

# THE US WAR ON IRAQ & THE WORLD ECONOMY

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## INTRODUCTION

The invasion of Iraq came as a shock to the many who had thought that colonial empires had ceased to exist and that the doctrine of the right of nations to self-determination was generally accepted. Furthermore, most people believed that the governments of the United States had learned their lesson in Viet Nam and would not easily launch a war in which US troops would be killed.

A new doctrine was implicitly and explicitly proclaimed—that US governments had the right to invade any country judged either a threat to the United States or a danger to its citizens. Whereas the British government justified the invasion on the grounds that Saddam Hussein's Baathist regime constituted an imminent threat to the UK, the US government justified its actions on the grounds that it was saving the lives of Iraqi citizens who might otherwise be killed, tortured or imprisoned, as part of a more general war on terrorism. It is clear that these justifications were little more than that. They were not the real reasons that the United States invaded Iraq. This article tries to deal with those issues. REASONS FOR WAR

There are now several theories on the left about why the United States invaded Iraq. I will outline three and discuss their strengths and weaknesses.

1. Many on the left—and not only on the left—seem to think that the invasion of Iraq had to do with oil and oil companies. They cite the contracts with Halliburton and the probable privatisation of oil in Iraq. For them Iraq was invaded very largely because the US ruling class wanted the oil, whether for oil companies or for another more complex reason which involves ensuring control over the oil supply. Some of these people argue that the United States has a growing oil deficit and is moving to secure oil sources. They point to the possible exhaustion of oil supplies in the near future. One variant of this argument points to the nearness of the Caspian Sea and the oil pipelines emanating from there. Those supporting this view draw attention to the way that Western oil companies are buying former oil wells on former Soviet territory. A cruder version highlights the special role of oil in the US administration—the fact that Bush and Cheney both had oil interests at one time. Some argue that the oil companies wanted to raise the price of oil, and others that the US government wanted to lower the price of oil.

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a. There are those who see the war as a natural extension of the interests of the chief capitalist power and hence a natural development of its imperialist nature. For them it is big business doing what big business always does. The various contracts given to US companies, particularly to Kellogg Brown and Root, the Halliburton subsidiary, show the reason for the war. From this point of view, Saddam Hussein's regime was anti-market, and Iraq had to become more open to privatisation in order to provide US capital with an extension of its interests.

b. A subset of this argument asserts that the United States is displaying its imperial power and so establishing world dominance, now that it is the single world power. In other words, the end of the Soviet Union has cleared the way for the United States to impose its imperial might over the world, but most particularly over the underdeveloped world.

3.

There are those who argue that the neo-conservatives have taken over the administration of the United States and that their agenda is one of remaking the Middle East in the interests of the United States. For these observers, Rumsfeld, Wolfowitz, The Weekly Standard, and others of that ilk determine the policy of the United States, and they have a well developed doctrine of US supremacy that they are implementing, a doctrine going back a decade and sometimes more. One aspect of this view is that the neo-conservatives are pro-Zionist and want to establish a new order in the Middle East more favourable to Israel. It is certainly the case that the neo-conservatives have made no secret of the fact that they want to democratise the Middle East, by force if necessary. The question is not whether the neo-conservatives wanted war but whether they played such a critical role in the US administration that they themselves were the actual cause of the war.

We can dismiss the idea that the United States really went into Iraq in order to remove weapons of mass destruction or a genuine terrorist threat. That was never on the agenda, except, perhaps, for Tony Blair. Nonetheless, this argument is of some importance, in that it was used as the excuse for the war, and the very lameness of the excuse forces one to try to understand what lies behind the excuse itself. In other words, the very weakness of this argument appears to suggest that there was another structural reason driving the US government to act, a reason so powerful that the administration was compelled to go to war.

#### THEORIES CONSIDERED

In my view, all of these views have a limited validity, though all of the aspects mentioned played a role in the causation of the war itself. It is always true that great turning points, changes or wars can be shown to have had a series of causes impelling the warring parties to act. Individuals play crucial roles, and ideas also have their place. Nonetheless, I find it hard to argue that any or all of the above were the crucial reasons involved. The art of understanding such events is that of finding the critical or driving cause, and none of the many causes described in the above three seems sufficient to explain the drive to war.

