

1917

"To face reality squarely; not to seek the line of least resistance; to call things by their right names; to speak the truth to the masses, no matter how bitter it may be; not to fear obstacles; to be true in little things as in big ones; to base one's program on the logic of the class struggle; to be bold when the hour of action arrives—these are the rules of the Fourth International."

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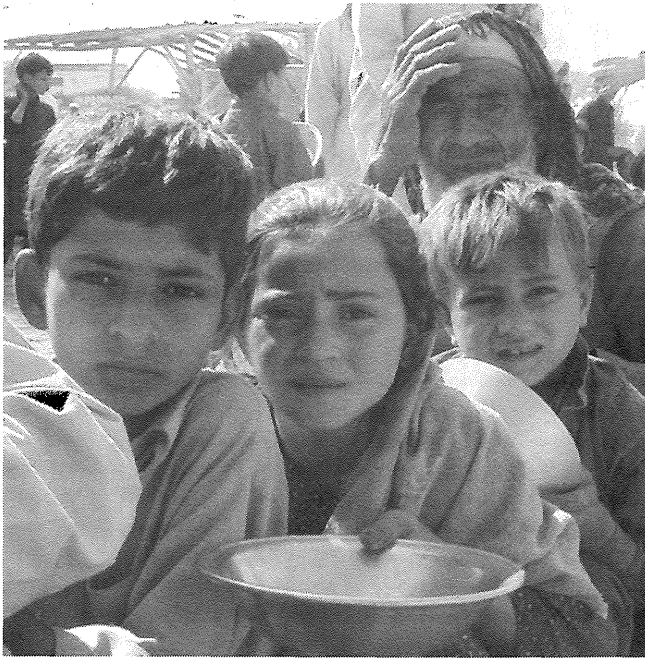
Global Realignment and Sharpening Imperialist Rivalry **U.S. Empire in Decline**

Barack Obama launched his run for the White House by proclaiming: "The American moment is not over, but it must be seized anew. To see American power in terminal decline is to ignore America's great promise and historic purpose in the world" (*Foreign Affairs*, July-August 2007). This spoke directly to the deep-seated anxiety of the

U.S. ruling class that its time atop the global order is fast running out, and offered hope that the descent could be arrested, or at least slowed.

Not too long ago, after the apparently successful conquest of Afghanistan, the mood in the boardrooms and country clubs of the U.S. bourgeoisie was very different.

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Hungry Afghan refugees in Bajaur tribal region, Pakistan

America's rulers were intoxicated with the notion that their military "hyperpower" could guarantee permanent global supremacy. The cover of the 5 January 2003 *New York Times Magazine* blared: "American Empire (Get Used to It)," and in the accompanying article, Harvard professor Michael Ignatieff (currently leader of Canada's Liberal Party) explained:

"Being an imperial power.... means enforcing such order as there is in the world and doing so in the American interest. It means laying down the rules America wants (on everything from markets to weapons of mass destruction) while exempting itself from other rules (the Kyoto Protocol on climate change and the International Criminal Court) that go against its interest."

According to Ignatieff: "The 21st century imperium is a new invention in the annals of political science, an empire lite, a global hegemony whose grace notes are free markets, human rights and democracy, enforced by the most awesome military power the world has ever known." In 1948, in a "top secret" memo, George Kennan, chief architect of the "American Century," offered a more candid assessment of the "free world colossus":

"Furthermore, we have about 50% of the world's wealth but only 6.3% of its population. This disparity is particularly great as between ourselves and the peoples of Asia. In this situation, we cannot fail to be the object of envy and resentment. *Our real task in the coming period is to devise a pattern of relationships which will permit us to maintain this position of disparity without positive detriment to our national security. To do so, we will have to dispense with all sentimentality and day-dreaming; and our attention will have to be concentrated everywhere on our immediate national objectives. We need not deceive ourselves that we can afford today the luxury of altruism and world-benefaction.*"

—Policy Planning Study 23, published in *Foreign Relations of the United States*, 1948, Volume I (emphasis added)

Today the American Empire is commonly identified more as the perpetrator of "collateral" massacres, targeted assassinations, secret abductions and torture than as an altruistic purveyor of "human rights and democracy." In Afghanistan, the U.S. military's record of recklessly killing innocent civilians has turned the population against the presence of foreign troops. In occupied Iraq, popular opposition has destroyed grandiose plans to reverse America's economic decline through the "pre-emptive" seizure of the petroleum deposits of the Persian Gulf.

At his Senate confirmation hearing in 1953, former GM President Charles Wilson, Dwight Eisenhower's choice for secretary of defense, said: "For years I thought what was good for our country was good for General Motors and vice versa." At the time, GM was the biggest carmaker in the world, with the most productive workforce and the most advanced technology. U.S. manufacturing accounted for 27 percent of American GDP and 45 percent of global production. Today, GM teeters on the brink of bankruptcy, manufacturing accounts for only 12 percent of American GDP and the U.S. share of global production has fallen to 25 percent.

Prior to its recent implosion, the financial sector had been the most dynamic and profitable element of the American economy, orchestrating corporate takeovers and buyouts (with accompanying layoffs and plant closures), marketing toxic "securities," and speculating on equity markets and currency fluctuations. The creative "free market" magic that generated a decade of obscene mega-profits for Wall Street's financial parasites has been exposed as wholesale fraud, acquiesced to, if not actively promoted by, government regulators and securities rating agencies.

The U.S. remains by far the world's largest economic

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U.S. Dockers Take Historic Step Anti-War Strike



NO CREDIT

May Day 2008: ILWU Drill Team

On 1 May 2008, 25,000 dockers of the International Longshore and Warehouse Union (ILWU), traditionally one of the most militant unions in the United States, shut down every port from San Diego to Seattle to protest the occupation of Iraq. Promoted as a "No Peace, No Work Holiday," the union's action defied the shipping bosses and labor arbitrators who denounced it as an "illegal strike." This was the first successful political strike ever conducted by American workers against an imperialist military adventure, and it sent a powerful message of international solidarity to all those suffering under the jackboot of U.S. imperialism.

As we noted in a 19 April 2008 statement, "In resisting the imperialist war-makers, the ILWU's action points the way forward for the entire international labor movement." The ILWU ranks rebuffed attempts by their national leadership to derail the action, which was counterposed to the labor bureaucracy's dead-end strategy of reliance on Democratic Party "friends of labor." The May Day port shutdown struck a blow at U.S. imperialism and established an important precedent for future working-class political strikes. This is why all genuine socialists wholeheartedly embraced the action, despite the patriotic drivel about the U.S. military spouted by the ILWU tops.

While the strike was big news on the West Coast, the media outside the area all but ignored it, as did the international press, out of fear that it might inspire similar actions elsewhere. Much of the left also ignored, or downplayed the significance of, the strike. Some no longer really consider the organized working class to be a potential agent

of social transformation. Others are hostile toward the initiator of the action, Jack Heyman (a well-known labor militant and executive board member in ILWU Local 10), and/or the Trotskyist political tradition he identifies with.

On 27 September 2008, the International Bolshevik Tendency (IBT) was honored to sponsor Brother Heyman as a guest speaker at a public forum in Toronto. Before the presentation, a short clip from the Labor Video Project was shown that vividly documented the May Day action. With a couple of notable exceptions, the 50-odd people who attended the meeting were extremely enthusiastic about the "illegal" anti-war strike and repeatedly applauded Heyman throughout his remarks.

The exceptions were two representatives of the Trotskyist League (TL), Canadian affiliate of the Spartacist League/U.S. (SL). The SL once had considerable influence in the ILWU, but abandoned its trade-union work in the early 1980s. The first TLER to speak, Arthur Llewellyn, conceded that the May Day strike "does point the way to the kind of working-class action that needs to be mobilized," and even ventured to "salute the workers who withheld their labor during the port shutdown." He then spent the rest of his time denouncing Heyman and the other militants who organized the strike, as well as leftists who supported them. Llewellyn charged: "The BT provides a left cover for Heyman, who in turn covers for the ILWU tops, who in turn chain the union to the Democratic Party." The spontaneous laughter provoked by this and similar idiotically sectarian comments became so loud that at one point the chairperson had to request members of the audience to contain themselves.



1917 PHOTO

Jack Heyman speaks in Toronto, 25 September 2008

A second TL speaker, Oliver Stephens, was indignant to find materials about the strike written by the New York-based Internationalist Group (IG) on the IBT literature table:

"We've got the Internationalist Group literature there, we've got the IBT there, we've got a nice big love-in trying to say something that isn't true. That unfortunately the action on May 1st was *not* one of conscious class struggle—that's just true. To lie about it is to prettify and to be able to make little arrangements between groups and people that otherwise quite hate each other."

This was seen by the audience for exactly what it was—an expression of petty sectarianism. If the TL/SL does not consider a workers' political strike against the imperialist war machine to be a form of "conscious class struggle," why should they want to "salute" those who carried it out? Unlike the Spartacists, we welcome the opportunity to work with other leftists when there is a principled political basis for doing so. We are pleased that the IG enthusiastically supported the initiative of the militants who organized the May Day action.

