

# Neoliberal Scotland



Neoliberal Scotland:  
Class and Society in a Stateless Nation

Edited by

Neil Davidson, Patricia McCafferty  
and David Miller

**CAMBRIDGE  
SCHOLARS**

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P U B L I S H I N G

Neoliberal Scotland: Class and Society in a Stateless Nation,  
Edited by Neil Davidson, Patricia McCafferty and David Miller

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# INTRODUCTION<sup>1</sup>

NEIL DAVIDSON

Readers of the Sherlock Holmes stories will be familiar with the dialogue in “Silver Blaze” concerning the curious incident of the dog in the night time.<sup>2</sup> The famous exchange between Inspector Gregory and the great detective, on which the plot of the story turns, concerns an episode in which a dog might have been expected to bark, but did not. Similarly, academics based in Scotland, particularly the minority who also act as public intellectuals, might have been expected to analyse the effects of neoliberalism in that country. Such expectations have, however, been disappointed—and not because the advance of neoliberalism was halted at the Tweed. Given the exceptional extent to which Scotland is integrated into the capitalist world economy, such a miraculous deliverance was never very likely, whatever the wishes of local politicians and state managers—and these groups have, of course, been far from resistant to the new dispensation. The UK, along with the USA, was one of the first sites for the neoliberal experiment in socio-economic engineering. Indeed, one of the flagship policies of the second phase of British neoliberalism, the Private Finance Initiative (PFI), was launched in Scotland from 1995 with the construction and commercial operation of the Skye Road Bridge.<sup>3</sup> As part of the British state, Scotland has experienced, and continues to experience, the effect of these policies to the same extent as the rest of the UK, with only minor variations since the establishment of devolved government in 1999. Indeed, in many respects, the application of neoliberalism actually became even more extensive under the Labour and Liberal Democrat governments than it had under their Conservative predecessors, and this has yet to be addressed, other than at the margins, by their minority Scottish National Party (SNP) successor. Yet only with the onset of a new period of capitalist crisis in 2007-08 did commentators

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<sup>1</sup> This foreword was written with the support of Economic and Social Research Council Grant RES-063-27-0174.

<sup>2</sup> Conan Doyle, “Silver Blaze”, 25.

<sup>3</sup> Anderson, *The Skye Bridge Story*; Monbiot, *Captive State*, Chapter 1.

outside of the radical left apparently notice that Scotland has been subject to the same neoliberal regime as the rest of the world, and even now it is journalists rather than academics who show the greatest awareness of this fact.

## 1. Scotland transformed?

Claims that Scottish academics have either failed to recognise the existence of neoliberalism or essentially endorsed it may seem exaggerated and therefore require substantiation.<sup>4</sup> Two outstanding recent texts in the fields of history and contemporary sociology, T. H. Devine's *The Scottish Nation* (1999 and 2006) and Lindsay Paterson, Frank Bechhofer and David McCrone's *Living in Scotland* (2004), can serve to illustrate the point, precisely because they are substantial contributions which need to be taken seriously—indeed I have drawn from them in my contributions to this book. The former is a general history of Scotland since 1700 and in many ways it represents the finest synthesis to appear to date from the great post-1960s renaissance in Scottish historiography, in which Devine himself played an important role. The latter is a more chronologically compressed and thematically narrow survey of Scotland since 1980, systematically drawing on statistical data and surveys to present indices of socio-economic change within a broadly Weberian stratification model of social class. Yet, despite emerging from different disciplines and dealing with different timescales, the conclusions to these formidable works are remarkably similar, an outcome which could indicate that historian and sociologists have independently arrived at an accurate representation of Scottish reality—indeed, Devine cites *Living in Scotland* to support his argument in the second edition of *The Scottish Nation*, to which I will refer in what follows.<sup>5</sup> Alternatively, it could be that both works are examples of an emergent consensus which has so internalised the neoliberal world view that even those who wish to criticise some aspects of the regime—as all these authors undoubtedly do—can only do so from within the framework that neoliberalism has established. The word may be absent, but the ideology is ever-present.

We need first to establish a point of reference. In the first volume of her autobiography, Margaret Thatcher provided a self-assessment of the impact her policies had on Scotland. There she characterised as

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<sup>4</sup> See also Miller, Chapter Two, section 1.2, in this volume.

<sup>5</sup> Devine, *The Scottish Nation*, 644, 653.

“economically positive” for the Scots, but “politically negative” for the Conservative Party:

After a decade of Thatcherism, Scotland had been economically transformed for the better. People moved in large numbers from the declining industries such as steel and shipbuilding to new industries with a future such as electronics and finance. Almost all the economic statistics—productivity, inward investment, self-employment—showed a marked improvement. As a result, Scottish living standards reached an all-time high, rising by 30 per cent from 1981 to 1989, outperforming most of the English regions. A slower start was made on reducing dependency and encouraging ownership. As late as 1979 only a third of Scots owned their own homes. By the time I left office this had risen to over half—thanks in part to the “Right to Buy” scheme.<sup>6</sup>

Do *The Scottish Nation* and *Living in Scotland* provide a contrasting perspective on these years? Both books trace the key economic shifts since 1979: the disappearance of the primary extractive sector, above all of coal; the move within the secondary manufacturing sector away from the production of ships or cars, above all to micro-electronics; and the massive expansion of the tertiary service sector, above all in finance. Accompanying these sectoral shifts was the emergence of a largely white-collar “professional” workforce, in which women played an increasing role, ultimately forming a numerical majority and in which trade union membership was falling everywhere except in its public sector redoubts. Naturally, this transition was not without dislocation and suffering, particularly in the early 1980s when unemployment reached a post-war peak, but since the early nineties at the latest Scotland has been characterised by economic stability and growth, growing numbers in employment, increasing levels of income and a buoyant housing market. Nor are the advantages of the “new Scotland” restricted to the basic material necessities: a vibrant consumer culture has arisen, on the basis of greater levels of disposable income, in which individual choice can be exercised in ways unimaginable to earlier generations. There are of course, still some who experience comparative disadvantage among the general affluence, perhaps amounting to as many as a seventh of the population. Nevertheless, the dilemmas of what is clearly a minority, excluded from the new knowledge economy and condemned to live on the peripheral estates, is exacerbated precisely by the contrast between their situation and that of the thriving majority.