Methodologically, Marxists are not economic reductionists. We look at events in terms of the general political economy of the situation, interweaving class interests with economic and political aspects of the movement of categories of political economy.

It was always clear to all parties that the risks involved were immense. While not all the fears have been realised, enough of them have come to pass to create serious doubts among the ranks of the former warmongers. These risks included the possibility of uprisings in Arab countries, the establishment of links between the latter and Al-Qaeda, extended guerrilla warfare, serious breaches between the US administration and other countries (resulting in loss of influence), and damage to oil wells and oil pipelines. Only the first has not happened, but the position of the pro-American Arab regimes has been rendered less stable. The question, therefore, is not whether the US administration wanted war to promote oil or democracy or whatever but why it was willing to take these risks and antagonise both its allies and sections of its own population for the purpose. A year later, we can examine the results in order to understand the reasons behind the invasion.

#### THE QUESTION OF OIL

The oil argument has become the one most frequently deployed on the streets and therefore needs the most discussion. Here it is important to note that those arguing this case simply shout "oil" without explaining why alternative methods of obtaining that oil

were not employed.

If the United States or the oil companies wanted Iraqi oil—and that was all they wanted—then there were cheaper ways of acquiring the oil, without the risks attendant on war. Saddam Hussein had been supported by the United States in the past, and they could have done another deal with him. They could have paid him money or offered various other inducements. The United States is not known for being fastidious about the way it ensures its interests; hence, the use of a combination of carrot and stick would have worked. It preferred, however, to maintain a belligerent stance that began under the elder Bush, was maintained and developed under Clinton, and was extended under the younger Bush.

For those who point out that Iraqi oil was nationalised until the US occupation, one should also note that Saudi Arabian oil is officially nationalised and that the oil companies have no problem with that. The fact is that the large oil companies that control oil supply are either American or semi-American. BP and Shell have a substantial proportion of shares owned by Americans, and even Total, the French Oil Company, is thirty-percent owned by Americans. Thus, a number of Americans have made threats not to buy Russian oil, in retaliation against the failure of Western pro-market political parties in the Duma elections, and these threats can of course be carried out because the Russians do not have a powerful distribution mechanism. So Americans do not need to own the oil outright to control it. The essential point remains that United States interests have enormous influence over the world oil supply. It is not total, but it is sufficient to ensure that “rogue” oil countries can be forced to deal with those interests, when required.

It is true that US companies are looking for supplies all the time, but between Russian and African oil, they could ignore Iraq for the time being. Some argue that the United States ruling class wanted to control Iraq in order to raise the price of oil. Others argue that they wanted to lower the price of oil. In fact, the oil companies were making large profits at prices obtaining at the time. It is unlikely that they would have pressed for an invasion for this reason. Some people seem to think that at the present time there is a world shortage of oil that puts a premium on the sources of oil. But there is no such shortage, in spite of some green arguments to the contrary. There is possibly as much oil in the former Soviet Union alone as in Iraq—or more. Recent attempts to project a shortage in ten years’ time rely on growth rates in the demand for oil which are wildly out of line with past history. I would add that it is far more likely that the demand for oil will be further contained by the long-term downturn in the world economy, even with the mild upturns that are inevitable.

It is, of course, important to distinguish between the needs of the oil companies and those of the ruling class. Clearly, the ruling class is not coterminous with the oil companies, but it does not seem as though the oil companies were pressing for an invasion of Iraq, while it is not at all clear how the ruling class as such would benefit from privatising Iraq’s oil, given the risks involved.

Does that mean that oil played no role? No, it does not, but it does mean that it was not the reason that the US went to war. In other words, the US government was concerned about the Middle East because of the importance of oil to the region, but it does not follow that they therefore had to go to war. There had to be other reasons.