The shared recognition by the IBT and IG of the import of the ILWU May Day strike does not change the fact that there are significant political differences between us. For example, we consider that the SL's turn away from trade-union work in the early 1980s was both an expression and an accelerant of a process of political degeneration that was already far advanced. The IG, on the other hand, has a generally positive assessment of the SL in that period. Sometimes agreement on one issue opens the door to substantive discussion of differences; sometimes it does not.

During the round, Heyman brusquely dismissed the TL's complaints as "nonsense," and noted that on May Day, SLers in San Francisco refused to join a march of several thousand strike supporters. He pointed out that only a few years earlier (in *Workers Vanguard*, 4 February 2005) the SL had issued a public self-criticism for a similar refusal

to participate in an April 1999 demonstration the day the ILWU shut down the West Coast in solidarity with black political prisoner Mumia Abu-Jamal. The TLers squirmed when Heyman went on to reveal that while all the best militants in Local 10 had actively participated in building the May Day action, the SL's lone supporter "didn't do a damn thing."

One of the most important points that Heyman sought to drive home was that the May Day anti-war strike did not "just happen." It was the result of a lot of hard work and cooperation by many different people with different views on a wide range of issues. He was quite open about the limitations of the action, and particularly about the fact that many of the participants have illusions that the Democratic Party under Barack Obama can somehow turn U.S. imperialism into an instrument for social progress.

In response to a question from the floor about what he considered to be the most important lesson from his decades as a union militant, Heyman pointed to the necessity to forge a class-struggle leadership within the labor movement: "The lesson that I learned is that you have to organize caucuses in the union based on a class-struggle program to oust the trade-union bureaucracy, to remove them so that workers can then fight against the employers that exploit them and the government that stands behind those employers." The idea of creating programmatically-based caucuses in the unions is one that goes back to the early years of the Communist Party in the U.S. (see "Early Communist Work in the Trade Unions," reprinted in the IBT edition of the *Transitional Program*).

Heyman returned to this vital question in his final summary, and concluded his remarks with the observation that, "It would be better had there been a class-struggle caucus that had been built in the ILWU," but that it is necessary to address the crisis of working-class leadership on a broader political basis: "A class-struggle caucus does not

exist in and of itself—it has to be directed by a revolutionary party, and that is the key lesson that I impart to all of you tonight.”

The following is a slightly edited version of Jack Heyman's talk. Bryan Palmer, James P. Cannon's biographer, introduced Heyman and outlined some of his history in the union movement.

I do have a long history of promoting class-struggle politics working within the trade-union movement. I actually began in the maritime industry in 1969 in the National Maritime Union (NMU). At that time, I was part of a class-struggle caucus called the Militant Solidarity Caucus that was initiated and supported by the Spartacist League, which was then a revolutionary organization.

From the NMU I moved to the West Coast and became active in the ILWU, the longshore union. The first important campaign that I was involved in out there was in 1984, around the question of apartheid in South Africa. And from that struggle I learned a lot of my politics and how to function as a revolutionary within the trade-union movement. I credit a lot of what I learned—those lessons—to someone who's here tonight, and I want to acknowledge him: Howard Keylor. Will you stand up, Howard? Thank you. [applause]

Howard was able to raise a resolution within our local [ILWU Local 10—San Francisco] that became the basis for an 11-day anti-apartheid cargo boycott—an action that, in 1984, built or reignited the anti-apartheid movement in the United States. That's not my opinion—that's what Nelson Mandela said when he was freed from prison and he did a world tour. He came to the Oakland Coliseum, and the first thing he said was that he credited the longshore union for reigniting the anti-apartheid movement in the United States. The spark that struck off the anti-apartheid movement came from Howard Keylor's motion. Thank you, Howard. [applause]

So that 1984 strike against the ship that came in from South Africa, the *Nealloyd Kimberley*, was an exemplary action. But more than that, it emboldened workers and showed them how they have power—not only in terms of a contract, but in terms of the social reality in which we live. In the end, apartheid was brought down, and that particular action played a key role in the United States.

I'm just giving you a little bit of background to lead up to how May Day 2008 was able to be organized, because you need to know the background. A lot of people will say, “ah, that's the ILWU—they're always doing actions.” That's not the way it happens; it's got to be organized, and it's got to be organized around a class analysis—a program, a transitional program.

In 1997 and '98 there was an important strike in Liverpool, England by the dockworkers. That struggle brought out many of the best elements of the trade-union movement internationally. The key thing about a longshore union is that it's at the nexus of global trade; and that's the power that we have—to withhold our labor at that point of the production process. And we did that for the Liverpool dockers, when the ship called the *Neptune Jade* came into the port of Oakland. There was a community/labor picket put up, longshoremen refused to cross that picket line and for four days that ship stood idle. It scared the hell out of the capitalists. You could go to their various websites (we also had a website up) and see that the number of

hits went up exponentially as soon as that action began. Because they recognize—the employers understand—that the power of labor is there, on the docks. That was a good example of how workers can actually solidarize and support each other's struggles internationally. Unfortunately, the Liverpool dockers eventually lost their struggle. But the lessons that we learned from that have been sort of like a torch that's been handed on.

So, a couple of years after that, black dockworkers in Charleston, South Carolina were faced with a scab stevedoring company that came in to do their work (the union had a contract with the shipping line, Nordana, for 25 years). South Carolina is a “right-to-work” state, and it's a bastion of reaction in the U.S. And yet, the black workers uniting with white workers—the whites have the more privileged jobs (doing the paperwork and checking off the cargo), while the blacks do the heavy physical work of longshore. They united together and were able to wage a very significant campaign, particularly for the southern United States. The dockers who were arrested in the struggle were called the “Charleston Five.” The point is that the defense campaign for them really got going because of the role that the West Coast longshore union [ILWU] played. And I encourage people to get a copy of the flyer on the booktable—it's called, “On the Global Waterfront: The Fight to Free the Charleston Five.” It provides a well-researched and documented account of that struggle.

Basically, what we did in that struggle was we went to Charleston, because their own labor bureaucracy in New York was not supporting their struggle and they were isolated. So the ILWU's San Francisco Local 10 sent two delegates to Charleston, and we were able to tell them, “you're not alone in this struggle. We stand with you.” We brought news of their struggle back to the ILWU longshore caucus, which is a convention of all the longshore locals up and down the West Coast. Our caucus voted to organize solidly behind the Charleston dockers—and we brought their campaign to the entire organized labor movement, not only in the United States, but internationally. And they won.

The lesson of that is that even in reactionary times when things look difficult in terms of trying to fight employers and fight the government, it is possible to win—but you've got to be willing to struggle. The Charleston longshoremen were willing to make that stand. They together—black and white—fought on the picket line against the cops (the South Carolina state riot police were called in at one point). They challenged the system, and in the end, they won because we were able to build solid support, not only in the United States, but internationally.

The way that worked was the same as for the Liverpool dockers' struggle: the best militants in the dockworkers' movement came to the defense of the Liverpool dockers. I met the head of the anarchist-oriented dockworkers' union in Spain. And I said—it was an email actually—“Julian, there's an important struggle going on in Charleston, and those ships that leave Charleston go to Valencia, Spain; they need your help.” As soon as the next ship hit the dock in Valencia, longshore leaders went up the gangway, they talked to the captain and they said, “this ship is not going to get unloaded. None of your ships are going to get unloaded until you sign a contract with the longshore union in Charleston.” And that was done within 48 hours. That's the power of the working class. [applause] That's

how solidarity works.

I think most of you know of Mumia Abu-Jamal, a political prisoner, an innocent man framed by the U.S. justice system for the killing of a police officer. In 1999, there was going to be a big demonstration for him in San Francisco. Our local put forward a motion at the caucus once again that we take action to defend Mumia Abu-Jamal and call for his freedom. And that call resonated very strongly in my local in San Francisco and Oakland because the majority of our local is African-American. We took it to the caucus, and the caucus backed the action. On April 24th, 1999, all the ports on the West Coast were shut down to demand freedom for Mumia Abu-Jamal. [applause]

Now that was the first time that we used the tactic of having a stop-work meeting for an action. Contractually, we have the right to have a stop-work meeting one shift a month, but up to that point there had never been a situation where every port on the West Coast stopped work at the same time for a political cause—an important cause: to free Mumia Abu-Jamal! And so that was an important step forward as well because it gave some encouragement to workers once again that we do have power that we can exert and use it in creative ways. This was one of those creative ways.

We led the march in San Francisco of 25,000 people and demanded freedom for Mumia Abu-Jamal. There's no question that the official leadership of that march organized under the banner of calling for a new trial. Our slogan, which we chanted, was: "An Injury to One is an Injury to All—Free Mumia Abu-Jamal!" [applause] Whether you had differences or not with the leadership of that march, it was important for every leftist to be out there marching under their own banner.

