of earners have seen their share of the pie shrink – they took home 19.9 percent of pre-tax income in 1980, but only 12.5 percent in 2014.”

Piketty etc. have however not gone far outside of the New Right consensus. They will not admit what was once the standard view – that a good life for everyone is possible. They find various esoteric reasons for the growth in inequality. They ignore the political victory for the New Right that happened first.

The USA has been the prime offender:

"America’s richest 10 percent, this latest analysis shows, lost 7 percent of their wealth between 2007 and 2013. The bottom 90 percent lost 22 percent, over triple the top 10 percent loss...

"The Great Recession essentially wiped out virtually every cent of the new wealth that middle class households had added between 1983 and 2007.

"In the earlier of these two years, the typical American household held, after adjusting for inflation, a modest net worth of $80,200. By 2007, this net worth had grown to just under $136,000. The Great Recession knocked that total back down to $81,400."

"After adjusting for inflation, wages are just 10% higher in 2017 than they were in 1973, amounting to real annual wage growth of just below 0.2% a year, the report says. That's basically nothing, as the chart below indicates."

"In the U.S., a child born in the top 20 percent economically has a 2-in-3 chance of staying at or near the top, whereas a child born in the bottom 20 percent has a less than 1-in-20 shot at making it to the top, making the U.S. one of the least upwardly mobile nations in the developed world. Our levels of income inequality rank near countries like Jamaica and Argentina, rather than like countries like Canada and Germany, but American voters, in large, believe America is just doing fine...

"The study measured actual income inequality and upward mobility versus perceived income inequality and upward mobility in a number of countries. The results are conclusive: U.S. voters don’t demand income redistribution, from the rich to the lower economic classes, because they don’t grasp how severe inequality actually is...

"Income inequality is now a problem in just about every developed nation, but America remains an outlier. In the U.S., the top 20 percent earn a whopping 16.7 times what the bottom 20 percent earn, and that gap is ever widening,

41 http://portside.org/2017-02-04/what-made-great-recession-%e2%80%98great%e2%80%99
given 95% of all income gains since 2009 have gone to the richest 1 percent.”

For me, it is all Political Economy. The success of the New Right was down to a failure by the bulk of the left to defend the Mixed Economy. And by the fading and collapse of the Soviet Union.

In the USA, unlike Britain, the working mainstream of the society has been losing out ever since the 1980s. Thatcher could squeeze the poor and sell off state assets, mostly because anyone with a decent job and a little property was doing fine up until 2008. And after 2008, many fell for the notion that an economic crisis must mean spending cuts for people like themselves. That gigantic handouts to the rich were a lesser evil than nationalising the banks and imposing large losses on rich owners of such bankrupt banks.

It’s different and much worse in the USA, where a century or more of well-paid work was been reversed by ‘Reaganomics’. By the refusal of the Clintons and Obama to challenge it.

“By whatever measure you use, the richest Americans have done very well over the past few decades. According to the Census Bureau, the share of national income going to those in the top fifth of earners rose from 44% in 1973 to 50% in 2000. The share going to the top 1% rose to 15% in 1998, higher than it has ever been since the second world war, according to a recent study of tax returns by two economists, Thomas Piketty and Emmanuel Saez.

“Take wealth rather than income, and America’s disparity is even more startling. The wealthiest 1% of all households controls 38% of national wealth, while the bottom 80% of households holds only 17%, according to the Economic Policy Institute (EPI). Around 85% of stockmarket wealth is held by a lucky 20%.

“If the rich have been doing much better than other Americans in relative terms, the poor have failed to improve their lot as they did in the 1950s and 1960s. The wage incomes of the bottom 20% of households have barely grown in real terms since the mid-1970s. As for wealth, the bottom fifth has debts that exceed its assets, making its wealth a negative number. The bottom fifth’s percentage of national wealth worsened from -0.3% in 1983 to -0.6% in 1998...”

“Interestingly, Americans are usually over-optimistic about their chances of promotion. An opinion poll a couple of years ago found that 19% of American taxpayers believed themselves to be in the top 1% of earners. A further 20% thought they would end up there within their lifetimes.”

That last explained how the Republicans keep winning elections. Almost one voter in five believes themselves a member of a group defined by being one in a hundred. Another one in five thinks that they will get there. It is as if you believed that five gallons could fit into a pint pot.

More probably, they do know that most people at their own economic level will never rise. But they also imagine that they are part of the fortunate upwardly-mobile minority. Vastly more people aspire to the elite or identify with the elite than can ever hope to be part of it.