THE ROLE OF IMPERIALISM

The invasion of Iraq is not classical imperialism, even if it is imperialist. There are no US dominating companies extracting super-profits to be sent to the motherland. Imperialism is above all the extraction of tribute for the ruling class of the imperial country. Although Halliburton and its subsidiary Kellogg Brown and Root are operating there, it is for purposes of reconstruction and, up to now, they have been paid by the US government, not from Iraqi revenue. It is also not yet clear what will happen to the oil resources. Even if they are turned over to US oil companies, the costs of the invasion to the United States will take a long time to be notionally repaid in Iraqi oil. In the long term, the costs, in higher taxes, will not make the game worth the candle for the ruling class, if the aim is to extract super-profits from a neo-colonial enterprise.

Some argue that the United States is attempting to show its power since the end of the Cold War and the demise of the other “superpower.” Yet there has been no essential change in the position of the United States since the end of the Cold War, as the dominating world power. It dominated during the Cold War. The Soviet Union was always weaker than the United States and conceded to it when it was compelled to do so. It is true that the rising elite/bourgeoisie of a number of countries turned to the Soviet Union as a way of getting concessions from the United States. It is also true that a number of countries, including Iraq, were able to maintain a more nationalist, semi-Stalinist form of political economy with a more developed elite/ruling class, than might otherwise have been the case.

At the same time, the Cold War was used as an excuse both to maintain dominance over the developed countries, through a number of international organisations, and to ensure the unity of the ruling classes in different countries. That US dominance has now been lost; hence Germany and France can openly oppose the United States in a way that they would not have done before. The point, therefore, is that the US is not stronger than it was before in the world economy. It may even be weaker, but the national bourgeoisies, and so-called middle classes, in the so-called third world are now compelled to relate more firmly to the United States and the present declining form of capitalism.

One could, of course, argue that the removal of the Iraqi regime is a question of unfinished business, after the end of the Cold War, if it were not for the fact that Saddam Hussein had not been so close to US imperialism before 1990.

In other words, there has been a change in a number of countries where national bourgeoisies or elites have either obtained the franchise so to speak from the USA, having formerly been in the Soviet sphere of influence (countries such as Angola), or else lost out completely, as finance capital has judged them to be lost causes. However, Iraq was closely associated with the United States in the eighties, so it does not quite fit into the view of the United States’ flexing its muscles now that it is not pinned down by the Soviet Union.

Nonetheless, one could argue a somewhat different variant. Iraq was among a small group of countries left over from the effects of Stalinist influence, countries that by their nature restrict the world market and distort it against private enterprise. Capitalism would therefore be structurally opposed to those countries, and the imperatives deriving there from exercise a considerable influence on policymakers. While one could concede that there was such influence, it is hard to see why the US would need to go to war for the purpose of imposing the market. After all, Viet Nam has shifted over to the market, and it appears that it sees capitalism as the future. The same could be argued of China. One-

time Communist parties have often changed their names and their doctrines to such an extent that the term Communist Party can today encompass almost any viewpoint. The period of capitalist triumphalism is not yet over, and some governments—and possibly the ruling class as a whole—have not yet woken up to the fact that they cannot undo the concessions that were made in the wake of the Russian Revolution. The right of nations to self-determination was proclaimed by US President Woodrow Wilson in the wake of the Russian Revolution in order to save parts of the former Russian Empire from Bolshevism, and the proclamation also came in useful as an ideological means of undermining the British Empire. Today, without any fear of workers or peasants turning to socialism, the governments of the UK and the USA have proclaimed a new doctrine to replace it. Any country has the right to remove the government of another country if the latter country constitutes a danger to the first country and/or has a government or social system that the belligerent country does not like. Of course, the US government might argue that it has a special duty to act under that doctrine, as it is the dominant world power both economically and politically.