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<sup>6</sup> Thatcher, *The Downing Street Years*, 623-624.

Any summary as compressed as this will obviously elide subtleties of interpretation and overlook differences in emphasis; nevertheless it is not unfaithful to the tone which permeates both books. Much of what they describe could equally have been written of most areas of the developed world, although Scotland is still distinct in some respects, notably higher than average levels of public sector employment, even after successive waves of privatisation. But according to these authors, what Scotland has experienced in the last twenty-five years or so is not simply a further episode in the never-ending process of “social change”, a local variation on global trends, but something more fundamental. For Paterson and his colleagues: “In no more than two decades, Scotland has gone through such profound transformation that, in some important aspects, it is barely recognisable as the same place.” They specifically note that, however, that although “Scotland is a very different place now from 1980”, this cannot, however, be traced back to any one cause because, “there has been no war, no revolution, no cataclysmic event to which change could approximately attributed”.<sup>7</sup> They are generally disinclined to invoke the concept of “revolution”, although another book whose authors include Paterson and McCrone claims: “The country is going through the closest to a social revolution that can be found in a developed western democracy”.<sup>8</sup> Devine is less cautious: for him, revolution is the most appropriate term. During the period Scotland, “experienced a revolution in employment” and more generally “went through an economic revolution” comparable with, and inferior only to that which followed the suppression of the last Jacobite attempt to restore Stuart absolutism in 1745-6: “Scotland...had been transformed to an extent unknown since the epoch of the Industrial Revolution of the later eighteenth century and early nineteenth centuries.” Nor does the term only apply in some generalised sense; for one social group at least it has a quite specific relevance: “The revolution in the position of women over the last three decades may also be significant.”<sup>9</sup>

Why then have a majority of Scots failed to appreciate the benefits of the Thatcherite revolution? Thatcher naturally thought that the doctrine associated with her name had been positive for Scotland, but that these benefits had gone unappreciated by the Scots because of their hostility to the “alien” English national idiom in which her policies were expressed:

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<sup>7</sup> Paterson et al, *Living in Scotland*, 149.

<sup>8</sup> Paterson et al, *New Scotland, New Politics?* 167.

<sup>9</sup> Devine, *The Scottish Nation*, 595, 597, 644, 651.

Some part of [Conservative] unpopularity must be attributed to the national question on which the Tories were seen as an English party and on which I myself was apparently seen as a quintessentially English figure.<sup>10</sup>

Several critics of neoliberalism have essentially supported these claims. David Harvey, for example, writes:

Margaret Thatcher, through the Falklands/Malvinas war and in her antagonistic posture towards Europe, invoked nationalist sentiment in support of her neoliberal project, though it was the idea of England and St George, rather than the United Kingdom that animated her vision—which turned Scotland and Wales hostile.<sup>11</sup>

But the issue is surely one of policy rather than identity; of the content of the “anti-reforms” imposed by Thatcher, not the accent with which they were announced. Why did most Scots reject the content? McCrone writes in his standard modern work on the sociology of modern Scotland:

In Scotland, the attack on state institutions—the nationalised industries, the education system, local government, the public sector generally, even the Church, institutions which carried much of Scotland’s identity—was easily perceived as an attack on “Scotland” itself. Essential to current Conservative appeal south of the border was an appeal to “the nation” on whose behalf politicians and the state act, but the Scots have a nation of their own, and the vision of re-creating bourgeois England was out of kilter not only with Scottish material interests, but with this alternative sense of national identity. ... Modern Conservatism spoke overwhelmingly with a southern English voice. The populist, nationalist, anti-state appeal which sustained Thatcher in England for the whole of the 1980s had distinctively negative resonances north of the border. It is hard to envisage a political message more at odds with what had gone before, and one which so ran counter to the grain of Scottish civil society.<sup>12</sup>

Any position which boasts such widespread acceptance and which corresponds so closely with “common sense” is unlikely to be an accurate representation of reality, particularly when it is also conveniently flattering to the self-image of many Scots. Leaving aside the fact that the Conservatives did have some support in Scotland between 1979 and 1997, and their supporters had their own conceptions of what it was to be

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<sup>10</sup> Thatcher, *The Downing Street Years*, 624.

<sup>11</sup> Harvey, *A Brief History of Neoliberalism*, 86. .

<sup>12</sup> McCrone, *Understanding Scotland* (1992), 171, 172, 173; *Understanding Scotland* (2001), 121, 122.

Scottish, there is one clear disproof of this position. The decisive issue would be their attitude to the governments which followed those of the Conservatives in the British and Scottish Parliaments. These had quite different or—in the case of the SNP—non-existent relationship to Englishness, but in all essentials maintained the neoliberal order. Have the policies followed after 1997 been resisted on the grounds that they are running “counter to the grain of Scottish civil society”?