Since learning about how far people are deceived, I have taken to speaking of a ‘more-than-millionaire class’ rather than the richest 1%. People are at least smart enough to notice that they are not millionaires, at least in terms of dollars, euros or pound sterling.

Still, the ideology is strong. The rhetoric of Freedom has worked for now. Roosevelt had to fight to bring in the New Deal in the face of a deep-rooted belief in classical liberalism. Without the Second World War, he might have failed. Keynesianism was accepted for as long as Communism was there as an alternative. When the pressure eased, the rich could take back lost ground.

Not that it is genuinely classical liberal economics. Some of the Reaganites started out believing they could dismantle the state, but they couldn’t. The half-forgotten economic crisis of 1987 almost lost them the Cold War at the 11th hour, and theory was suspended to keep the system alive.

What you have now are Pork-barrel Libertarians. Since the reality is a vastly complex society that could not exist without the state, they adjust their ideals to suit their careers.

The New Right were also boosted by the belief by most Westerners, both left and right, that China

44 Economist, September 6th, 2003
now was pure capitalism. I explained earlier that China was something very far from Imaginary Capitalism, and not intended to get any closer. Deng did openly say that there should be more inequality than Mao had allowed: ‘some must grow rich first’.

Interessingly, the growth in inequality halted under Hu Jintao, the leader before Xi and mostly seen as weak and ineffective. Hu promised to curb the inequality, and this did indeed happen.

Chinese success rather than Soviet failure is what we should be concentrating on. But what really went wrong in Russia?

**Lenin’s Failed World State**

The Russian Revolution might have done rather more good if it had accepted that it had ended up as just a Russian revolution, or more accurately a revolution by those the Tsars had ruled. If it had been a socialist influence rather than a would-be conqueror in the name of a future Socialist World State.

But the Bolsheviks were also reacting to a world very different from the one we have now. We Baby Boomers were shaped by the steadily-improving world that emerged after the defeat of Nazism. We grew up thinking of it as natural, rather than something that had been made for us by the previous generation.

The world we have now was only one out of many possibilities. Something much less to the taste of most people now alive would have happened without the defeat of Nazism. And right down to the final collapse, the Soviet Union fought two-thirds of the German Army while the Western Allies struggled hard to defeat the remaining third.

Back in the 1920s, when the mix of influences in Bolshevism cohered into a highly disciplined movement for limited but highly useful aims, there was a broad assumption that some sort of World State was going to be the long-term outcome. And that the Soviet Union was its nucleus – Wells in *The World Set Free* has a future history with this happening via an ‘Air Dictatorship’.

Nazism was also much closer to the 1930s version of ‘Capitalist Democracy’ than is now realised. The Centre-Right saw Nazism as less of a threat than the Soviet Union, because they did indeed have much more in common with Nazism. Even Churchill was more anti-German than anti-Nazi. He had been more openly friendly to Mussolini than most Tories.

“I could not help being charmed, like so many other people have been, by Signor Mussolini’s gentle and simple bearing and by his calm detached poise in spite of so many burdens and dangers. Secondly, anyone could see that he thought of nothing but the lasting good, as he understands it, of the Italian people, and that no lesser interest was of the slightest consequence to him.”

Biographers of Churchill deal with this embarrassing fact by simply not mentioning it. And the left, surprisingly, has largely let them get away with it. It was Brendan Clifford who drew my attention to it: I was previously ignorant of the matter. But looking further, I discovered that his friendship for Mussolini was mentioned in his entry in the 1966 edition of *Encyclopaedia Britannica*. Eliminated along with other awkward truths in the 2002 DVD edition, the last one I saw.

That was Fascism, which the Centre-Right now claim to have hated equally with Leninism as two variants of ‘Totalitarianism’. Conveniently, the vast gap between the intentions of the two movements is ignored. Likewise the awkward truth that the Centre-Right from the 1930s down to today moved away from beliefs they had shared with Fascism and towards what was then denounced as ‘Red’.

There was also Imperialism, seen as a virtue in the 1930s and through into the 1950s. And it was a world dominated by ever-stronger Imperialism that the Bolsheviks rebelled against. A world in which a World State of some sort or another was widely seen as the long-run outcome.

At the start of the 20th century, the number of sovereign states in the world was at an all-time low. This was after the conquest of most independent Africa – only 10 percent of it was under European control in 1870. And before the emergence of many new states within Europe after World War One. It had begun much earlier in the Balkans, and the term ‘Balkanisation’ came to be used for it. But up to World War One, empires were still gobbling up smaller states beyond Europe.

An exact count of sovereign states would be tricky. There are many issues:

- Do you count independent traditional states and tribes in territories not carved by between

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46 Ibid.
European empires? But also not admitted to Europe’s network of diplomacy, as some were.