The problem with this doctrine—and its associated actions—is that it threatens the interests of the national bourgeoisies throughout the world, and necessarily revives third-world nationalism. Until recently, the ruling class in the United States achieved its goals by more subtle means, using the international organisations over which it has influence, like the IMF, World Bank, and the United Nations. Today the United States is in economic and financial decline and cannot exercise the same kind of economic dominance that pertained in the earlier post-World-War-II period. We would expect, therefore, that the United States would use its military might as a substitute, as happened in the case of Iraq, but the Iraqi invasion is not comparable to, for example, the British/French/German/Belgian conquest of Africa, which served clear and immediate economic ends, without the attendant risks. Whereas the earlier imperialism was an expression of the emergence of finance capital and hence the decline of capitalism, this period marks a further decline, caused by the lack of any medium- to long-term solution to capital's problems. Hence the invasion of Iraq is marked by confusion over goals and an absence of the means to carry out what goals can be perceived. In that sense the invasion is irrational.

The world cannot return to the pre-World-War-I period. No country can be reduced to the level of a formal colony for any length of time, although that same country might remain in the orbit of imperialism, with flows of tribute going to the imperial countries. The ruling class has learned the lesson of Viet Nam, where the United States lost a battle it need not have fought, whether the aim was to save Southeast Asia from communism, or to preserve that part of the world for the world market.

Fortunately, it adopted a more sensible attitude to China, which today is indeed sending tribute to the imperial countries, even if it is in a more complex form. US capital is today super-exploiting Chinese workers in factories subsidized by the Chinese government in order to supply goods to workers in developed countries at low prices. The Chinese government is investing its profits in US government bonds, so subsidising the US economy further. US profits are higher; taxes are less than they would be, given the relatively lower bond price; and the cost of living is reduced, thus permitting lower wages in the United States. The point of this discussion of the Chinese economy is to highlight the difference in imperial policy. The policy towards China may not last forever, but it

has worked, whereas a more aggressive policy would certainly have failed. A sensible imperial policy in the Middle East would have to find a way to develop national bourgeoisies, as in South Korea or Japan, and allow them to protect their nascent industries, while giving them access to the US market.

One can easily find objections to such a strategy, but the real reason that it is not implemented lies in the fact that the bourgeoisie has turned to finance capital and with it to market fundamentalism. In other words, the Chinese turn came earlier, under Nixon, and could be implemented because the Chinese ruling group grasped the opportunity and then saw it as the way for their own development. The burden, therefore, rested not on the United States but on the Chinese elite/ruling group. The Arab countries do not have the same sort of united, authoritarian elite that could take that route on its own. The United States would have to organise the process. The market is incapable of organising an economy. There has to be so-called planning. In the Cold War period, not only did capitalist economies “plan,” but the United States also adopted a clear strategy that involved much “planning” of the shape of economies that were regarded as being in danger. Today the neo-conservatives seem to be the main group employing strategic thinking, and I discuss their views below.

#### DID THE RULING CLASS WANT WAR?

The fact that Business Week and the New York Times were either against or at the very least dubious about the Iraqi enterprise gives some idea as to the opinions in the US ruling class. Soros, of course, was and remains less than happy. The risks associated with the enterprise were and remain enormous. They were well rehearsed. The result has borne out the initial fears, but it was always obvious that the war could turn into urban guerrilla warfare and that the United States would lose friends and influence. It is clear today that the intelligence organisations were worried about the move to war. It looks, therefore, as though the central US ruling class was probably against the war but accepted the views of less crucial members of the class and so of the government.

In the UK, one can argue that going along with the war on Iraq was advantageous for Big Business—particularly those connected with the United States, such as arms producers and pharmaceutical companies. For them it was critical that they not be cut out of the US market. That does not mean that they approved of it but only that they felt that they had to go along with it. Tony Blair was their representative, and he did a good job for them.