I have already referred to PFI/PPP, a flagship neoliberal policy enthusiastically embraced by the Labour Party in Scotland after 1997. By the time the Labour/Liberal Democrat coalition left office in 2007 there was “PFI deals in operation or signed cover capital expenditure of £5.1 million”, with deals worth a further £1.7 billion in preparation. The problem here is not only the exorbitant cost to the taxpayer—normally the touchstone of rectitude in neoliberal discourse—but also the way in which the size of PFI projects tends to make it difficult for Scottish firms to compete, given their relative smallness compared to the market.<sup>13</sup> The most damaging aspect of the policy, however, is the consequence for the people who have to use the services upon which PFI has been imposed. In this respect the new Edinburgh Royal Infirmary is emblematic of the system as a whole: an astronomically expensive but geographically inaccessible complex which contains fewer beds and employs less staff than the hospitals which were closed to pay for it, and which processes the customers—formerly-known-as-patients at top speed while making extortionate charges for amenities which would previously have been provided either free or at a subsidised rate.<sup>14</sup> Yet since 1997 the monumental folly of PFI/PPP—surely an affront to “Scottish values” if ever there was one—has never become an issue in the same way that it was under the Conservative government. Thatcher is right: some members of the new middle class, the mainstays of so-called “civil society” whose voices dominate public discourse in Scotland, were hostile to her on cultural rather than material grounds. But since the same people also materially benefited from the transformations which began under her regime, how are the resulting ideological tensions to be resolved? It can only be achieved by undertaking a more positive reconsideration of the achievements of the Thatcher era, after making due allowance for the unfortunate excesses which accompanied them.<sup>15</sup>

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<sup>13</sup> Cuthbert and Cuthbert, “Lifting the Lid on PFI”, 14, 16.

<sup>14</sup> Monbiot, *Captive State*, 74-75; Pollock, *NHS plc*, 19-20, 101-104, 216-217, 256.

<sup>15</sup> See Davidson, Chapter One, section 3.2 and Miller, Chapter Two, section 1.2, in this volume.

In this context it is interesting to note the attitude of the authors under consideration to the “revolution” which is supposed to have occurred in Scotland. In a conversation with Carol Craig conducted in 2005, Devine said:

...if we accept that we now have a better and more modern economy—one that can hold its own in the world—then it is time to revisit our understanding of Thatcherism. You [i.e. Craig] are right to say that there is a tendency to see it as something that is unambiguously evil when clearly this is not the case.<sup>16</sup>

Elsewhere in the same conversation, he once more describes these changes as “a revolution”, albeit not one induced by Scots, but by “global-wide forces...accelerated by developments in Westminster under the Thatcher Government”. His conclusion is: “The Scottish revolution has been created by forces outwith our control.”<sup>17</sup> During the same year Devine wrote in the *Sunday Times* that in “terms of popular culture” he did not regard the Thatcher years as having been “considered fairly” and that “negative effects may have been exaggerated and some of the other effects have been marginalised”.<sup>18</sup> The enthusiasm of Paterson and his colleagues is more qualified. “Among this largely benevolent change”, they write, “Scottish society is seriously divided and stratified.” The caveats are important, but the substantive statement sets the tone, since the negative effects of stratification are allegedly only experienced by a minority. And who or what was responsible for introducing these benevolent changes? Once again the same agent is named:

The Thatcher government presided over the critical years of the changes we have seen here, not only the changes in social structure but in particular the real and substantial growth of individual opportunity.<sup>19</sup>

In the chapters that follow, the authors will argue that responses to neoliberalism are ultimately determined by class position, albeit in mediated, uneven, and inconsistent ways. This in turn suggests that the essentially positive attitude of the authors discussed above is open to criticism on empirical grounds. In other words, they have misrepresented as applying to the majority of the population benefits which have in fact

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<sup>16</sup> Craig with Devine, “Scotland’s Velvet Revolution”, 218.

<sup>17</sup> Ibid, 220.

<sup>18</sup> Torrance, “*We in Scotland*”, 280.

<sup>19</sup> Paterson et al, *Living in Scotland*, 151, 153.

accrued only to a minority. Indeed, it could be argued that a more accurate assessment of, for example, the extent of debt, poverty and class inequality in Scotland today, exacerbated rather than created by the current recession, would have made it more difficult to endorse the achievements of Thatcher and her successors. What kind of “professional society” is it where the majority of professionals are so indebted that unemployment for even a relatively short period of time would result in them having to petition for bankruptcy? There are issues of fact involved here, in other words, not simply different values, or what Max Weber saw as a necessarily arbitrary choice between “warring gods”.<sup>20</sup> Nevertheless, some choices do have to be made. Understanding neoliberalism is not, or at any rate should not be, an end in itself, an “academic exercise”, as the saying goes. Since many academics regard the expression of moral or political positions as professionally inappropriate, it is perhaps worth stating briefly why we believe they are wrong.

## 2. Objectivity versus neutrality

In *Living in Scotland*, Lindsay Paterson and his colleagues conclude a chapter on “Income, Wealth and Poverty” by stating: “It is not our task in this book to comment on the moral and political implications of the picture presented in this chapter or indeed elsewhere; it is for the reader to draw his or her own conclusions.”<sup>21</sup> In response to criticism from two contributors to this volume (Alex Law and Gerry Mooney), Frank Bechhofer and David McCrone wrote:

...we do not deny for a moment that perfect value-neutrality is unachievable but we would argue that a critical sociology has a duty to present the empirical evidence scrupulously, paying due and social attention to those data that appear to contradict the argument being presented.<sup>22</sup>

No-one could disagree with these admirable precepts and expect to be taken seriously (Law and Mooney certainly did not), but in two respects Bechhofer and McCrone entirely miss the point.

First, these authors have not always followed their own advice since, in the work they wish to defend, readers are subjected to value judgements

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<sup>20</sup> Weber, “The Profession and Vocation of Politics”, 355.

<sup>21</sup> Paterson et al, *Living in Scotland*, 78.

<sup>22</sup> Bechhofer and McCrone, “Some Critical Comments on Law and Mooney (2006)”, 257.

about “beneficial changes”, “benevolent change”, “real and substantial growth of individual opportunity” and so on, which do rather suggest that some sort of normative evaluation has taken place.