A couple of years after that, as Bryan pointed out, we had a contract struggle. Now the significance of the 2002 contract struggle was that it took place six months after "9/11," and so fear was pervasive within the trade-union movement. The employers capitalized on that and they lobbied the White House for action against the union. And so Donald Rumsfeld, who was then secretary of defense, and Tom Ridge, then homeland security czar, phoned the leadership of the ILWU, and said that if you have any actions on the docks during your contract negotiations (and they knew we have always done that), if you have any actions that disrupt the flow of cargo, we will consider that a national security risk and we will occupy the docks with federal troops.

That was in the wake of "9/11." But we fought back. We were locked out by the employers. Now mind you, the federal government threatened the union that if we slowed down, or had any kind of job action, they were going to send in the troops. But the employers' association locked us out of every port on the West Coast and nothing happened with that! For ten days every port on the West Coast was shut down and that was followed immediately by the government invoking Taft-Hartley [a draconian anti-labor law] against us—largely because of Democrat Dianne Feinstein's lobbying of the Bush administration.

The war on Iraq began just a few months after the contract was signed and there were demonstrations on the docks in Oakland. I was Local 10's business agent at the time and our members honored the picket line. We stood on the side as the picketers were demonstrating.

The police came in with riot gear, which reminded me of what happened in Charleston. But in this case they were loaded for bear and they had the green light because of "9/11." In fact, the head of the California Anti-Terrorism Information Center said that anybody who demonstrates against the "war on terror" could be considered a terrorist. So we were "terrorists" out there on the docks! They shot "non-lethal" weapons at the demonstrators. Scores were injured. They also aimed at longshoremen who were standing on the side, and a number of our brothers were injured seriously—five were taken to the hospital. I was trying to defend our brothers as the business agent and was pulled out of my car and pummeled by five cops. The UN Human Rights Commission deemed that episode the most violent police attack that had taken place since the start of the war.

That's why when you see this video [on the May Day strike]—this came five years after the start of the war in Iraq—it was a sort of sweet justice for us. We got revenge; every port on the West Coast, from the Canadian border to the Mexican border, was shut down. *Every port!* And that sent the message to the employers that we do have the power. It also sent a message to the rest of the trade-union movement that workers have power to change things.

Now there were problems with the action itself. I should step back one second and say that there was a "Stop the War" labor conference in October of 2007 that was sponsored by Local 10. The main motion that came out of that conference at our union was for the delegates who came from other unions nationally and internationally to go back and raise a call for actions at the point of production wherever they worked. That was the basis for us passing the motion to shut down all the ports on May Day. Now, was it flawed? Yeah. But was it something that advanced the class struggle in the United States and internationally? Definitely. In the United States we had never had a workers' strike against a war before. It hadn't happened. While we called on workers around the world to strike with us on May Day, it only actually occurred in one country, and that was in Iraq. The dockworkers in Iraq struck in the face of military occupation! They risked a lot—I mean they were putting their lives on the line, literally, in striking against the war and the occupation.

So we went out and it would have been wonderful had other workers joined in with us, but it didn't happen. We turned over every stone to get the port truckers to join with us. We had conference calls weekly with the port truckers. Most of them, many of them, are immigrant workers. And we had conference calls with port truckers from Boston, New York, Houston, Savannah, Charleston, LA—all over the country. And they promised—now these are unorganized workers, they're not in unions—that if we went out (because it wasn't certain that every longshore local, every port was going to be shut down), they would go out with us.

The reality is that they didn't come out with us. They're not organized and it's very difficult to carry out any kind of a strike action if you're not organized. That was unfortunate because, had that happened, it would have been the first ever nationwide port strike in the U.S., and it's something we've got to work on. I think that it is possible, particularly given the opportunities now where workers are saying, "what's happening to the economy?" Homes are being foreclosed, people being thrown out of work,

inflation is skyrocketing. The conditions are ripe for class-struggle politics in the trade unions. They're ripe for workers to take actions and the question of what kind of system do we want to live under is being posed now in a way that it has not been for decades.

One thing that is of interest about the debate at our caucus that resulted in the action is that it was not the first time it had taken place. Delegates from Local 10, the San Francisco local, had raised this sort of resolution since the beginning of the war. We got a motion opposing the war passed at the convention in May 2003, but in the dockers' section, the longshore section of the union, we'd proposed actually having actions in opposition to the war and had been defeated every time. Every time that we raised it, it was defeated. But we tried again, and this time it passed. The situation had changed. The dynamics were different because workers had illusions that the Democrats, who had just gained control of Congress in 2006, were going to end the war somehow. Yet Nancy Pelosi and the rest of the Democrats continued to fund the war. That was part of what the resolution said—that we have to take the struggle to a higher level; that the war is a bipartisan war. Both big business parties are supporting it and yet we have the power to bring it to an end if we on the docks, along with the rest of the working class, exert the power that we have.

So what happened was the resolution was introduced and at first it was all sort of pro forma. Two fairly militant guys from the San Francisco local got up and they supported the motion. Then a few members of the largest local on the West Coast, Los Angeles, opposed that resolution on the basis that we're in very difficult negotiations with the employer and now is not the time to take that kind of action. But then something very interesting, and rather unusual, happened—a real surprise to everyone: one of the more conservative guys, who happened to have been a Vietnam vet from the port of Seattle, stood up and he said, "You know, this resolution speaks to the truth. We've been pounding the pavement for the Democrats to get elected and the war is continuing. We have the power to end the war. Let's do what this resolution calls for, let's shut down the whole West Coast."

That started a whole dynamic of one speaker after another getting up and saying, "Yeah, we've got the power. Let's shut it down." It became clear after about a half an hour that this sentiment was going to prevail and it scared the hell out of the trade-union bureaucrats, who tried to undermine it from the very beginning. As you saw in the video, the original resolution was for a 24-hour shutdown of the whole West Coast. The leadership of the union asked if the makers of the resolution would be willing to amend it to 8 hours, and that was done. It was amended to 8 hours with a stop-work meeting. So it was contractual. It would have been legal, as it was in 1999 when we shut down all the ports with a stop-work meeting for Mumia Abu-Jamal.

But the employers wouldn't agree to it. They said no, and when you change the date of your union meeting you have to have agreement from the employers, and they didn't agree. So we were faced with a predicament: we had industry arbitrators rule twice against us, and the employers went to the NLRB [National Labor Relations Board], went to the federal government, and got secondary boycott charges against us through the Taft-Hartley Act. *Taft-Hartley!* This



October 2008: IBT at anti-war demonstration, Toronto

was something that I don't think we had really anticipated. But we stood firm even with the threat of Taft-Hartley being used against us, because it was evident that if we broke ranks—if we showed any kind of disunity—there would be no negotiations at the table. The employers would simply impose their conditions. It wasn't clear up until the very last hour whether all the ports were going to shut down, but it did happen: every port shut down. We all stood in solidarity together and sent a message to the powers-that-be in the U.S., not only the White House and the government in Washington, but also to the employers, that we want an end to the war in Iraq and Afghanistan and to withdraw the troops immediately.

The union bureaucrats limited it to 8 hours, but their backs were to the wall—they had to make sure that every port shut down; otherwise there would have been no negotiations. But what they also did was undermine the intent of the resolution. There was nothing in the resolution that said, "we support our troops," and all the social patriotism that came along with that. It basically said get them the hell out the Middle East: Iran, Iraq and Afghanistan. And then there was quite a bit of to-do about how we have to support the Democrats and Barack Obama, whose program is the same as Bush's, really—to gradually withdraw the troops from Iraq and send them over to Afghanistan. So the bureaucrats played their role, but militants in the union did what we had to do.

We were shutting down all the ports on the West Coast, and we had to get out and tell the public what this strike was about. The word from the international was: "No actions, don't do any actions; no rallies, marches or anything like that." And we in the rank and file insurrected. In San Francisco, Portland and Seattle, ILWU members participated in demonstrations against the war on that day. The international officers were nowhere to be seen, as they haven't been since the beginning of the war, despite the 2003 resolution that was passed in opposition to the war and for the immediate withdrawal of troops. They had not spoken at one anti-war rally. So they were consistent.

One of the significant things about this strike was that it was the first time since the 1978 miners' strike where workers actually defied the government, defied the employers and stayed out, because we knew that they were coming after us with secondary boycott provisions of Taft-Hartley.

But we held tight, we held strong and we let the employers know that unless all charges were dropped against the union there would be no contract. And so we organized the first strike ever held in the United States against a war.

The stunning thing about the whole debate in the union was the fact that it was not the usual radical militants who carried the day; it was regular working-class guys, many of whom had been to Vietnam, who had seen what an imperialist war is like, and they said, "We've been lied to. People are dying over there for nothing." In their own words, they said, "We gotta get the troops out of there." And that's what I think carried the day.

Now I don't know if most of you know the Marxist historian Isaac Deutscher, but he made one really important observation about the power of the working class when he came to the U.S. in the 1960s and spoke at an anti-Vietnam War rally. He said that he would trade all of the demonstrations against the war for one solid dockworkers' strike. He knew that under capitalism, workers' action has the power to really change things. And I think that was the lesson of this May Day action—that we have the power to change things.