#### THE QUESTION OF THE NEO-CONSERVATIVES

The neo-conservative argument is not looking very good at the moment, as this group seems to have lost ground. While it is clear that a number of neo-conservatives have played crucial roles in preparation for war, it should be noted that the ground had been long prepared. Arms production rose under Clinton; Iraq remained quarantined and occasionally bombed under Clinton; and various bellicose statements were also made under Clinton. The same forces driving Bush would have been pushing Al Gore if he had taken office. He would probably have invaded Afghanistan, and there would also have been a temptation to attack Iraq. This point is developed below. It is more likely that the neo-conservatives were at the right place at the right time so that they could influence the form of the invasion rather than being originators of the actual urge to invade Iraq. The US invasion was not based on the view that weapons of mass destruction had to be removed but on getting rid of a bloodthirsty dictator who also constituted a real or potential terrorist threat, as part of a permanent never-ending war against terrorism.

Saddam Hussein had no relation to Osama Bin Laden, and that was well known. On the other hand, it made sense to invade in order to bolster that argument and its consequences. Even if there was no real threat, the US government has created one now. Even Clinton pointed this out before the invasion.

The neo-conservative view in itself is a reactionary utopia, whatever the group's influence. As I argue above, the simple replacement of the authoritarian forms in the various Middle Eastern countries by the market will lead neither to "democracy" nor to a higher standard of living. The situation in the former Soviet Union today has made that very clear. The post-Soviet regimes are largely authoritarian, and the populations have a much-reduced standard of living. Of course, the fact that the views of neo-conservatives could only lead to disaster does not mean that they did not influence events, but it does mean that less ideologically motivated bureaucrats would be wary of them. One does not have to be anti-market to realise the utopianism of the neo-conservatives.

#### SUMMARY

I have, therefore, argued that the usual arguments deployed to explain the drive to war have some validity but are not sufficient.

It seems to me that the invasion took place because political economic forces drove the invaders there, creating a structural reason for war, and a war with Iraq, in particular, had a series of advantages. It was a small country, militarily relatively weak, in which a rapid victory was guaranteed. Furthermore, there were all the other aspects mentioned above. The negative aspects to war with Iraq and the risks involved were insufficient to stop the war because the structural aspect was so powerful, and that is discussed below.

#### THE PRESENT STRUCTURAL CRISIS OF CAPITALISM AND THE REASON FOR WAR

The present time is one in which two periods are coming to an end and a new era is beginning. I have written extensively in Critique on this issue, so will not repeat the whole argument.

Capitalism returned to finance capital during the seventies, but finance capital is necessarily parasitic and, like all parasites, weakens its host to the point that the host must shake off the parasite or die. By a coincidence, the Cold War ended and so brought to a conclusion the long post-war period of warfare statism and the long Stalinist nightmare that did so much to prevent the working class from acting in its own interests. Partly as a result of the demise of the first two eras, the period of irrationality and classical crisis is returning. Essentially, the economic and political stability of capitalism depended on the Cold War and Stalinism. When Stalinism began to fade and the working class began to act, the bourgeoisie reversed themselves into finance capital again with all its consequences for employment, privatisation, and ideology.

War, both Cold and hot, was very much part of the Cold War itself. It embedded itself in the nature of the modern capitalist system. In the case of the United States, the military sector played the role of a nationalised form, subsidising and directing the national economy, as well as providing the necessary injection of demand in order to reduce disparities between the producer and consumer goods sectors. In other words, it raised profits and reduced underconsumption and disproportionality in the economy. It has been the ideal capitalist form to play that role, as the goods produced date very quickly and can be discarded when needed, while the research and development required penetrates every aspect of the economy and society. Furthermore, military production not only does not

compete with other sectors; it does not raise the standard of living. On the contrary, it serves to keep the workers in a measure of military control in the military factories, so reducing the likelihood of collective action.

The work of Kidron, Cliff and Harmon, and others has served to stress the effect of the military sector on profit levels, via a peculiar version of the transformation problem. That argument is dubious. Profit levels are undoubtedly raised, but it is questionable whether the transformation problem plays any role. Others, like Joan Robinson and contributors to *Monthly Review*, have stressed the underconsumption aspect. It is clear that military expenditure has reduced underconsumption and the disproportionality between the sectors, but that is not the end of the matter. Ernest Mandel has pointed out that the military expenditure has to be paid for and that in the end the payment must come from wages or profits or both, so returning the economy to its original instability. Of course, the payment can be made after the initial boom, and the economy can go through a series of such military injections. However, at some point there will be retribution.