- Do you count traditional states still functionally independent in land that had been carved up by European empires?
- Do you count them if Europe’s empires had taken ‘zones of influence’, as happened in China, but there was still a functionally independent state? (Britons were greatly shocked when the Chinese Communists in 1949 dared fire on British warships that were sailing up the Yangtze in the heart of China, in defiance of a warning that this was no longer allowed.)

- How do you count quasi-independent states within traditional Empires? The Principality of Bulgaria existed from 1878 to 1908 as a nominal vassal of the fading Ottoman Empire.
- How do you count nominally independent countries that were functionally part of wider empires? Egypt in 1900 was also a nominal Ottoman vassal. It had previously been functionally independent. But by 1914 it was dominated by the British Empire. It was marked as part of it by most maps.

Using incomplete and imperfect lists from the Wiki, I found 119 independent state for 1870. In 1890, 98. 1900, 78. 1910, 66. 56 for 1913, not counting the five Dominions of the British Empire.

The years just before the First World War were low point for national sovereignty, which surprised me. I had thought it would have come earlier, with the new states emerging in the Balkans. But in 1914, Europe’s empires were still busy expanding and eliminating traditionalist non-European states.

The last gasp of expansionist European Imperialism was to be Mussolini’s conquest of Ethiopia in 1935-6. There were protests at the time, but he would have got away with it if he had been wise enough to stay neutral in World War Two. His Italian empire might have lasted as long as Portugal’s, wound up only in the mid-1970s when a new government in Portugal gave power to existing resistance movements. Franco’s Spain had to disgorge Spanish Morocco when France gave Morocco independence, but the USA propped up his regime and let it keep its fascist aspects until after Franco’s death.

We can only speculate how history would have gone, had the First World War ended quickly and without enormous damage to Europe’s wealth. Without the loss of many of its most determined young men, and permanent disillusionment for others. A former Pakistan Prime Minister called it the ‘First European Civil War’ and it’s a fair view. Without the damage from this prolonged ‘civil war’, the gobbling-up of independent states by aggressive empires might have continued.

World War One as it played out in real history was certainly a turning point. The Wiki list at least 79 and perhaps as many 103 independent states for 1920, when the collapse of empires led to many bids for separation. By 1925 this had been thinned down to 75. That was less than had existed in 1900, but more of them were modern European states.

By the 1960s there were at least 145 independent state. 195 states that are fully recognised as of 2017. There might be even more, were it not that existing states and the United Nations normally refuse to recognise any general right of secession for minority regions within existing states. To put pressure on Europe’s empires to let go of their non-white territories, there was a United Nations list of Non-Self-Governing Territories, which did the job but was far from fair. A definite obligation to end colonialism was UN policy from 1960. Australia, Belgium, France, Portugal, Spain, the Union of South Africa, the United Kingdom, and the United States all abstained.

The Great War of 1914-18 was rooted in a belief that the existing political system of several giant world empires was the norm. That it was likely to simplify with the weaker empires absorbed, until just one of them was left to rule the world. This was seen as a logical return to a grand tradition of ‘ruling the world’ achieved first by Alexander the Great and then by Imperial Rome.

Alexander actually ruled only a small portion of the minority of the human world that had civilisation, in the sense of cities and advanced commerce. Rome ruled a little more but further to the west, competing on equal terms with Parthia or Persia. Alexander had minimal impact on the vast India subcontinent: Rome had none beyond trading for exotic animals that were than slaughtered for

50 https://gwydionmadawc.com/040-politics/what-was-the-minimum-for-sovereign-states/
51 That was Zulfikar Ali Bhutto, father of Benazir.
public entertainment. Alexander's heirs and then the Roman Empire shared a world with China's gigantic Han Empire in, far too distant to interact much. But Europeans in 1914 failed to understand this. It was only in the 1970s that most Westerners began to get a truly global vision.

Speaking personally, I remember wondering as a teenager how Alexander could have both conquered the world and not conquered the early Roman Republic, which we had been taught the history of. As the map shows, he never went to Italy. I later learned the Romans may have paid Alexander some sort of tribute. His brother-in-law Alexander I of Epirus did invade Italy, but died in battle.

However mistaken, the notion of being heirs to Alexander and Rome as 'rulers of the world' was powerful among a ruling class where Latin was a large part of their education. The possibility of several co-existing world empires was also considered, but was less popular.