I think times are ripe for developing class-struggle caucuses within the trade-union movement and for raising

militant demands as we did around the war. This is something that is not pie-in-the-sky. The transit workers' union in New York sent a delegate or two to come to our conference in October 2007. They raised demands in their union. Their union is very similar to the longshore union on the West Coast in some ways: it's predominantly a minority union, an African-American and Latino union, and it's in a part of the country where popular sentiment is against the war.

I believe that if there were class-struggle caucuses within unions around the country like the New York transit workers, that we could begin to change what the trade-union movement looks like today. We could fight for a new leadership, a class-struggle leadership—a leadership that's willing to fight for a workers' party, not to continue that same old game of Tweedledee and Tweedledum, the Republicans or the Democrats. I think some of you were around during the Vietnam War and know that the protests in 1968 weren't at the Republican National Convention—they were at the Democratic Convention. They were the ones in power. They were the ones that led the imperialist slaughter in Vietnam. We don't forget that. So I think the time is right to build class-struggle caucuses in the unions and hopefully we can have more actions like we did on May Day. Thank you very much. ■

Workers' Consciousness & Bosses' Laws

The following remarks were made by Howard Keylor, a longtime ILWU militant and International Bolshevik Tendency supporter, during the discussion period following Jack Heyman's presentation.

The Trotskyist League [Canadian affiliate of the Spartacist League/U.S.] has tended to denigrate the motivation of the longshoremen who carried out that one-day strike against the war because it wasn't perfectly anti-imperialist. Let me tell you something: no it wasn't perfectly anti-imperialist. We'll only get to that point probably shortly before the revolution. But it was profoundly against what the government has been doing...They're angry about what the government has been doing to the country, to the society, to their future, to the ecology, to everything. There was a profound anger that rose up from the rank and file and expressed itself with the approval of this resolution and its implementation.

The second point I want to make is that we have to re-emphasize that the strike was *illegal*. It was "illegal" under Taft-Hartley. The Taft-Hartley law is this draconic law [passed in 1947] that makes almost anything workers do to defend themselves, or other workers, "illegal." And it has prevailed now for lo these many, many decades. This was a case in which the workers actually defied the law and got away with it. Now that's a profound *victory*. [applause]

That in itself perhaps was even more important than the strike. You can carry out actions that are "illegal" [against things] that strangle the union and workers, and *get away with it* if you're strong enough, and tough enough, and have enough support. This whole question of carrying out actions that are "illegal" under Taft-

Hartley has a history in longshore. For a long period of time it didn't happen.

I spent some 15 years in longshore pedagogically telling workers you can do this, you *must* do it and actually it can happen. Jack actually wasn't on the waterfront when the first case happened, I think in about 1983 when the employers tried to use non-longshoremen to load a ship in Richmond [in the San Francisco Bay Area]. In violation of the contract and the law, the longshoremen, clerks, etc. shut down the entire Bay Area [waterfront]. It took 1,200 workers there to lock the gate and stop the operation. Strictly "illegal." The arbitrators ruled against us, the union leadership—top leadership—immediately joined the employers...but we got away with it. [See "Bay Area ILWU Strike: Defensive Victory or Sellout?," *Bulletin of the External Tendency of the iSt*, No. 1, August 1983.]

The 1984 longshore boycott—11 days for South African cargo. It was "illegal" and we got away with it. And incidentally, that boycott was actually ended with the issuance of a temporary restraining order by a federal court in which Exhibit No. 1, with which the employers justified their [legal] action, was a leaflet issued by your [Spartacist League] supporter in the union telling exactly what went on at a private, closed union meeting. You blew the whistle, you gave information to the government—don't ever deny that.

Anyway, the whole question is that workers build self-confidence by winning. There is a different climate. Even though the longshoremen have now accepted what I consider a bad six-year contract, there is a different consciousness now: "We did something that no one else did and we got away with it! How about next year!" ■

Polemic with the Internationalist Group Workers' Sanctions & the Fourth International

Some important groundwork for the International Longshore and Warehouse Union's May Day 2008 anti-war strike was laid seven months earlier at an October 2007 "Labor Conference to Stop the War," held in the San Francisco dockers' union hall. During one session, a brief political exchange took place between representatives of the International Bolshevik Tendency (IBT) and the Internationalist Group (IG). Bill Logan, speaking for the IBT, informed conference participants that, "In the 1930s the Australian maritime unions defied the government to stop the export of pig iron to feed Japan's imperial expansion into China," an initiative he characterized as an example of "workers' political action against imperialist war." Jan Norden, a leading member of the IG, sharply disagreed, as the *Internationalist* subsequently reported:

"And what he [Norden] said was that what Logan had hailed as an example of workers action against war actually fed into the imperialist embargo of raw materials to Japan that paved the way to World War II. He [Norden] underlined that workers action by itself is not enough, it has to be based on a program of defeating imperialism. In other words, we fought the IBT politically, in the framework of a conference to discuss workers action against the imperialist war...."

—*"The Strange Case of Bill Logan," Internationalist, No. 27, May 2008*

We replied to the IG's criticism in a letter dated 23 July 2008:

"We suspect that you may not be sufficiently familiar with what actually occurred on the docks in Port Kembla, and that upon further investigation you may modify your view. It is clear that the leaders of the Australian dockers' 1938 action were Stalinists with a mélange of popular-frontist, Soviet-defensist and social-patriotic notions. At the same time, the Australian wharves who boycotted the cargo were primarily motivated by opposition to Japanese imperialism's brutal, and unpopular, assault on China—a struggle in which revolutionaries had a side.

"Disrupting the supply of pig iron and other critical inputs for Japan's armaments industry limited the capacity of the Imperial Army to pursue its savage colonial war. A corollary of a revolutionary defeatist attitude to Japan's attempt to conquer China was support for workers' actions that impeded the Japanese war machine. Today, for the same reason, we support labor action against the imperialist occupation of Iraq and Afghanistan. In neither case would we withhold support for such actions because inter-imperialist conflicts loomed on the horizon.

"In response to calls from various reformists for the 'democratic' imperialists to implement League of Nations sanctions to counter Mussolini's invasion of Abyssinia, Trotsky advocated workers' sanctions:

"The truth is that if the workers begin their own sanctions against Italy, their action inevitably strikes at their own capitalists, and the League would be compelled to drop all

sanctions. It proposes them now just because the workers' voices are muted in every country. Workers' action can begin only by absolute opposition to the national bourgeoisie and its international combinations. Support of the League and support of workers' actions are fire and water; they cannot be united.'

—*"Once Again the ILP," November 1935*

"Trotsky's analysis was borne out in Australia, where the imperialist rulers treated the waterfront workers' boycott as a direct challenge to their authority. The company involved was BHP (Broken Hill Propriety—at that time probably Australia's biggest corporation, and now, as BHP Billiton, the world's largest primary resources conglomerate). The conservative government of the day backed BHP to the hilt in its attempts to crush the dockers' action with legal sanctions and a lockout. The boycott received mass working-class support, which was particularly strong in Wollongong, a traditional center of trade-union militancy. (For a summary of these events, see http://www.mua.org.au/journal/julaug_2005/Pigiron.html.)

"During the Spanish Civil War, Trotsky addressed the issue of conflicts where rival imperialist powers were supporting different sides:

"It can be objected that the two imperialist camps (Italy and Germany on one side, and England, France, and the USSR on the other) conduct their struggle on the Iberian Peninsula and that the war in Spain is only an 'episode' of this struggle.

"In the sense of a historical possibility, it is true. But it is impermissible to identify a historical possibility with the actual, concrete course of the civil war today. The intervention of the imperialist countries has indisputably great influence upon the development of the events in Spain. But until today it has not changed the fundamental character of these events as a struggle between the camp of the Spanish bourgeois democracy and the camp of Spanish fascism.'

—*'Answer to questions on the Spanish situation (A concise summary),' 14 September 1937*

"When various ultra-lefts criticized the Fourth International for this position, Trotsky replied:

"Certain professional ultraleft phrasemongers are attempting at all cost to 'correct' the thesis of the Secretariat of the Fourth International on war in accordance with their own ossified prejudices. They especially attack that part of the thesis which states that in all imperialist countries the revolutionary party, while remaining in irreconcilable opposition to its own government in time of war, should nevertheless mold its practical politics in each country to the internal situation and to the international groupings, sharply differentiating a workers' state from a bourgeois state, a colonial country from an imperialist country.'

—*'Learn to Think,' 22 May 1938*

"We think that in 1938, it was correct for revolutionaries to support the Australian wharves' action, despite the mixed motivations of its participants and initiators, because, at that point, the 'fundamental character' of the conflict between

semi-colonial China and imperialist Japan had not changed."