What these arguments have not incorporated is the accompanying control mechanism over the working class (blue collar and white collar) that allowed wages to be held back. In other words, Stalinism provided a wonderful opportunity for the bourgeois state to develop an anti-Stalinist ideology under the name of anti-communism, an ideology that provided the justification for higher taxation, lower benefits, and worse conditions of work in order to fight a monstrous enemy.

In other words, the Cold War provided an ideal means of stabilisation, but this stabilisation is a complex process that has yet to be unravelled. Indeed, in another sense it cannot be unravelled—the modern world capitalist economy has become complexly interwoven with the military sector. However, the end of the Cold War did lead to a massive proportional reduction in the military sectors of the major capitalist powers, which, in turn, reduced the stabilisers for the economy. The actual amounts spent in the USA were only reduced to a very limited extent, but military expenditure was not allowed to grow with the rise in the economy; hence, by 1996, it had fallen to one third of its previous proportion of GDP in 1986. By no coincidence, a considerable surplus of capital in the economy had been accumulated by 1997, as was shown by the massive investments first in Southeast Asia and then in information technology.

Why then was there a relative reduction in military expenditure? One can argue that the ruling class believed its own ideology of the necessity of balancing the budget. They also were able to raise profits and their own incomes by effectively lowering taxes. At the same time, they thought that they did not need to worry about rising levels of unemployment, now that the threat of communism had vanished, and they did not want to give the working class the strength that comes with full employment. The cost, however, was the restoration of the pristine pre-World-War-II form of the capitalist economy and hence a surplus of capital, plus the beginnings of militancy, if not in the USA, in the rest of the world. It has only been the beginning, and while the labour movement is clearly shifting, it has a long way to go. We cannot judge the rise of working class action simply in terms of the development of working-class parties or the rise of left-wing leaders. Workers can exercise limited pressure through the existing forms of the political and economic process, and when the old controls are no longer operative, workers can the more easily act as a class.

In other words, the capitalist economy needs the forms of the Cold War in order to

restore stability to the system. The war against terror is serving that purpose, while the war in Iraq underlines the importance of the more general war as well as providing direct reasons for military expenditure. In other words, the war allows the continued projection of a world of rogue-state enemies underpinned by an evil international organisation, a world requiring the return to a society of discipline and sacrifices in order to maintain a free society.

Put more succinctly, the Cold War world economy, as argued above in more detail, cannot be jettisoned without enormous risks, and, at every turn, politicians are faced with problems that only have solutions, however, temporary, by returning to the well-tested post-World-War-II form.

In a sense, Iraq simply happened to be in the wrong place at the wrong time. It was a small, weak state whose conquest could easily be justified.

Precisely because Iraq was so weak and so small, it could not provide a sufficient basis for a true restoration of the earlier war economy. For that to happen, as indicated, there would have to be a massive increase in the budget deficit or a very large rise in taxes, neither of which is likely. As a result, the present surplus in capital cannot be absorbed, as during the Cold War period, when there was a persistent shortage of capital.

From Spring-Summer 2003 there has been an apparent upturn. The surplus of capital remains. Surplus capacity in production remains. Corporate profits have risen arguably back to pre-recession levels, and corporate debt, as opposed to consumer debt, is no longer an issue. The crucial aspect, however, is the continued failure to raise investment levels and the continued depression in the job market in most developed countries. This is the reason for the surplus of capital. The US government response has been twofold: to reduce taxes, particularly on dividends, and to raise expenditure on arms. The first problem with this approach is that it is giving money to those with money, who are refusing to put money into investment in the first place. The second problem is that the rise in expenditure and reduction in taxation is raising the budget deficit, which in turn has to be financed by borrowing from non-Americans. This then links with the American balance-of-payments deficit, which has increased to unsustainable proportions.