Second, it is not clear why rejecting objectivity is an obstacle to the scrupulous assessment of the evidence. As Alvin Gouldner once wrote, “scientific objectivity” does not imply “moral indifference”.<sup>23</sup> It is both possible and desirable that society be comprehended objectively, but objectivity is not achieved by pretending that one can observe the social world from an imaginary external point.<sup>24</sup> And one can go further: understanding the world is necessary to change it; but a commitment to changing the world is also necessary to understanding it in the first place.<sup>25</sup> Paterson and his colleagues have written of the need for new values of social justice to emerge from the citizens of the “New Scotland”, but see no institutions or mechanisms through which these might emerge, now that the working class solidarities have supposedly been superseded:

And, although social science can analyse the problem and offer explanations, predicting how a new social ethic might come to prevail in Scotland is something of which it is simply incapable, however willing its practitioners might be to help bring it about.<sup>26</sup>

Contrast this council of despair with the approach of the late Pierre Bourdieu, a sociologist always mindful of the need for careful empirical work:

...writers, artists and especially researchers...must breach the *sacred boundary* inscribed in their minds—more or less deeply depending on their national tradition—between *scholarship* and *commitment* in order to break out of the academic microcosm and to enter resolutely into sustained exchange with the outside world (that is, especially with unions, grassroots organisations, and issue-orientated activist groups) instead of being content with waging the “political” battles, at once intimate and ultimate, and always a bit unreal, of the scholastic universe.<sup>27</sup>

There are excellent Scottish precedents for this approach. Several over-excited discussions of the Scottish Enlightenment to have appeared in

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<sup>23</sup> Gouldner, “Anti-Minotaur”, 25.

<sup>24</sup> Harvey, “On Countering the Marxian Myth”, 88-9; Eagleton, *After Theory*, 135-136.

<sup>25</sup> MacIntyre, “Pascal and Marx”, 314.

<sup>26</sup> Paterson et al, *Living in Scotland*, 155.

<sup>27</sup> Bourdieu, “For a Scholarship with Commitment”, 24.

recent years have claimed that because of it, Scotland—or in some versions, Edinburgh alone—was responsible for transforming the world.<sup>28</sup> A more modest, not to say defensible, claim might be that the Scottish Enlightenment provided a theoretical basis for completing the local transition from feudalism to capitalism, a transition which, because of its uniquely conscious character, provided a set of historical, sociological and economic insights which were then capable of generalisation.<sup>29</sup> Exaggerations aside, however, the essential point is correct: the thinkers of the Scottish Enlightenment sought to understand their world in order to transform into an example of the “commercial society” they saw as the next and final stage in human development. Adam Smith was not “neutral” with regard to Scottish feudalism, the remnants of which he wished to see destroyed.

The claims of neutrality are a product of the triumph of capitalism, not of the struggle to achieve it, and rest on the ideological claim that there are no longer any fundamental social conflicts. One of the very few unambiguous blessings which neoliberalism has brought is to demonstrate that this is not the case. As we shall see, neoliberal capitalism involves enormous and growing inequalities of wealth and power. To present this system “as it was” or “as it is” in neutral terms, shorn of any moral or political judgement, is implicitly to align yourself with those whom Walter Benjamin described as having “emerged victorious” in the class war.<sup>30</sup> As the late Angus Calder, of one Scotland’s finest public intellectuals, once put it: “If we become ‘neutral’ we are in effect avoiding our own freedom to choose *now*”.<sup>31</sup>

We are therefore proposing to abandon neutrality, not objectivity. Nothing could be more self-deluding and self-defeating than misrepresenting the “facts” of neoliberalism for polemical purposes, since to intervene effectively in the world we need accurate objective knowledge about it. We have therefore sought to avoid what Perry Anderson calls:

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<sup>28</sup> Herman, *The Scottish Enlightenment*; Buchan, *Capital of the Mind*. In the case of the latter—by a writer usually above such vulgarity—one senses a subtitle (“How Edinburgh Changed the World”) imposed by his publisher.

<sup>29</sup> Davidson, “The Scottish Path to Capitalist Agriculture 3”, 10-36.

<sup>30</sup> Benjamin, “On the Concept of History”, 391-392. See also the discussions of this passage in Davidson, “Walter Benjamin and the Classical Marxist Tradition”, 167-171 and Lowy, *Fire Alarm*, 47.

<sup>31</sup> Calder, *Revolutionary Empire*, xix.

...a sense that any effective opposition to the existing order requires proximate expectation of relief from it—that to take the measure of its unmitigated identity and strength must somehow lead to acceptance of it.

As Anderson rightly notes, this would be mistaken:

Accurate intelligence of the enemy is worth more than bulletins to boost doubtful morale. A resistance that dispenses with consolations is always stronger than one which relies on them.<sup>32</sup>

Anderson's own refusal of consolation is allied to a deep pessimism about the current possibilities for radical social change, a pessimism which the editors and contributors to this work do not share. Nevertheless, in the essays which follow we have followed his recommendation by seeking to provide accurate intelligence with which to build the resistance.

### 3. The structure and content of this book

It was in response to the widespread silence or tacit approval concerning neoliberalism that the editors tried to address the question with a conference called *Neo-Liberal Scotland?: Re-thinking Scotland in a Global Context*, held between 19 and 21 May, 2006 in the Department of Geography and Sociology at the University of Strathclyde. The uncomprehending response from some quarters confirmed that we had identified a real problem. Brian McNair, writing in the *Sunday Herald*, accused the organisers of failing to encourage “positive thinking” and “a new language for Scottish politics”, on the grounds that we did not agree that “globalisation is good” and that “capitalism works”.<sup>33</sup> We will leave it to the reader to decide, in the light of more recent events, which perspective on capitalism has proved to be the more accurate. In any event, the fact that the event was attended by over a hundred activists and scholars also demonstrated that we were not alone in seeking to address these issues.

This book is based on some of the key papers presented at the 2006 conference referred to above. The editors were conscious, however, of the problems associated with multi-authored collections, even those originating in gatherings supposedly devoted to a particular theme, of which variations in approach and lack of internal coherence are only the most common. In each case, therefore, chapters have either been reworked

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<sup>32</sup> Anderson, “The Vanquished Left”, 319-320.