After sending our letter, we recalled that one of the documents adopted at the September 1938 founding of the Fourth International had explicitly called for "workers' sanctions against Japan":

"The perspectives outlined above obligate the workers in all countries, and especially the revolutionary vanguard, to support China's struggle against Japan by all possible means.... Revolutionary support for China's struggle does not, however, mean that revolutionists must furnish cover for the bankrupt Kuomintang regime and the Chinese bourgeoisie. Nor does it mean calling upon the 'democratic' imperialist governments to intervene against Japan and save China, or support of these

governments if and when they do intervene against Japan. This is the line of the Stalinist traitors....The international revolutionary campaign for aid to China must proceed under the banner of workers' sanctions against Japan and find its full expression in the promotion of the class struggle and the proletarian revolution."

—*"The War in the Far East and the Revolutionary Perspectives"* (emphasis added)

A few months later, the dockers in Port Kembla implemented exactly the sort of "workers' sanctions against Japan" advocated by Trotsky's Fourth International. We hope that this gives the comrades of the IG sufficient reason to reconsider their position on this issue. ■

From San Francisco to Durban Labor Action Against Racism & Apartheid

The following op-ed piece by Jack Heyman appeared in the San Francisco Chronicle on 11 February, three days before ILWU Local 10 sponsored a "Racism, Repression and Rebellion" rally. Angela Davis, Martina Correia (Troy Davis' sister) and Robert Bryan (Mumia Abu-Jamal's lead attorney) were among the speakers at the event. In his remarks at the demonstration, Heyman pointed to the action by South African dockworkers in Durban, who boycotted Israeli cargo to protest Zionist terror in Gaza, as an important example for the entire labor movement. Inspired by the anti-apartheid action carried out by militants in Local 10 almost a quarter of a century earlier, the Durban boycott is both a model for future international labor solidarity initiatives in defense of the oppressed Palestinian people and an illustration of how an exemplary, class-conscious labor action can resonate long after it is over.

Some say this country has entered a post-racial period with the election of the first African American president. Yet, the New Year's Day killing of Oscar Grant III by BART [Bay Area Rapid Transit] police was protested in Oakland by thousands who saw the shooting as racially motivated.

And this month, in Woodland (Yolo County), two black longshoremen, who were assaulted by police in 2007, will be going to trial. The longshoremen say that West Sacramento police, overzealously enforcing port security, attacked them. West Coast longshoremen are mobilizing to protest the arrest.

Just last week, dockworkers in Durban, South Africa protested what they called "apartheid Israel's massacres in Gaza" of Palestinians, refusing to offload the Israeli ship *Johanna Russ* and calling on dockworkers around the world to follow their act of solidarity. The South African dockworkers credited the San Francisco longshoremen's 1984 action against apartheid as their inspiration.

The San Francisco longshore union, Local 10, has a proud record of fighting racial injustice going back to the 1934 General Strike, organized in the wake of police killing two strikers. During that strike, the union integrated blacks into the local—decades before the Civil Rights Act. The strategy broke racial barriers, united maritime workers and helped to win the labor dispute.

The International Longshore and Warehouse Union has

defended African Americans against racial discrimination beginning with Paul Robeson, the black American cultural icon known for his baritone voice and civil rights activities. Robeson was mercilessly pursued by the FBI and the CIA for his leftist views.

In 1971, the ILWU defended Angela Davis, then a Black Panther and target of an FBI investigation into the killing of a Marin County judge. She was later arrested, imprisoned, tried and found not guilty by an all-white jury. She is now a UC [University of California] Santa Cruz professor and frequent speaker against racist repression and the prison-industrial complex.

The death penalty, rooted in the legacy of slavery, shamefully remains an American institution. Ten years ago, the ILWU shut down West Coast ports to demand freedom for death-row prisoner Mumia Abu-Jamal, also a former Black Panther, who the union members believe was framed for killing a Philadelphia police officer.

In Georgia, Troy Anthony Davis faces execution for killing an off-duty policeman, although seven of the nine prosecution witnesses recanted, citing police coercion. Those calling for a new trial for Davis include former President Jimmy Carter, Archbishop Desmond Tutu, Amnesty International, the European Parliament, the Pope and even former FBI director William S. Sessions. Yet the Anti-Terrorism and Effective Death Penalty Act, passed during the Clinton administration, makes it nearly impossible for him to get a new trial.

Last October, Local 10 President Melvin Mackay and 600,000 others sent letters to the Georgia State Board of Pardons and Paroles that temporarily stayed the execution of Davis. In the '70s and '80s, longshore unions in Southern ports effectively demonstrated in support of busing for integration and against South African apartheid. If they used that power today, they could save the life of an innocent black man.

Unions can turn the tide against racism and in favor of social justice.

It's going to take the might of the integrated union movement, linked to the struggle of blacks and immigrant workers, to turn the tide now. ■

Decline...

continued from page 2

power, but the semi-automatic (if grudging) fealty of other "advanced capitalist" states can no longer be presumed. Confidence in the dollar as the world's reserve currency is eroding as major purchasers of Treasury Bills and other U.S. government debt (China, Japan, Russia, Saudi Arabia and various Persian Gulf sheikdoms) worry that one day Washington might opt to inflate its way out of debt, thereby, effectively defaulting.

Willem Buiter, a former leading economist at the Bank of England, is among those predicting a massive flight from the dollar:

"The past eight years of imperial overstretch, hubris and domestic and international abuse of power on the part of the Bush administration has left the US materially weakened financially, economically, politically and morally," he said. "Even the most hard-nosed, Guantanamo Bay-indifferent potential foreign investor in the US must recognise that its financial system has collapsed."

"He said investors would, rightly, suspect that the US would have to generate major inflation to whittle away its debt and this dollar collapse means that the US has less leeway for major spending plans than politicians realise."

—*Telegraph* [London], 6 January

Declining confidence in the dollar as the medium of international financial transactions has increased interest in the euro as an alternative, but instability resulting from the rivalries and tensions among the European Union's (EU) major players (France, Germany and Britain) has thus far inhibited movement in this direction. A growing chorus of European moneymen is calling for an overhaul of the international "financial architecture" that has afforded American capitalism its privileged position for so long. One proposal being floated is for the creation of a transnational monetary authority to regulate international financial institutions and their transactions. This is a role that, until recently, Wall Street had arrogated to itself:

"Just six months ago, five or six 'bulge bracket' investment banks stood astride the globe virtually dictating the terms of engagement of international finance—managing deals, pronouncing companies (or countries) investment-worthy or not, and dispensing advice that companies (and countries) ignored at their peril.

"Now those brash American institutions have been swept away or tamed. And as the global financial order convulses, some Japanese leaders say they believe their country should take a more active role in economic leadership."

—*New York Times*, 21 October 2008

While Japanese bankers look for opportunities in the American financial collapse, some of Japan's leading industrialists see potential advantages in upgrading productive capacity as their international competitors retrench:

"We need to take a longer-term view," said Nobuyuki Sugano, an executive at Sharp. "If other companies slow down spending, we can stay ahead."

"While it is too early for numbers to be available, many economists and industry analysts say Japanese companies have so far maintained higher levels of investments in



February 2009—Headache on New York Stock Exchange

production, research and development than companies in other countries."

—*New York Times*, 12 December 2008

Germany's rulers, proprietors of the world's third-largest imperialist economy, are acutely aware that the era of unquestioned American hegemony is over:

"The banking crisis is upending American dominance of the financial markets and world politics. The industrialized countries are sliding into recession, the era of turbo-capitalism is coming to an end and US military might is ebbing....

"This is no longer the muscular and arrogant United States the world knows, the superpower that sets the rules for everyone else and that considers its way of thinking and doing business to be the only road to success.

"A new America is on display, a country that no longer trusts its old values and its elites even less: the politicians, who failed to see the problems on the horizon, and the economic leaders, who tried to sell a fictitious world of prosperity to Americans...."

—*"America Loses Its Dominant Economic Role," Spiegel Online*, 30 September 2008

Germany, as the economic powerhouse of the EU, expects its influence to rise as American power ebbs.

The U.S. has pinned its hopes on maintaining permanent military supremacy:

"The United States will work to ensure that all major and emerging powers are integrated as constructive actors and stakeholders into the international system. It will also seek to ensure that no foreign power can dictate the terms of regional or global security. It will attempt to dissuade any military competitor from developing disruptive or other capabilities that could enable regional hegemony or hostile action against the United States or other friendly countries, and it will seek to deter aggression or coercion. Should deterrence fail, the United States would deny a hostile power its strategic and operational objectives."