#### FINANCE CAPITAL AND IRRATIONALITY

If one takes a step back, the whole nature of modern political economy, with its accent on a war on a will-o-the-wisp terrorist object combined with a war on an almost meaningless state, appears crazy. The underlying capitalist reality, with its emphasis on finance capital and its so-called neo-liberal doctrines (as opposed to the need to develop and expand industrial production), provides the basis for this apparent madness. The irrationality of the present is most obvious in the enormous growth in derivatives. Capitalism has reached a point where the amount of derivatives outstanding in the world economy at any one time is some thirteen times the US GDP. Keynes remarked on the way a capitalist economy was run like a casino, with investment being determined through the stock exchange. Today it has reached new heights of gambling.

During the nineties, profits rose to their highest point in 1997. There was a discussion of a new paradigm in the capitalist economy. Today we know that a considerable proportion of those profits did not exist. I shall discuss the question of contemporary capitalism in the next issue of Critique. Here, I just wish to lay down a marker on the nature of those profits, without going into detail. Marxists do not use the same concept of profit as

government statisticians. Surplus value, of course, is much broader as a category, but even if we accept the bourgeois definition, there is a very large question mark over the profits made in the nineties. We can note that business raised profits (1) by not making pension contributions or by withdrawing money from pensions, (2) by paying workers in shares or options to buy shares and not counting these as costs (3) by evading taxes (4) by shunting off loss-making areas into off-shore accounts, where they were ignored. (5) by creative accounting, for example, including putative future profits in present-day profits (as in the case of Enron and, in the UK, Standard Life) and (6) by increasing prices where there was a monopoly, but in this case there was a real rise in profits. However, that rise, as in the case of Enron and the electricity industry in the USA, was not always sustainable, especially when artificially induced by using financial instruments to that end, under so-called deregulation. There are any number of manoeuvres that finance capital can use to produce paper profits, as has become clear in the cases of Enron, WorldCom, and Parmalat in Europe.

There was no new paradigm if we are talking of a new—a more successful—capitalist variant, but there was a new finance capitalist paradigm in which nothing was what it seemed. The most staid banks and financial houses were engaged in operations that earned them huge sums at the expense of their customers:

In April 2003, after extensive investigations, 10 big financial houses (including Citigroup, Credit Suisse, Merrill Lynch, Morgan Stanley, Goldman Sachs, Lehman Bros, JP Morgan, Bear Stearns, and UBS Warburg) were fined a total of \$1.4 billion (£760m) by US regulators for feeding misleading stock market research to investors in an attempt to drum up business and higher fees. ...The \$7.5 trillion-a-year US mutual fund industry is engulfed in scandals. It is the usual story of kickbacks.

Profits were not profits; banks ripped off their customers; and small investors lost their money. Finance Capital is a malformation of capital itself, but when it descends into the depths of open and covert deception of its own people, as it were, the system looks and is irrational, not just in its political superstructure but at its base.

The bourgeoisie returned to finance capital during the seventies, under conditions in which they were being challenged. Capital was siphoned off from industry, and industry itself was pressurized to raise the rate of exploitation in order to pay more to finance capital in the form of rentiers, shareholders, banks, and so forth. One method of raising the rate of return has been to export whole industries to areas of the world where the rate of surplus value is higher. Above I have mentioned the case of China. The problem for finance capital is that there is a limit to the extraction of the profits from the productive sector. If industry cannot cope, it either goes under or goes abroad. China is not a permanent solution as is now clear. The United States has a massive deficit with China, which neither Chinese nor American workers can accept. For the Chinese elite, the problem is that they can only put their surplus into dollar bonds whose price must fall as the dollar falls. The Chinese workers are not going to accept this Stalinist semi-market system for very long, with all its inequalities and lack of rewards for the majority. For the US workers, it is not acceptable in that they lose their jobs or have lower wages or both, and they are making their feelings known, affecting the US election. Third-world bourgeoisies have seen the example of Argentina and are not prepared to commit suicide. In short, the era of ever-higher rates of exploitation is near its end. Finance capital has no obvious outlet and no obvious way, therefore, of making money out of money. It is not a