The British Empire, French Empire and Tsarist Russia had seemed to be the main candidates, with the United States seemingly content to live its own isolationist life dominating the New World. But then United Germany suddenly emerged as a rival after Prussia inflicted a humiliating defeat on France. Bismarck had a sensible policy of maintaining friendship with Russia and not irritating the British Empire by becoming yet another world-wide colonial empire. But Emperor Wilhelm II, the eldest grandchild of Britain's Queen Victoria, had the foolish notion of making the Germany more like the British Empire, with a colonial 'place in the sun'. He failed to realise that to far-sighted members of the British ruling class, this expansion made Germany the biggest threat to Britain becoming the core of the World State that they expected to emerge eventually. And this became more acute as German industry overtook Britain and began ousting Britain from world trade.

If you think all this has no place in an article on economics, you are surrendering to the pseudo-science that economics has become. The fancy maths that is now fashionable assumes that humans naturally engage in Rational Capitalism, and have clairvoyant insight into the economic gains or losses they can expect. Such economics is useless. Real economics would recognise that people's sense of individuality is largely defined for them by their culture. That there have always been complex laws governing commerce. These have always differed between different sovereign states, and often with extra rules applied by regional governments. It has in fact been the intensely political nature of the rules governing 'Free Trade' that led a slim majority of mostly-elderly Britons to demand Brexit.

The Road to World War One

There were several major wars between the Fall of Napoleon and the start of what was called the Great War up until the even greater war of 1939-45. Britain and France saved the Ottoman Empire and humbled Tsarist Russia in the 1850s with the Crimean War. France later fought the Austrian Empire to secure Italian unity, which also needed the famous exploits of Garibaldi. Then Prussia defeated the Austrian Empire as a step towards German Unity, creating and dominating the North German Confederation afterwards, with Austria reacting by becoming Austria-Hungary, making Hungarians almost equal to Germans. Meantime Prussia defeated France in 1870: a war that both sides were equally keen to fight. Prussia had compromised earlier by withdrawing the candidacy of Prussian prince Leopold of Hohenzollern-Sigmaringen to the throne of Spain. France went to war over some diplomatic rudeness relating to this incident:

"The leader of the monarchists in Parliament, Adolphe Thiers, spoke for moderation, arguing that France had won the diplomatic battle and there was no reason for war, but he was drowned out by cries that he was a traitor and a Prussian. Napoleon's new prime minister... declared that France had done all that it could humanly and honorably do to prevent the war, and that he accepted the responsibility 'with a light heart.' A crowd of 15,000–20,000 people, carrying flags and
patriotic banners, marched through the streets of Paris, demanding war. On 19 July 1870 a declaration of war was sent to the Prussian government. The southern German states immediately sided with Prussia.54

“At the outbreak of the war, European public opinion heavily favored the Germans. For example, many Italians attempted to sign up as volunteers at the Prussian embassy in Florence... After the fall of Napoleon III following the Battle of Sedan, Bismarck’s demand for the return of Alsace caused a dramatic shift in that sentiment.”55

Prussia took the traditional province of Alsace, plus those portions of the traditional province of Lorraine that were German-speaking: most notably the former French Department of Moselle.56 No one was given a vote on the matter, but it was by no means unfair.

It was however a major step in the road to World War One.

The next major step was the Franco-Russian Alliance, formed in 1891. Politically it was bizarre: a friendship between the least religious country in Europe and a Tsarist regime that still took ‘Holy Russia’ very seriously. The most modernist state with the most anti-modernist. The only major republic with the only major state that refused to allow any sort of popular assembly. It was clearly about imperial power, not principles.

(Tsarist Russia only got a ‘State Duma’ in 1905, after an outbreak of revolution following defeat by Japan. The Duma counted for little until February 1917 and the Tsar’s overthrow. Having been elected by an electorate dominated by the rich, it had little real authority. It was due to be replaced by a more democratic Constituent Assembly, but the governments after the Tsar’s fall were much too slow to organise this. They were instead overthrown by the Bolsheviks.)

The Franco-Russian Alliance could have been as much against Britain as against Germany. But Russia’s sharp defeat by Japan ended their ambitions to expand further in Asia. Britain’s rulers saw Russia as now much less of a threat to British India – an exaggerated fear that earlier led to the 1904 British invasion of Tibet.

With Russia seemingly tamed, there was a drift in British thinking towards seeing the new German Empire as the main threat. It had begun as far back as 1871 with a popular future-history novel called The Battle of Dorking, which described a Prussian invasion and conquest of Britain. It was one of a string of such works – but Britain’s rulers knew that Bismarck’s Imperial Germany was basically an ethnic-German state. Its main wider ambition was to carry on Germanising the Polish survivals in the portions of historic Poland that had gone to Prussia. And assimilation was real enough – German war-hero Otto Skorzeny, who rescued Mussolini in World War Two, was one of many with obvious Polish family origins. Bismarck was a genuine conservative, content with what he had. But he also helped make first Prussia and then all Germany an industrial power. He helped integrate science with industry in a way that Britain did not till much later, if indeed it ever did. Germany was a long-term economic threat, whatever it did politically.