<sup>33</sup> McNair, “An Old Communist Confesses”.

from the original papers or been newly commissioned to deal with issues which were not discussed at the event itself. Where appropriate, the effects of the current crisis have been reflected in the final versions, but since the chapters range across over 30 years of neoliberalism this has not always been necessary. Omission from the final selection is not necessarily a comment on the quality of excluded papers, nor is it because contributions contradicted an editorial party line.<sup>34</sup> It is rather because they were focussed on very specific subjects which would have been inconsistent with the more general themes around which we have structured the book.<sup>35</sup> We have not attempted to provide a guide to every area of Scottish life during the neoliberal era, still less a comprehensive survey of Scotland at the beginning of the 21<sup>st</sup> century, in the manner of those compilations which indiscriminately review developments in every field from agriculture to Zero Tolerance. Our aim is specifically to survey how neoliberalism has impacted on class and on society more generally, in one small stateless nation on the north-western edge of Europe. We have therefore concentrated on the central aspects of the Scottish experience which have been touched by the neoliberal project.

Chapter One, by Neil Davidson, sets the general context for the specific analyses which follow, providing both an account of how neoliberalism developed and a survey of what this has meant for economics, politics, the state and society—an exercise made necessary by the previous lack of serious discussion of the subject in Scotland.

The next three chapters address the fundamental issue of social class.

Chapter Two, by David Miller, explores the nature of the ruling class in Scotland today, offering a critique of the dominant academic views on the subject before setting out an alternative perspective. The latter shows, in great empirical detail, how business personnel not only overlap with the managers who run the British state in Scotland, but are also highly integrated into the transnational capitalist class. The existence of the bourgeoisie does rather tend to presuppose the existence of the proletariat, but within the social sciences the working class has increasingly been treated as historical residue, as the result of individuals supposedly being either elevated to the middle classes (“professional society”) or submerged in a putative “underclass”.

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<sup>34</sup> In fact, at least two of the editors have different positions on the origins of neoliberalism, as will be apparent from comparing Chapter One (Davidson) and Chapter Two (Miller), in this volume.

<sup>35</sup> Some have since appeared in print elsewhere. See, for example, Collins, “The Scottish Executive is Open for Business”.

Chapter Three, by Alex Law and Gerry Mooney, reasserts the centrality of the working class presence to Scottish society on both theoretical and empirical grounds, while simultaneously showing how its composition and life experience have been changed by neoliberalism. But, contrary to the stratification theory central to Weberian sociology, these two main classes do not simply co-exist in separate social layers: they are inseparably linked through the processes of exploitation and conflict, above all in the workplace and regardless of whether the employer is an individual capitalist or an institution of the capitalist state.

Chapter Four, by Patricia McCafferty and Gerry Mooney, examines the changes to work organisation and workplace relations in the state sector, and how these have been resisted by workers, not only in defence of their own conditions, but of the services which they provide to the public.

The remaining five chapters engage with the broader impact of neoliberalism on Scottish society.

Chapter Five, by Eurig Scandrett, contrasts the claims by successive Scottish Governments to be pursuing environmental justice with the inadequacy of their actual achievements and considers what an effective alternative approach might be. Exceptionally, Scandrett identifies the policies of the Labour/Liberal Democrat coalition government as being more hostile to neoliberalism than those of its SNP successor.

Our environment is not “natural”, except in the sense that the human societies which have shaped it are themselves part of nature. Nowhere is our contribution to the built environment more evident than in the urban conurbations where most Scots now live. Chapter Six, by Kirsteen Paton, shows how Glasgow is being restructured, not only in the physical reconfiguration of place, but in the attempt to create an appropriately privatised consciousness among the citizens who inhabit the spaces of neoliberalism.

Chapter Seven, by Colin Clark, also focuses on Glasgow, in this case as the main destination of the most recent group of migrants to arrive in Scotland, those from Central and Eastern Europe; their physical presence being the most obvious manifestation of the international impact of neoliberal globalisation.

Both Paton and Clark draw on their own field work among Glaswegian communities to support their arguments. The experience of Easter European workers recounted by the latter does not suggest that they have found Scotland any more welcoming than elsewhere in Britain. Self-congratulatory myths about Scottish distinctiveness, compared with

England and Wales, nevertheless persist with regard to government policy as much as public attitudes.

Chapter Eight, by Susan Wiltshire, tests these claims in relation to criminal justice and concludes that differences are minimal in relation to both the economic intrusion of private capital into the custodial network and the ideological emphasis on punishment as the main objective in sentencing. Her analysis suggests some of the ways in which neoconservative social repression is the inescapable corollary of neoliberal economic “freedom”. Neoliberal ideology is, however, expressed in many other ways than by such obviously key components of the state as the legal system.

Chapter Nine, by Iain Ferguson, investigates the Scottish manifestations of “the happiness industry”, to show how market-fundamentalist notions of individual responsibility now structure even the most seemingly innocuous attempts to resolve supposed attitudinal problems.

Although chapters on politics are usually obligatory in national surveys, they tend to involve either recycled journalistic commentary from the corridors of Holyrood or opinion polls about the relative popularity of the parties, snapshots which are in any case quickly outdated. Part of our argument here is that neoliberalism is a means of organising capitalism, to which all mainstream political parties are essentially committed. To dignify minute variations in policy by pretending they seriously represent competing visions of society is simply to collude in the degradation of political life which neoliberalism has exacerbated, if not actually caused. Chapter Ten, by Neil Davidson, therefore examines the extent to which devolved Scottish governments, particularly the present SNP administration, have been able to go beyond the boundaries of neoliberal orthodoxy. He argues that where this has occurred it is a function of the peculiarities of party competition in Holyrood, rather than representing a fundamental disavowal of the existing order. Finally, he suggests that a genuine alternative to neoliberalism will only emerge, in Scotland or elsewhere, on the basis of a politics which takes the interests of the working class as seriously as neoliberalism has those of the capitalist class.

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## CHAPTER ONE

# WHAT WAS NEOLIBERALISM?<sup>1</sup>

NEIL DAVIDSON

With the destabilising of the market economy we begin to recognise the monuments of the bourgeoisie as ruins even before they have crumbled.