question of capitalism's coming to an end because the system continues to function. The problem is that capitalism has begun to realise that it has an uncertain future. One can explain the political economy of the present, and in a sense it is not, therefore, irrational; on the other hand, if one looks at the drive of the capitalist economy and that of the ruling class as being crucial to that economy, then one has to talk of irrationality. There is a threat which is not as systemic as it is argued to be, a war which can achieve the opposite of the stated aims, and an economy which cannot absorb either new investment or new workers. As a result, the capitalist class turns to gambling on the exchanges and lets politicians use whatever works to contain the population. When a socio-economic system is in irrevocable decline, it has to use forms which conflict with that system itself.

It is of course true that capitalism has been warlike since its beginning. It ethnically cleansed areas of the globe. As Marx pointed out, it came into being dripping with blood from head to foot. It is also true that capitalism has become more belligerent in its decline, with increasingly tragic and potentially fatal consequences for the human race. That does mean that war is an ever-present part of the armoury of the ruling class and that it is relatively easy for the governments of the dominant nations to resort to it. This provides the context in which war can take place. It does not explain this war. We should note that the means of warfare have evolved to the point that war between capitalist powers has become unlikely because of the possibility of the total destruction of life. War is, therefore, only possible in a scaled-down version with and between third-world powers.

#### CONCLUSION

As long as capitalism exists, there will be wars. Fortunately, the means of warfare have paradoxically exceeded the bounds of their use. This is obvious when we speak of nuclear weapons or so-called weapons of mass destruction in general, but it has been true, for some time, that much of modern weaponry can be so destructive that full-scale warfare, even without WMD, would itself constitute a horrific war crime. As a result, only limited forms of warfare are now usable. A small, weak country like Iraq was therefore an ideal enemy, for this reason alone. The fact that the regime was oppressive and generally hated made an attack either acceptable or at least tolerated by substantial sections of the population in the USA and the UK. The capitalist system today can only exist in and through a form of organisation and management of the market. That form is provided in part by the structure of finance capital itself, but the main burden of ensuring the stability of the economy rests on governments. In the social democracies of Western Europe, the social democratic and Stalinist parties played important roles in containing the working class, both indirectly in the form of propaganda and directly by limiting action in the organisations of the working class. The Cold War played a crucial role there, and government expenditure on nationalised industries was also important as part of the Cold War. In France and Germany, this included a bloated arms sector. In the United States, however, the arms sector took on the whole burden combined with an almost totalitarian anti-communist ideology justified by the Cold War. Because the United States is the lynchpin of the world economy, the Cold War was, therefore, critical to the international economy. When the controls of the Cold War weakened or were insufficient to contain the working class, the bourgeoisie turned to finance capital. That worked for a time, but its parasitic nature inevitably meant that its life was limited. The end of the Cold

War has removed the stabilisers used to control the working class and mediate the economy. There has been a re-emergence of a surplus of capital that has been created by the end or decline of these two forces—finance capital and the Cold War.

Under the peculiar conditions of 9/11, and a particular correlation of political forces, the US government has re-created aspects of a Cold-War climate without a Cold War. This has served to pass draconian anti-civil rights legislation and increase state expenditure, particularly on arms. At the same time, the fallout from the troubles of finance capital, shown in the numerous scandals of Enron, WorldCom, bank rip-offs, and so on, is put into a less important context. It can be brushed aside as the froth which emerged during the irrational exuberance period. The War with Iraq allows the post-9/11 state of emergency to be strung out until a new enemy or new emergency can be found.

In reality, both the capitalist system and the United States are in decline. Inevitably, a system in decline—and a country that exemplifies that system—finds that there are no solutions to its problems. In Marxist terms, there are fewer and fewer mediations that can work. The capitalist system can, however, find modes of operation that do act as mediations, but only at an increasing cost to the system itself. These mediations, therefore, appear irrational. Such is the war in Iraq.