Tragically, Germany after Bismarck also did things that made the rulers of Britain decided that Germany was a bigger menace than France or Russia. But Russia had little reason to risk a war against Germany, which didn’t have anything it particularly wanted. The big prize was Constantinople, now Istanbul and the capital of the declining Ottoman Empire. Britain’s original Jingoism had asserted ‘The Russians shall not have Constantinople’, but the Russians were now secretly told that now they could.57 It was formally confirmed in the 1915 with the equally secret Constantinople Agreement,58 at a time when Russia was finding the war horribly costly and might have made peace.

The main motive was Germany overtaking Britain as an industrial nation. It was believed that Britain could

54 https://en.wikipedia.org/wiki/Franco-Prussian_War as at 2017/11/4. See also
55 https://en.wikipedia.org/wiki/Causes_of_the_Franco-Prussian_War#European_public_reaction
56 https://en.wikipedia.org/wiki/Moselle_(department)#History
57 See Britain’s great war on Turkey: an Irish perspective, 1914-1924 / by Dr. Pat Walsh.
58 https://en.wikipedia.org/wiki/Constantinople_Agreement
not survive unless it dominated global manufacturing. Britain has in fact done fine with an ever-reducing slice of the industrial cake – Thatcher was quite willing to see anything unprofitable killed off. But it was almost certainly true that the version of Britain favoured by the ruling class up to 1914 and into the 1940s depended on Britain being a mighty industrial power and the core of a global British Empire.

You can, if you like, believed that Imperial Germany behaved in a way that compelled the peace-loving British Empire to wage war on it in 1914. That it was an amazing coincidence that a strange alliance of Liberals and Tories in the Committee of Imperial Defence had been preparing for many years for a war against Germany in alliance with France and Russia. And a baffling oversight that when the Germans tried sounding out Britain over the concept of marching through Belgium during a war against France and Russia, one of Britain’s most experienced Foreign Secretaries ever somehow led them to believe that Britain would not be much bothered. And another amazing coincidence that the Ottoman Empire also offended, so that Britain was reluctantly compelled to wage war on it. Compelled to launch the vast and unexpectedly disastrous invasion of Gallipoli, which was expected to secure Istanbul / Constantinople / Tsargrad as a prize to keep Tsarist Russia in the war. A prize also desired by the ‘nice’ Western-style regime that was officially in charge between the fall of the Tsar and the Bolshevik revolution.

Lenin and the Bolsheviks did not know these details when they seized power. But they correctly saw it as an immoral War for Power. They proved this to the wider world by publishing the various Secret Treaties in Tsarist archives. And then set about building something different, with success up until the 1970s.

The bulk of global public opinion was shocked at the dirty deals that had been done behind the scenes by government who claimed to want peace and harmony. This feeling was picked up on by President Woodrow Wilson – but as I’ve detailed elsewhere, Wilson had compromised with power politics even in his famous Fourteen Points. 59

Before 1914, there had been hopeful alternatives. Perhaps rational humans might decide that a peaceful union was better than war. Or perhaps they would recoil once they saw how bad a war was – H G Wells imagined this in The World Set Free, published in 1914 before the war started. Sadly, Wells was unable even to free his own mind from the deadly war propaganda. He switched to foolish anti-German prejudice in his 1916 book Mr. Britling Sees It Through.

Wells was only one of many failures among those who had spoken against war and nationalism when it was safe to do so. Lenin was among the minority who held out against supporting their own government and nation when the war was raging.

Lenin in 1917 saw hopes for a peaceful evolution of socialism as dead. The methods of party organisation he had devised for underground existence in the Tsarist Empire must now be applied everywhere. I see this as valid for the time, and for long afterwards. And the alternative world system they build was for a long time highly successful.

The great tragedy is that the Soviet failed to change in the 1960s, when the West was changing a lot and might have changed much more. Rather similar people did start off on the right lines in Czechoslovakia with the Prague Spring. But Brezhnev chose a disastrous alternative: he crushed them.

With hindsight, we can see that the Soviet system was collapsing steadily from the 1968 invasion of Czechoslovakia. Without it, East and West might have converged on a left-wing version of the Mixed Economy.

The 1970s Soviet Fading
The New Right line on the Soviets is a pack of lies that they should never have been allowed to get away with. They say that it was a tyranny, and tyranny always lead to poverty. That state planning always failed, etc.