—Walter Benjamin<sup>2</sup>

...it is asserted that economic activity belongs to civil society, and that the state must not intervene to regulate it. But...it must be made clear that *laissez-faire* too is a form of State “regulation”, introduced and maintained by legislative and coercive means. It is a deliberate policy, conscious of its own ends, and not the spontaneous, automatic expression of economic facts.

—Antonio Gramsci<sup>3</sup>

### Introduction

According to the German philosopher Georg Hegel’s most famous aphorism, “the owl of Minerva spreads its wings only with the coming of

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<sup>1</sup> This introduction was written with the support of Economic and Social Research Council Grant RES-063-27-0174. Thanks to Joseph Choonara, Gareth Dale, David Miller and Raymond Morell for their comments on various drafts.

<sup>2</sup> Benjamin, “Paris”, 44.

<sup>3</sup> Gramsci, “The Modern Prince”, 160.

the dusk”, by which he meant that we can only truly understand a historical period once it is over.<sup>4</sup> According to the new consensus, the period which opened in 1973 with one great crisis of capitalism is now closing with another. “It is the end of the neoliberal era”, wrote Scottish political journalist Ian MacWhirter in September 2008, as the extent of the economic catastrophe became apparent. And within a month of MacWhirter proclaiming “the twilight of Thatcherism” his verdict appeared to be confirmed.<sup>5</sup> States throughout the developed world—including those like Britain and the USA which had been most committed to neoliberalism—bought massive and in some cases dominant stakes in failing banks, using levels of public spending we had previously been told were no longer available or which could not be used without distorting the market. One can therefore easily understand why the politicians, professors and pundits who assured us that the business cycle had been abolished or that house prices would continue to rise indefinitely or that nationalisation was politically impossible might want to invoke the Owl of Minerva to explain their ignorance, stupidity or deceit. But posterity is unlikely to be as understanding as they might wish, for Hegel was too pessimistic in assuming that comprehension always had to be retrospective. The people who have suffered under neoliberalism, which includes the majority of humanity, did not have to wait until the coming of the dusk to grasp its meaning; they understood it only too well, even if they had never heard the term. But these same people are not only sufferers; they are the only possible source of any alternative to neoliberalism which is not simply another way of reorganising capitalism.

In the absence of that alternative, how is the current crisis likely to be resolved? The ruling classes of the world have certainly not abandoned neoliberalism. In so far as responsibility has been allocated for the present debacle, it has been to the excesses of financial institutions, rather than the organisation of the capitalist system, still less the system itself. “What we are experiencing is not a crisis of capitalism”, proclaimed an article in *Newsweek*: “It is a crisis of finance, of democracy, of globalization and ultimately of ethics.”<sup>6</sup> Consequently, a modified form of neoliberalism is emerging which retains core aspects while making pragmatic adjustments out of economic necessity. There are no great difficulties involved here. Although neoliberalism began to replace Keynesianism, Stalinism and other forms of state capitalism as the dominant form of capitalist organisation from the late 1970s, it continued to involve a highly

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<sup>4</sup> Hegel, “Preface”, 3.

<sup>5</sup> MacWhirter, “The Prophets of Greed”.

<sup>6</sup> Zakaria, “The Capitalist Manifesto”, 40.

interventionist role for the state, contrary to its official ideology.<sup>7</sup> Indeed, some commentators have even described neoliberalism as a form of “privatised Keynesianism”.<sup>8</sup> When the subtitle of this introduction refers to neoliberalism in the past tense, therefore, it is not suggesting the experience is necessarily over, merely one particular phase. We are not yet in a position to say either what neoliberalism will become or what will replace it, but we can say what neoliberalism was and, equally importantly, what it was not.<sup>9</sup>

The discussion that follows draws mainly on the experience of Britain and, to a lesser extent, that of the USA. Most obviously this is because Scotland has been part of the former state for the entire neoliberal experiment, but there are also more general reasons why any overview of the subject would have to focus on the twin heartlands of Anglo-Saxon capitalism. Understanding neoliberalism, like any significant social phenomenon, can best be achieved by focussing on its most developed forms.<sup>10</sup> In the case of neoliberalism the “most developed” provided the models which were subsequently exported to the rest of the world, often to quite different effect. Britain played an important role in assembling the components of the neoliberal order during the “vanguard” phase (1979-1997) associated with Margaret Thatcher, under whose governments many were first introduced.<sup>11</sup> According to Thatcher, these were simply the implementation of policies first advocated in Scotland two hundred years previously. How accurate is this claim? Or, to put it another way: how fair is this accusation?

## 1. False and true intellectual antecedents

In his biography of Thatcher, Hugo Young quotes his subject as saying, “the Scots invented Thatcherism, long before I was thought of”, dryly adding that this “was believed to be a reference to Adam Smith, the economist, and possibly the philosopher David Hume”.<sup>12</sup> In her autobiography Thatcher noted with bemusement the failure of her “revolution” to win hearts and minds in Scotland, “home of the very same

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<sup>7</sup> See section 4.3 below.

<sup>8</sup> Crouch, “What will follow the Demise of Privatised Keynesianism?”

<sup>9</sup> Needless to say, the neologism, “postneoliberalism”, has already been coined, although even those prepared to use the term are understandably tentative about what it might mean. See, for example, Brand and Sekler, “Postneoliberalism”, 6-7.

<sup>10</sup> Marx, *Grundrisse*, 105; *Capital*, vol. 1, 90.

<sup>11</sup> See section 3.1, below.

<sup>12</sup> Young, *One of Us*, 528.