—U.S. Department of Defense, *Quadrennial Defense Review Report*, February 2006



AFP—GETTY IMAGES

Iranian President Mahmoud Ahmadinejad and Iraqi President Jalal Talabani with Iran's supreme leader, Ayatollah Ali Khamenei, in Tehran, 28 February

In a recent document, the U.S. National Intelligence Council anticipates that by 2025: "Although the United States is likely to remain the single most powerful actor, the United States' relative strength—even in the military realm—will decline and US leverage will become more constrained" (*Global Trends 2025: A Transformed World*, November 2008). Whereas in its 2004 report U.S. pre-eminence was taken as a given and globalization deemed "largely irreversible," by 2008 the Council was advising America's rulers to prepare for life in a "multipolar" world and expressing concern that "descending into a world of resource nationalism increases the risk of great power confrontations." While reassuring their readers that "leadership matters, no trends are immutable, and that timely and well-informed intervention can decrease the likelihood and severity of negative developments," the authors of the report warn:

"Historically, emerging multipolar systems have been more unstable than bipolar or unipolar ones. Despite the recent financial volatility—which could end up accelerating many ongoing trends—we do not believe that we are headed toward a complete breakdown of the international system, as occurred in 1914-1918 when an earlier phase of globalization came to a halt. However, the next 20 years of transition to a new system are fraught with risks. Strategic rivalries are most likely to revolve around trade, investments, and technological innovation and acquisition, but we cannot rule out a 19th century-like scenario of arms races, territorial expansion, and military rivalries."

At this point no conceivable combination of powers can match the U.S. military, but as American economic/technological superiority erodes, Washington will also lose the

ability to "dictate the terms of regional or global security." The economic, military and political alignments at the apex of global capitalism will be reconfigured as the leading imperialist powers jockey for advantage.

France and Germany have periodically toyed with the idea of creating a European military alliance capable of operating independently of NATO, the U.S.-dominated axis of imperialist power created to contain and "roll back" the Soviet degenerated workers' state. In 2003, when frictions with the U.S. over Iraq were at their height, Paris and Berlin renewed discussion of an autonomous European military center. Washington immediately objected: "The Americans clearly regard the idea of the independent headquarters as one that would lay a legitimized, physical groundwork for a widening split in the alliance" (*International Herald Tribune*, 27 October 2003).

In December 2008, when half a dozen warships from different European countries participated in "Operation Atalanta," a joint naval expedition ostensibly aimed at Somali pirates, the website of *Foreign Policy* commented:

"Generally speaking, France has consistently pursued a more assertive military role for the EU, while Britain has tried to limit EU-sponsored military cooperation. France sees an independent European military capability as an alternative to NATO, and thus a counterweight to U.S. influence. The British place a strong value on their relationship with the United States, and consequently prefer NATO."

Britain's value as an enthusiastic junior partner in Washington's military adventures in Iraq and Afghanistan was enhanced by its status as an integral component of the EU. But British capitalism has suffered an economic collapse that closely parallels that of its American mentor. With a manufacturing base significantly eroded after three

decades of Thatcherism/Blairism, and a hypertrophied financial sector that made London “the hedge fund capital of the world” (*Spiegel Online*, 23 February), Britain has fallen from post-industrial economic miracle to “sick man of Europe” in little more than a year.

Iraq & Iran: U.S. Policy Failures

The deteriorating position of the U.S. has introduced an element of uncertainty into the calculations of both allies and opponents. Washington’s “shock and awe” conquest of Iraq was supposed to give the Pentagon “full spectrum dominance” throughout the Middle East, with a chain of powerful military bases capable of guaranteeing the security of “low-intensity democratic” client regimes modeled on the new American oil colony headquartered in Baghdad. Not only would American companies get the lion’s share of Persian Gulf oil profits, but U.S. leverage over its chief rivals would vastly increase, as the EU gets 45 percent of its oil from the Middle East while Japan depends on it for a whopping 90 percent.

The unanticipated effectiveness of Iraqi resistance to the U.S.-led occupation turned the entire calculation upside down. In any military conflict between imperialist invaders and indigenous forces, revolutionaries side with the latter, however unsavory they may be. While giving absolutely no political support to the reactionary mélange of Baathists and Islamic fundamentalists that forms the core of the Iraqi resistance, Marxists favor their military victory in any confrontation with imperialist forces.

After six years of occupation, the U.S. has not secured any significant material, political or military gains. Instead of a “slam dunk,” the struggle for Iraq has turned into an expensive disaster that has drained the mighty American army, killed over 4,000 U.S. soldiers and maimed tens of thousands more. The total financial cost to the U.S. of this criminal enterprise is expected to ultimately top \$3 trillion, a figure that does not include “intangibles” like the rise of anti-American attitudes around the globe, or the resurgence of domestic opposition to future military adventures. Of course the chief costs have been borne by the Iraqis, over a million of whom have perished as a result of the U.S.-led invasion and occupation, while millions more have been maimed or forced to flee their homes.

The U.S.-Iraqi Status of Forces Agreement (SOFA) negotiated by Prime Minister Nuri al-Maliki and approved by the Shiite-dominated Iraqi parliament in November 2008 signified, according to Juan Cole, a leading American academic on Iraq, that U.S. “hopes for long-term bases have been dashed.” Cole observed:

“Perhaps never before in history has an invader that won a crushing military victory, and that continued to occupy its prize, voluntarily accepted such humiliating terms from the vanquished. It is difficult to discern how Bush’s agreement differs from the ‘surrender’ Democrats were accused of advocating when they put forward a similar timetable for complete withdrawal.”

—*The Nation*, 12 January

Iran’s theocratic rulers are the most obvious beneficiaries of U.S. failure in Iraq. The overthrow of the Iraqi Baathists removed their most important regional rival and replaced it with a Shiite-dominated government which, ignoring the wishes of its imperial mentors, actively culti-

vated relations with Tehran. This has greatly complicated U.S. plans for “regime change” in Iran.

The spectacular success of Hezbollah’s Iranian-trained fighters, spearheaded by anti-tank units armed with modern Russian weapons, in turning back Israel’s 2006 invasion of Lebanon had a major impact in the region. Hezbollah was able to consolidate its control of southern Lebanon, thereby effectively negating the 2005 U.S.-engineered “Cedar Revolution” that had forced Iran’s Syrian ally to withdraw its troops. Hamas, which is also supported by Iran, was unable to effectively counter the murderous terror attack Israel launched on Gaza last December that killed hundreds of defenseless civilians, including many children. Yet the Israeli juggernaut failed to break Hamas, and in fact enhanced its reputation among Palestinians as the only organization prepared to resist the Zionist apartheid regime. In the 1970s, Israel had covertly supported Hamas as a conservative counterweight to the secular left-nationalist Palestine Liberation Organization (PLO), which today is reviled by most Palestinians as a corrupt and impotent client of the Zionist oppressors.

By supporting Hezbollah and Hamas, and by its defiant response to U.S. and Israeli threats, Tehran has emerged as the leader of “anti-imperialist” resistance in the Muslim world, a development that the Saudi, Egyptian and other pro-American Arab regimes in the region find alarming. Iran’s growing influence extends beyond the Middle East into South-Central Asia:

“It is a key prize (as in the case also of Afghanistan) in the New Great Game for control of all of South-Central Asia, including the Caspian Sea Basin with its enormous fossil fuel reserves. U.S. strategic planners are obsessed with fears of an Asian energy-security grid, in which Russia, China, Iran, and the Central Asian countries (possibly also including Japan) would come together economically and in an energy accord to break the U.S. and Western stranglehold on the world oil and gas market—creating the basis for a general shift of world power to the East.”

—*Monthly Review*, June 2006

Tehran’s plan to open its public sector to foreign investors, initially praised by the International Monetary Fund, has created problems for the U.S., which prohibits its nationals from acquiring Iranian assets:

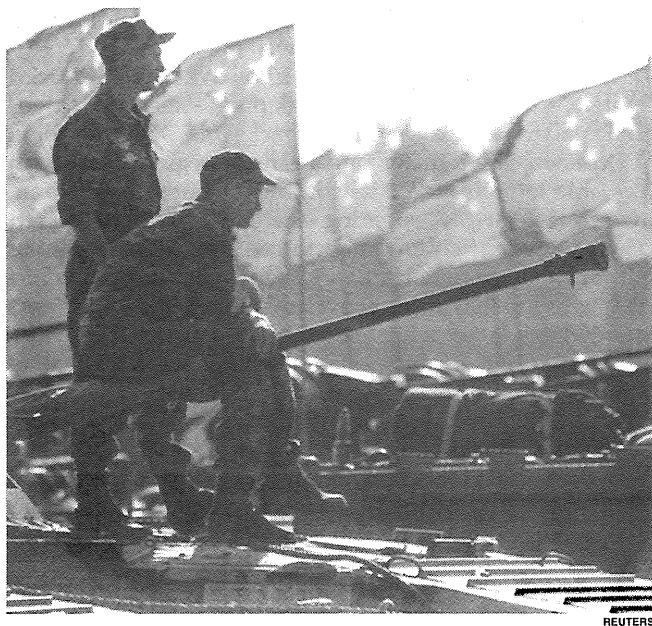
“While US companies are notoriously absent from the list of foreign direct investors, Germany, Italy and Japan have significant investment interests in oil and gas, the petrochemical industry, power generation and construction as well as in banking. Together with China and Russia, they are the main beneficiaries of the privatization program.

“One of the main objectives of the proposed economic sanctions under H. RES CON 362 [put forward in the U.S. Congress in May 2008] is to prevent foreign companies (including those from the European Union and Japan), from acquiring a greater stake in the Iranian economy under Tehran’s divestment program.”