As the charts above show, the Soviet Union was slow to recover from the damage it suffered from the First World War, and from a vicious Civil War against White Russians heavily supported by the West.\(^6\) Began to grow fast under Stalin and was doing fine when they were invaded by Nazi Germany, which by then controlled most of the resources of Continental Europe. Naturally the effort strained them enormously – but they bounced back after 1950. In the 1950s and 1960s they were closing the gap with the USA, even though the USA was having some of its best years ever in terms of economic progress.

The Soviet decline began in the 1970s and 1980s, and can be sensibly blamed on the foolish and corrupt policies of a dominant faction led by Leonid Brezhnev. But the situation then was far from hopeless even then. The true disaster happened after the Soviet Union was dissolved and Boris Yeltsin led a government that eagerly obeyed all the advice the West gave them.

The charts show the massive decline that Russia suffered in the 1990s. Somehow it has not got through to Western consciousness that this is why they don't like us any longer.

Something similar happened in the Warsaw Pact countries, except that most of them were quickly taken into the European Union, which supported them through their worst times. Which has not however stopped several of them switching to 'Illiberal Democracy' as the West continued to make a mess of whatever it controls within the global economy.

Putin was made Prime Minster in 1999, and then President. He turned around an economy that had been shrinking fast and becoming much less equal. His choice was to live with the inequality but stop the decline. He applied a version of the Mixed Economy and abandoned the quest for Imaginary Capitalism. Naturally the West hates him for it: it is as bad as if someone found the remains of a body that was confirmed as the real Jesus of Nazareth.

The thinkers in the New Right have little interest in Jesus, even when they are nominally Christian. But without the dream of Imaginary Capitalism, they’d have to class themselves as just a bunch of assorted fools, dogmatists, crooks and looters. Which is indeed exactly what I think they are. Those who are honest can’t be very competent, and those who are competent can’t be very honest.

**Raw Data – the work of Angus Maddison**

The following data comes from a 2004 reference work by the late Angus Maddison: *The World Economy: Historical Statistics*. It considers the world as a whole, for as long as there is data or reasonable estimates. It is generally accepted as the best source. It allows for complications like the territory included in states differing across history.

I looked first at what became the ‘Free West’ during the Cold War. Since I was only interested in the broad picture, I took it decade by decade.

<table>
<thead>
<tr>
<th>Growth in GDP</th>
<th>Britain</th>
<th>France</th>
<th>Germany</th>
<th>Italy</th>
<th>USA</th>
<th>Japan</th>
</tr>
</thead>
<tbody>
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<td>19,539</td>
<td>12,656</td>
<td>14,410</td>
<td>527</td>
<td>20,739</td>
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<td>35,468</td>
<td>26,819</td>
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<tr>
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<td>86,626</td>
<td>46,690</td>
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<td>122,238</td>
<td>210,513</td>
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<td>64,559</td>
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<tr>
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<td>212,938</td>
<td>125,850</td>
<td>189,511</td>
<td>95,287</td>
<td>593,418</td>
<td>94,654</td>
</tr>
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</table>

\(^6\) From Maddison, figures shown at the end of the article. Figures to 1920 and 1930 are incomplete.
I find it useful to show rates of growth, by year or decade. Without this, the economy in the previous century can seem too small to see. I also filled in when no figures were given for a year — what I publish is only meant to be approximate. I allowed for the 12 decades between 1700 and 1820:

**Percentage GDP Growth per decade**

<table>
<thead>
<tr>
<th>Decade</th>
<th>Britain</th>
<th>France</th>
<th>Germany</th>
<th>Italy</th>
<th>USA</th>
<th>Japan</th>
</tr>
</thead>
<tbody>
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<td>To 1820</td>
<td>19.7</td>
<td>6.8</td>
<td>9.3</td>
<td>4.7</td>
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<td></td>
</tr>
<tr>
<td>To 1830</td>
<td>16.5</td>
<td>11.8</td>
<td>38.9</td>
<td>11.6</td>
<td>44.8</td>
<td></td>
</tr>
<tr>
<td>To 1840</td>
<td>26.1</td>
<td>25.7</td>
<td>14.7</td>
<td>15.6</td>
<td>52.0</td>
<td></td>
</tr>
<tr>
<td>To 1850</td>
<td>19.0</td>
<td>16.5</td>
<td>12.8</td>
<td>13.5</td>
<td>53.8</td>
<td></td>
</tr>
<tr>
<td>To 1860</td>
<td>29.1</td>
<td>21.6</td>
<td>4.0</td>
<td>15.1</td>
<td>62.8</td>
<td>2.8</td>
</tr>
<tr>
<td>To 1870</td>
<td>22.5</td>
<td>2.2</td>
<td>44.0</td>
<td>10.1</td>
<td>41.9</td>
<td>10.1</td>
</tr>
<tr>
<td>To 1880</td>
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<td>14.8</td>
<td>20.1</td>
<td>11.7</td>
<td>47.7</td>
<td>21.2</td>
</tr>
<tr>
<td>To 1890</td>
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<td>14.8</td>
<td>33.4</td>
<td>13.2</td>
<td>47.7</td>
<td>25.5</td>
</tr>
<tr>
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<td>22.8</td>
<td>40.5</td>
<td>13.7</td>
<td>45.5</td>
<td>39.5</td>
</tr>
<tr>
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<td>41.9</td>
<td>47.4</td>
<td>19.8</td>
</tr>
<tr>
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<td>-10.0</td>
<td>11.7</td>
<td>28.9</td>
<td>46.6</td>
</tr>
<tr>
<td>To 1930</td>
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<td>24.2</td>
<td>29.5</td>
<td>25.5</td>
</tr>
<tr>
<td>To 1940</td>
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<td>-12.1</td>
<td>45.9</td>
<td>31.4</td>
<td>21.0</td>
<td>76.5</td>
</tr>
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<td>-29.7</td>
<td>6.1</td>
<td>56.6</td>
<td>-23.3</td>
</tr>
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<td>To 1960</td>
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<td>170.2</td>
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<tr>
<td>To 1980</td>
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<td>31.1</td>
<td>42.3</td>
<td>37.3</td>
<td>54.7</td>
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<tr>
<td>To 1990</td>
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<td>14.4</td>
<td>24.7</td>
<td>37.2</td>
<td>48.0</td>
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<tr>
<td>To 2000</td>
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<td>20.4</td>
<td>20.9</td>
<td>16.9</td>
<td>36.9</td>
<td>15.0</td>
</tr>
</tbody>
</table>

This did not allow for increasing populations – in particular the very fast growth of the USA in the 19th century, and the massive immigration it has continued to permit despite all of the rhetoric. Maddison knew this and also showed GDP per head, in 1950 dollars:

**Growth in GDP per head**

<table>
<thead>
<tr>
<th>Year</th>
<th>Britain</th>
<th>France</th>
<th>Germany</th>
<th>Italy</th>
<th>USA</th>
<th>Japan</th>
</tr>
</thead>
<tbody>
<tr>
<td>1700</td>
<td>1,250</td>
<td>550</td>
<td>1,100</td>
<td>1,117</td>
<td>1,257</td>
<td>669</td>
</tr>
<tr>
<td>1820</td>
<td>1,705</td>
<td>1,135</td>
<td>1,077</td>
<td>1,117</td>
<td>1,257</td>
<td>669</td>
</tr>
<tr>
<td>1830</td>
<td>1,749</td>
<td>1,191</td>
<td>1,328</td>
<td>1,275</td>
<td>1,376</td>
<td></td>
</tr>
<tr>
<td>1840</td>
<td>1,990</td>
<td>1,428</td>
<td>1,378</td>
<td>1,263</td>
<td>1,388</td>
<td></td>
</tr>
<tr>
<td>1850</td>
<td>2,330</td>
<td>1,597</td>
<td>1,428</td>
<td>1,350</td>
<td>1,306</td>
<td></td>
</tr>
<tr>
<td>1860</td>
<td>2,830</td>
<td>1,892</td>
<td>1,639</td>
<td>1,447</td>
<td>1,718</td>
<td>674</td>
</tr>
<tr>
<td>1870</td>
<td>3,190</td>
<td>1,876</td>
<td>1,839</td>
<td>1,499</td>
<td>2,445</td>
<td>727</td>
</tr>
<tr>
<td>1880</td>
<td>3,477</td>
<td>2,194</td>
<td>2,025</td>
<td>1,467</td>
<td>2,880</td>
<td>829</td>
</tr>
<tr>
<td>1890</td>
<td>4,009</td>
<td>2,376</td>
<td>2,428</td>
<td>1,667</td>
<td>3,392</td>
<td>956</td>
</tr>
<tr>
<td>1900</td>
<td>4,492</td>
<td>2,876</td>
<td>2,985</td>
<td>1,785</td>
<td>4,091</td>
<td>1,180</td>
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<tr>
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<td>2,965</td>
<td>3,348</td>
<td>2,332</td>
<td>4,964</td>
<td>1,304</td>
</tr>
<tr>
<td>1920</td>
<td>4,548</td>
<td>3,227</td>
<td>2,796</td>
<td>2,587</td>
<td>5,552</td>
<td>1,696</td>
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<tr>
<td>1930</td>
<td>5,441</td>
<td>4,532</td>
<td>3,973</td>
<td>2,918</td>
<td>6,213</td>
<td>1,850</td>
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<tr>
<td>1940</td>
<td>6,856</td>
<td>4,042</td>
<td>5,403</td>
<td>3,505</td>
<td>7,010</td>
<td>2,874</td>
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<tr>
<td>1950</td>
<td>6,939</td>
<td>5,271</td>
<td>3,881</td>
<td>3,502</td>
<td>9,561</td>
<td>1,921</td>
</tr>
<tr>
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<td>8,645</td>
<td>7,546</td>
<td>7,705</td>
<td>5,916</td>
<td>11,328</td>
<td>3,986</td>
</tr>
<tr>
<td>1970</td>
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<td>10,839</td>
<td>9,719</td>
<td>15,030</td>
<td>9,714</td>
</tr>
<tr>
<td>1980</td>
<td>12,931</td>
<td>15,106</td>
<td>14,114</td>
<td>13,149</td>
<td>18,577</td>
<td>13,428</td>
</tr>
<tr>
<td>1990</td>
<td>16,430</td>
<td>18,093</td>
<td>15,929</td>
<td>16,313</td>
<td>23,201</td>
<td>18,789</td>
</tr>
<tr>
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<td>20,808</td>
<td>18,596</td>
<td>18,740</td>
<td>28,129</td>
<td>21,069</td>
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</table>