Scottish Enlightenment which produced Adam Smith, the greatest exponent of free enterprise economics till Hayek and Friedman”.<sup>13</sup> The more openly pro-market figures in the SNP, like Michael Russell, have a similar view:

Adam Smith was the father of modern capitalism and it is high time that his own people rediscovered his genius, particularly as, in his own land, that genius is currently tarnished by the half-baked economic models espoused by most of our political parties.<sup>14</sup>

Many on the left accept these nostrums at face value and merely reverse their value judgements. For Elmar Altvater: “Some of the most striking ingredients of neoliberal intellectual approaches can be traced back to the origins of liberal thinking in the early 18<sup>th</sup> century”, among whose proponents he includes Smith and Hume.<sup>15</sup> James Young claims “Adam Smith was a pioneer of the vicious anti-humanist economics of capitalism” and links him, somewhat implausibly, “with all the other advocates of anti-gay entrepreneurship; aggressive immoral and naked capitalism; and post-modernism”.<sup>16</sup> These comments confirm an observation by two of Smith’s more acute recent interpreters: “It is no longer thought necessary to examine how and why Smith argued in favour of the market, nor indeed how he qualified his case.”<sup>17</sup> Anachronistic misconceptions concerning Smith could of course be corrected by the radical expedient of actually reading *The Wealth of Nations* and *The Theory of Moral Sentiments*, preferably after situating them in their historical context, namely Scotland’s emergence from feudalism. When Smith attacks unproductive labour, he is not making some timeless critique of state employees, but thinking quite specifically about Highland clan retainers. When he opposes monopolies, he was not issuing a prophetic warning against the nationalisation of industries in the twentieth century, but criticising those companies which relied for their market position on the possession of exclusive royal charters in the eighteenth. Above all, unlike his modern epigones, he did not see the market as a quasi-mystical institution that should be made to penetrate every aspect of social life; but rather as a

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<sup>13</sup> Thatcher, *The Downing Street Years*, 618. See also Torrance, “*We in Scotland*”, 25, 57, 161 and 165.

<sup>14</sup> MacLeod and Russell, *Grasping the Thistle*, 95-96.

<sup>15</sup> Altvater, “The Roots of Neoliberalism”, 346.

<sup>16</sup> Young, “Letter to *The Herald*”.

<sup>17</sup> Milonakis and Fine, *From Political Economy to Economics*, 48.

limited mechanism for liberating humanity's economic potential from feudal and absolutist stagnation.

Even so, the advocacy of Smith and his colleagues for what they called "commercial society" was very conditional indeed, Smith himself being famously suspicious of businessmen and their conspiracies against the public.<sup>18</sup> This was understood as late as the final decades of the 19<sup>th</sup> century. Carl Menger was only exaggerating slightly when he wrote in 1891: "Smith placed himself in all cases of conflict of interest between the strong and the weak, *without exception* on the side of the latter."<sup>19</sup> More importantly perhaps, Smith intuited, long before capitalist industrialisation began in earnest, that it would lead to massive deterioration in the condition of labourers and their reduction to mere "hands". Understood in the context of the Scottish Enlightenment conception of human potential, the description of pin manufacture at the beginning of *The Wealth of Nations* not only celebrates the efficiency of the division of labour, but also shows the soul-destroying repetition that awaited the new class of wage labourers.<sup>20</sup> It was uneasy anticipations such as these, which Smith shared with James Steuart and Adam Ferguson, that later informed Hegel's conception of alienation and, through him, that of Karl Marx.<sup>21</sup>

The real theoretical source of neoliberalism is not Smith, but neoclassical economics, above all the marginalist reaction against both the classical political economy of Smith and the Marxist critique which sought to build on what he had accomplished. In economic theory marginalism represented the final retreat from scientific inquiry, however imperfect, into ideological justification. It was signalled by the abandonment of the law of value, with its dangerous claim that the socially necessary labour required to produce commodities was also the objective measure of their value. The tenets of marginalism were first set out by Leon Walras in his *Elements of Pure Economics* (1874) and ultimately codified by Alfred Marshall in his *Principles of Economics* (1890), although they have a long prehistory dating back at least to the 1830s.<sup>22</sup> In relation to neoliberalism, the most important thinkers have been those of the Austrian school, above

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<sup>18</sup> Smith, *The Wealth of Nations*, Book I, 144, 277-278.

<sup>19</sup> Rothschild, *Economic Sentiments*, 65.

<sup>20</sup> Compare *ibid*, Book I, 7-16 with Book IV, 302-303.

<sup>21</sup> Buchan, *Adam Smith and the Pursuit of Perfect Liberty*, 5-7, 9; Davidson, "The Scottish Path to Capitalist Agriculture 3", 47-53, 62-64; Göçmen, *The Adam Smith Problem*, 114-118; Hill, "Adam Smith, Adam Ferguson and Karl Marx on the Division of Labour".

<sup>22</sup> Milonakis and Fine, *From Political Economy to Economics*, 12, 93.

all, Menger, Ludwig von Mises and Friedrich von Hayek. Their attitude to Smith is instructive.

Within a decade of his death in 1790, Smith's work began to be presented in a way that minimised its more radical elements, as part of the reaction to the French Revolution.<sup>23</sup> Even in this form, Smith presented a problem for the neoclassical school: Walras saw his work as being tainted by "unscientific" social and moral considerations; Menger regarded it as flawed because of Smith's insistence that national economy was not simply an abstraction—a view incompatible with the "atomism" or methodological individualism of the marginalists.<sup>24</sup> Nevertheless, the marginalists needed, for reasons of ideological continuity, to claim Smith as a forerunner whose work they had completed, above all in relation to his advocacy of the market, which they removed from any historical context. "It was only the 'marginal revolution' of the 1870s", wrote Hayek, "that produced a satisfactory explanation of the market processes that Adam Smith had long before described with his metaphor of the 'hidden hand'".<sup>25</sup> The source of this misidentification lies in Hayek's belief that there are two types of rationalism: constructivist and evolutionary. According to Andrew Gamble, adherents of constructivist rationalism "believe that human societies can be mastered by human beings and remodelled according to rational criteria". Adherents of evolutionary rationalism—among whom Hayek numbered himself, Smith and other Scottish Enlightenment figures like Ferguson and Hume—show "a distrust of the powers of human reason, a recognition of the extent of human ignorance about the social and natural worlds, and therefore a stress upon the unexpected, unintended consequences of social action".<sup>26</sup> Hayek's ignorance of both the theory of the Scottish Enlightenment and the history of capitalist development in Scotland leads him to treat *The Wealth of Nations* as a description of how "commercial society" works rather than as a programme for bringing it about; but considered in the latter way, Smith was as much of a constructivist rationalist as Marx—which was, of course, precisely why Hayek's predecessors regarded him with such caution.<sup>27</sup>

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<sup>23</sup> Davidson, "The Scottish Path to Capitalist Agriculture 3", 56-59; Saville, *The Consolidation of the Capitalist State*, 33-36.