“Tehran’s privatization program does not serve US economic and strategic interests. It tends to favor countries which have longstanding trade and investment relations with the Islamic Republic.

“It favors Chinese, Russian, European and Japanese investors at the expense of the USA.

“It undermines and weakens American hegemony. It goes



REUTERS

'Peace Mission 2007': joint Chinese/Russian exercise

against Washington's design to foster a 'unipolar' New World Order through both economic and military means."

—Michel Chossudovsky, *Israelnews.com*,
7 July 2008

In response to American pressure on European oil majors to renege on energy deals with Tehran, France's Total announced in July 2008 that it was "freezing" participation in the multi-billion dollar South Pars gas field project (*Times* [London], 11 July 2008). Russia's Gazprom stepped into the breach, and a few months later Iran's oil minister announced plans for a joint Russian-Iranian energy company (*Tehran Times*, 16 October 2008). Relations between Moscow and Tehran have been improving for some time, as Jalil Roshandel, director of the Security Studies Program at East Carolina University, has noted:

"Russia is building Iran's nuclear plant at Bushehr and is selling arms, missiles, aircraft and all sorts of technologies and military equipment to Iran. Iran is also seeking full membership in the Shanghai Cooperation Organization; this would enable it to sit at the same table with two veto holders on the UN Security Council, Russia and China, and would in fact place it in a defense pact with Russia."

—Bitterlemons-international.org, 4 September 2008

Shanghai Cooperation Organization: Struggle for Central Asia

The Shanghai Cooperation Organization (SCO) is a loose regional bloc linking the Chinese deformed workers' state with capitalist Russia that also includes Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan:

"The overall strategic aim of the alliance for Beijing and Moscow is curbing Washington's influence in Central Asia in order to establish a joint sphere of influence there. For Beijing, the most important goal is to get a lock on the considerable energy resources of the region, but it also seeks markets for its goods, outlets for investment and collaboration against Islamist movements. Moscow has leagued with Beijing in order to restore some of its influence over its

'near abroad.' The regimes of the Central Asian states want support for their survival against opposition movements, economic development assistance and increased trade and investment."

—*Power and Interest News Report*, 12 July 2005

In 2005, a U.S. request to join Turkmenistan, Mongolia, Pakistan and India as an observer at SCO meetings was turned down. The SCO took a small but significant step toward consolidating a military alliance with "Peace Mission 2007," in which some 6,000 Chinese and Russian troops carried out joint exercises along with soldiers from Uzbekistan, Tajikistan, Kazakhstan and Kyrgyzstan.

The U.S. has meanwhile been cultivating India as a regional ally, endorsing its nuclear weapons program and helping upgrade its ability to carry out long-range military operations:

"Ten years from now, India could be a real provider of security to all the ocean islands in the Indian Ocean," said Ashley Tellis, an Indian-born scholar at the Carnegie Endowment for International Peace in Washington. "It could become a provider of security in the Persian Gulf in collaboration with the U.S. I would think of the same being true with the Central Asian states."

—*International Herald Tribune*, 22 September 2008

The basis of closer U.S.-Indian cooperation seems to be shared hostility to China, which, after Pakistan, the Indian military views as its most likely potential adversary:

"Beijing has alarmed Indian commanders by courting allies in India's neighborhood. Indians are particularly upset by what they say are Chinese-built military bases in Gwadar, Pakistan; Chittagong, Bangladesh; and Yangon, Myanmar.

"There seems to be an emerging long-term competition between India and China for pre-eminence in the region," said Jacqueline Newmyer, president of the Long Term Strategy Group, a research institute in Cambridge, Massachusetts, and a security consultant to the U.S. government. "India is preparing slowly to claim its place as a pre-eminent power, and in the meantime China is working to complicate that for India."

—*Ibid.*

India recently completed "a naval base within striking distance of the Straits of Malacca," which serves as "the conduit for 80 per cent of China's imported oil" (*Telegraph* [London], 14 September 2008). While drawing closer to the U.S. in recent years, the Indian bourgeoisie has sought to maintain room for maneuver with its ties to the SCO. India is interested in gaining access to the oil and gas resources of Central Asia, and to this end recently helped construct a military airfield in Tajikistan, close to the Afghan border, to be shared with Tajik and Russian forces.

Afghanistan & Central Asian Energy

Barack Obama's promise to crush Afghanistan's insurgent Taliban movement will be difficult to keep. The rising tide of resistance to NATO occupation appears to have achieved critical mass. Afghan President Hamid Karzai, a handpicked puppet installed by the U.S. in 2001, has felt compelled to denounce his masters for the civilian casualties wantonly inflicted by the American military. Doubling or tripling the U.S. "boots on the ground" may prolong the

conflict, but it seems unlikely to allow U.S.-led occupation forces to ultimately avert defeat.

The Taliban insurgency, which is rooted in the Pashtun tribes whose traditional lands straddle the Afghan-Pakistani border, is seriously destabilizing Pakistan. In 2008, Pakistani military dictator Pervez Musharraf, Washington's chief asset in the region, was forced out of office. His successor, Pakistan People's Party leader Asif Ali Zardari, a reviled crook widely viewed as an American agent, has been unable to maintain the same level of support for NATO's Afghan war from his country's military and intelligence establishments. U.S. attempts to compensate by stepping up air and ground interventions in Pakistan have fueled popular outrage across the country and helped spread the influence of Islamist insurgents beyond the Pashtun "tribal areas." As Pakistan's economy teeters on the brink of collapse, its government has been forced to beg the imperialists for handouts to maintain access to essential imports. At the same time, military tensions have been rising with India, posing the danger of a showdown between these two nuclear-armed enemies that could result in a disaster of incalculable dimensions.

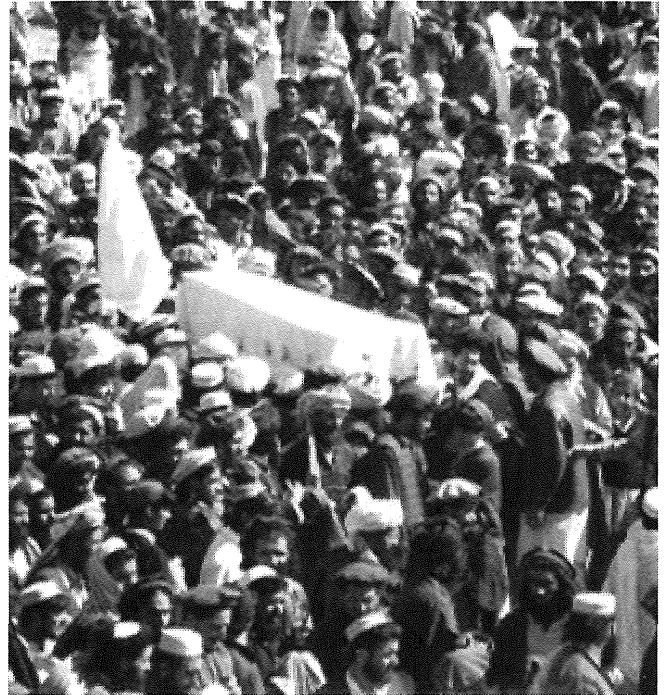
The U.S. decision to attack Afghanistan in October 2001 was sold to the American public as revenge for the destruction of the New York World Trade Center the previous month. What was not discussed by the popular media was Afghanistan's strategic value in controlling important transit routes for Central Asian oil and gas. The "Silk Road Strategy Act" introduced in the U.S. Congress in 1999 (but never actually passed) called for "the development of open market economies" and "incentives for international private investment" through the promotion of "strong political, economic, and security ties among countries of the South Caucasus and Central Asia and the West." The bill's authors were particularly concerned to "foster stability in this region, which is vulnerable to political and economic pressures from the south [i.e., Iraq and Iran], north [i.e., Russia] and east [i.e., China]" (106th Congress, "Silk Road Strategy Act of 1999").

In the aftermath of the 2001 terrorist attack on the U.S., the Russian government assented to the establishment of temporary American military bases in the former Soviet republics of Uzbekistan and Kyrgyzstan to provide logistical support for the invasion of Afghanistan. The Kremlin was not pleased that the U.S. bases remained after the Taliban was overthrown, and began a campaign to curb American influence in the region. In 2005 Uzbekistan demanded that the U.S. close its base, and Kyrgyzstan has recently followed suit. Moscow is prepared to offer limited cooperation with Washington in Afghanistan, Iran and the Middle East to the extent that their interests overlap, but openly advocates the creation of a "multipolar" world order to replace the domination of the U.S. "superpower."

Russia Resurgent

The November 2008 U.S. National Intelligence Council report anticipates heightened competition from Russia for Central Asia's energy resources:

"A more proactive and influential foreign policy seems likely, reflecting Moscow's reemergence as a major player on the world stage; an important partner for Western, Asian, and Middle East capitals; and a leading force in



Funeral procession for victims of U.S. missile attack, North Waziristan, Pakistan, 15 February

opposition to US global dominance. Controlling key energy nodes and links in the Caucasus and Central Asia—vital to its ambitions as an energy superpower—will be a driving force in reestablishing a sphere of influence in its Near Abroad."