Once again, I calculated percentage change per decade. That table is on page 4: no need to repeat it here.

I then turned to the key matter of Russia, starting before the birth of the Soviet Union and ending after it. Figures were missing between 1913 and 1928. Also for 1941 to 1945, so I used estimates.

One notable point is that the Soviet Union in 1928 had not recovered its pre-war position. But it grew thereafter, when Stalin’s ruthless but highly effective policies were applied. It also grew fast post-war. It began stagnating in the 1970s, but was still growing in the 1980s.

Most notable of all if the catastrophic crash in the 1990s, when the Soviet Union trusted the West. That’s
the cause for the turn away from Western values, obviously. But this simple point cannot be recognised by the political mainstream in the West.

### The Tsarist, Soviet and Russian Economy

<table>
<thead>
<tr>
<th>Year</th>
<th>GDP</th>
<th>Russian GDP % per decade</th>
<th>Russian GDP % per year</th>
<th>Russian GDP Per Head</th>
<th>Russian GDP Per Head % per decade</th>
<th>Russian GDP Per Head % per year</th>
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</thead>
<tbody>
<tr>
<td>1820</td>
<td>37,678</td>
<td>24.4</td>
<td>2.4</td>
<td>943</td>
<td>7.4</td>
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<tr>
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<td>2.8</td>
<td>1,237</td>
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<td>3.9</td>
<td>1,488</td>
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<td>1,376</td>
<td>0.4</td>
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<td>1,448</td>
<td>5.2</td>
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<tr>
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</tr>
<tr>
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<td></td>
</tr>
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<tr>
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<td>2,144</td>
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<tr>
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<tr>
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<tr>
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<tr>
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<td></td>
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<tr>
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<td></td>
<td></td>
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You can also see the start of the recovery under Putin, Prime Minster from 1999

Next, I looked at the wider picture for Late Leninism and Post-Leninism, which might be expected to differ in Middle-Europe from the Soviet core. There were no figures for 1940, but the comparison with 1930 was also interesting:

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<tr>
<th>Year</th>
<th>Czechoslovakia</th>
<th>Hungary</th>
<th>Poland</th>
<th>Russia</th>
<th>GDP per head % by previous decade</th>
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The key issue was growth. Before the 1970s, the Soviet Bloc had been doing as well as Britain and the USA. They were exceeded only by the ‘Miracle Economies’ of West Germany, Italy and Japan, all of which favoured state intervention. And all of which suffered damage as New Right policies got a grip, with Imaginary Capitalism suddenly described as miraculous.

Finally, I looked in more detail at the key years 1967 to 2001, where the data ended:

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This shows the whole block slowing in the late 1970s, with Poland running into trouble much sooner – that was the rise of Solidarity. It shows Middle-Europe bouncing back much sooner, perhaps because those countries were swiftly brought into the European Union.

Once you distinguish the Mixed Economy from Classical Capitalism and Imaginary Capitalism, the entire New Right case collapses.

<table>
<thead>
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