<sup>24</sup> Milonakis and Fine, *From Political Economy to Economics*, 94-95, 102-103.

<sup>25</sup> Hayek, "The Complexity of Problems of Human Interaction", 148.

<sup>26</sup> Gamble, *Hayek*, 31-36.

<sup>27</sup> Davidson, "The Scottish Path to Capitalist Agriculture 3", 18. Indeed, in 1883 Menger explicitly criticised Smith for his "one-sided rationalistic liberalism", his

The neoclassical school claimed that capitalism, defined as a system of competitive markets, was the only rational means of organising economic activity. Providing these markets are subject to minimal interference, their operation will result in the effective allocation of productive resources between different branches of the economy and provide the impetus for innovation to take place within competing enterprises. The veneration of markets in neoclassical theory was accompanied by an extreme hostility to any institutions which impede or distort their operation. These included those components of civil society said to act as monopolies, which invariably turned out to be effective trade unions rather than, for example, multinational companies; but the most important anti-market institutions were, potentially at least, states. I write “potentially” because, contrary to a common misunderstanding, neither neoclassical economists nor their neoliberal descendants were necessarily opposed to states as such. Both knew that the very emergence of large-scale capitalist markets in the first place was not a natural, organic process, but a highly artificial one incubated by state power. Karl Polanyi noted that economic liberals during the nineteenth century “without any inconsistency call upon the state to use the force of law...even appeal to the violent forces of civil war to set up the preconditions of a self-regulating market.”<sup>28</sup> State power has been used to impose and re-impose market relations and this is perfectly compatible with both neoclassical and neoliberal theory. States so conceived should not be considered in any sense as minimalist, except in relation to market intervention. Indeed, the first economists to take the name of “neoliberals” were German members of the neoclassical school during the 1930s like Alexander Rustow whose response to the Great Depression was the slogan, “free economy, strong state”.<sup>29</sup>

The problem occurred where the state acted as a rival means of economic organisation which could threaten the existence of private capital, although the neoclassical school tended to oscillate between two explanations for this. In one, the state is an autonomous institution whose leading personnel (“state managers”, in current terminology) pursue their own parasitic interests at the expense of productive capitalists. In the other, which tended to predominate in neoclassical discussions, the state is

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“effort to do away with what exists” which Menger claimed “inexorably leads to socialism”. See Rothschild, *Economic Sentiments*, 65.

<sup>28</sup> Polanyi, *The Great Transformation*, 149.

<sup>29</sup> Friedrichs, “The Political Thought of Neo-liberalism”; Nicholls, “The Other Germans—the Neoliberals”. The term “free economy, strong state” was revived by Andrew Gamble to describe the politics of Thatcherism, but it can be applied to neoliberalism more generally. See section 4.2 and 4.3 below.

an instrumental institution directed by the politicians who might be opponents of capitalism, or—if subject to election—at least liable to make decisions detrimental to capitalism in order to meet the uncomprehending demands of the electorate. The latter might involve the persistence of pre-bourgeois social forms, as in Joseph Schumpeter’s attempt to explain imperialism as an effect of aristocratic influence on international politics, or of “socialist” attempts to impose collectivist controls over productive resources, as in Hayek’s attempt to define Nazi Germany in these terms on the grounds that the state was responsible for directing aspects of economic activity.<sup>30</sup>

One problem with this doctrine was that it could only with the greatest difficulty be reconciled with reality. While it was obviously true that the bureaucratic state was increasing both its power over and penetration of society, this was not only a function of what the neoclassical school regarded as socialism, but rather of non-market requirements within capitalism itself: internally, to manage simultaneously an increasingly complex division of labour and maintain a social order riven by class conflicts; externally, to acquire markets, raw materials and opportunities for capital investment, and to prevent national rivals from doing likewise—imperialism, in other words.<sup>31</sup> Indeed, Vienna, capital of the Austro-Hungarian Empire and the home of many key neoclassical economists, was perhaps the leading example of extended state organisation at a municipal level. Although Max Weber shared the methodological individualist assumptions of his Austrian colleagues, he was far more realistic than them in this respect. Bureaucratisation was the fate of modern societies and, while it was subject to countervailing tendencies,

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<sup>30</sup> Schumpeter, “The Sociology of Imperialisms”, 84-97; Hayek, *The Road to Serfdom*, Chapter 12. Having defined socialism in this way it is unsurprising that Hayek and his co-thinkers could then detect it throughout history. See Hayek, “The Present State of the Debate”, 17. In a book first published in 1928 and introduced by von Mises (*A Socialist Empire*), the French economist Louis Baudin claimed that the collective nature of property in pre-Columbian Peru meant that Inca society represented a form of socialist dictatorship. Looking even further back in time, Hayek himself claimed the decline of Rome from the second century AD was due to the advance of “state socialism” following the supposed abandonment of free market economics and the rule of law. See Hayek, *The Constitution of Liberty*, 167. Whatever their other disagreements, Max Weber shared with Hayek a belief in “the achievements of ancient capitalism” supposedly displayed by the early Roman Empire. See Weber, *The Agrarian Sociology of Ancient Civilizations*, 355

<sup>31</sup> Bukharin, *Imperialism and World Economy*, 104-109, 122-129; Romein, *The Watershed of Two Eras*, 271-295; Webb, *Socialism in England*, 116-117.