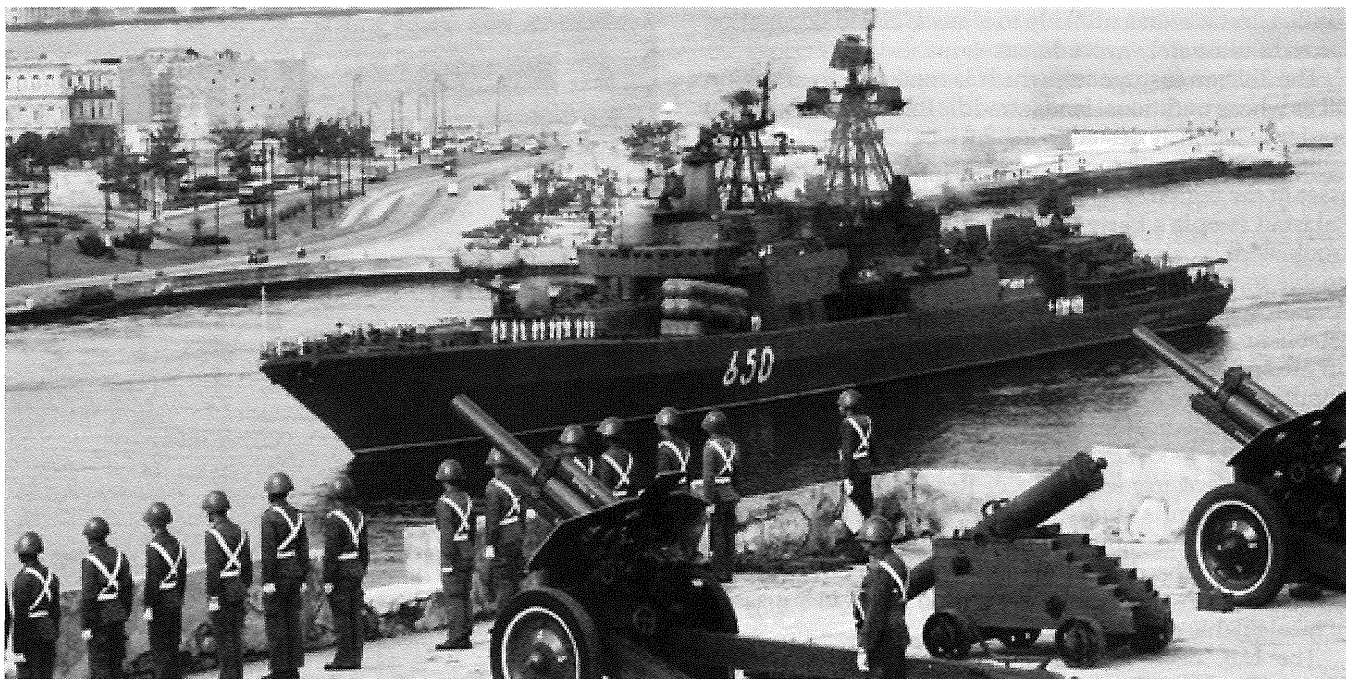
This document was released three months after the Russian military successfully squashed Georgian President Mikheil Saakashvili's bid to seize the breakaway region of South Ossetia. Saakashvili, who came to power after the 2003 CIA-backed "Rose Revolution" overthrew the insufficiently pliable Eduard Shevardnadze, is widely viewed as a U.S. asset:

"The CIA has in fact been closely involved in Georgia since the Soviet collapse. But under the Bush administration, Georgia has become a fully fledged US satellite. Georgia's forces are armed and trained by the US and Israel. It has the third-largest military contingent in Iraq—hence the US need to airlift 800 of them back to fight the Russians at the weekend."

—*Guardian*, 14 August 2008

After shattering the Georgian army and destroying whatever military equipment they could not cart off, Russian troops eventually withdrew from Georgian territory. Moscow's massive nuclear arsenal, inherited from the Soviet Union, still gives it rough strategic parity with Washington. This precluded the possibility of any U.S. military intervention to rescue its client. In snuffing Saakashvili's ill-advised power grab, Moscow signaled the U.S. and EU that it was prepared to assert itself in Russia's "near abroad."

Condemnations of Moscow's Georgian incursion from Paris and Berlin were far milder than those from Washington. In September 2008, French Prime Minister François Fillon and Russian Prime Minister Vladimir Putin announced bilateral energy, automotive and aero-



Cuban military salutes Russian anti-submarine destroyer Admiral Chabanenko, entering harbor in Havana

space deals. Brushing aside events in Georgia with the observation that "differences happen," Fillon stated: "it's very important to strengthen the partnership between the European Union and Russia, and France and Russia" (Reuters, 20 September 2008). A few months later, Germany and Russia agreed to proceed with "a long-awaited energy deal giving the German firm E.ON a stake in a Russian gas field that will supply the Nord Stream undersea pipeline the two countries intend to build" (BBC News, 2 October 2008). The *New York Times* (2 December 2008) observed:

"Just as the United States is struggling to redefine its relationship with a resurgent and at times antagonistic government in Moscow, Germany is scrambling to protect the close commercial, cultural and diplomatic ties with Russia it has forged since the end of the cold war—and, in some areas, long before."

Germany and France have shown no enthusiasm for the provocative U.S. proposal to build a "missile shield" in Poland and the Czech Republic. Ostensibly aimed at Iran, the real purpose of such a "shield" would be to negate Russian capacity to retaliate in the event of a NATO first strike.

French and German policies are closely aligned on this and many other issues, but their interests do not always coincide. This was evident in Germany's cool response to the French-initiated "Union for the Mediterranean," advertised as a way to strengthen links between Southern Europe, Northern Africa and the Middle East. In Berlin this "union" is perceived as a thinly-veiled attempt to increase France's influence in its former colonial holdings.

Among those who attended the founding of the "Union for the Mediterranean" was Syrian President Bashar al-Assad, who is eager to broaden his regime's international connections. Syria, a former French colony currently aligned with Iran, was high on the Bush administration's hit list following the 2003 invasion of Iraq. In a move that evoked squeals of protest from Israel and the U.S., Assad recently agreed to permit ships from Russia's Black Sea Fleet to use

Syria's Mediterranean ports in Tartus and Latakia.

Russia has also been active elsewhere in the Mediterranean. In 2006 the Kremlin forgave Algeria, a major supplier of natural gas to Europe and an important customer of Russia's arms makers, more than \$4.7 billion in debts that dated back to the Soviet era. When Russian energy giant Gazprom recently offered to purchase all of Libya's natural gas production, the *New York Times* (2 November 2008) sourly complained of Moscow's desire to "corner the European natural gas market."

Latin America: U.S. Grip Loosens

In August 2008, Vladimir Putin declared: "We should restore our position in Cuba and other countries" (*International Herald Tribune*, 4 August 2008). The next month two Russian bombers, "each capable of carrying 12 cruise missiles armed with single 200-kiloton nuclear warheads," flew to Venezuela for exercises (AFP, 12 October 2008). Russia's Lukoil and Gazprom recently signed multi-billion dollar deals with Venezuela's state-owned oil company, while the Bolivarian regime has ordered \$4 billion worth of Russian arms. In November 2008, during a visit to Caracas, President Dimitri Medvedev announced that Russia would help Venezuela construct its first nuclear reactor. During Medvedev's visit, ships from Russia's North Sea Fleet conducted joint exercises with Venezuela's navy. The message was clear enough:

"The Russian foray into Latin America has been viewed in many quarters as payback for what the Kremlin sees as an aggressive infringement by the United States on its sphere of influence. Moscow has been angered by American plans to deploy a missile defense system in Eastern Europe as well as by Washington's support for Kosovo's independence and for Georgia in the August war, which the Kremlin claimed that the White House helped provoke."

—*New York Times*, 22 November 2008

A rising tide of left populism in Latin America, a region the American ruling class views as its own exclusive "sphere of influence," provides an index of the weakening grip of the U.S. hegemon. Venezuelan President Hugo Chávez, who reimposed state control of much of his country's oil deposits and has managed to survive several U.S.-backed attempts to remove him, is the foremost representative of the new mood sweeping the region. Following Venezuela's example, Ecuador and Bolivia, the only other South American countries that export significant amounts of oil and gas, have also undertaken extensive renationalizations of their energy resources.

On 15 September 2008, a meeting of the Union of South American Republics (UNASUR), including representatives from Colombia and Chile, two regimes closely aligned with Washington, unanimously rebuffed U.S.-supported secessionist movements in Bolivia's oil-rich eastern departments. Seven months earlier, in February 2008, Bolivia had joined Costa Rica, Argentina, Uruguay and Venezuela in withdrawing from participation in the U.S. "School of the Americas" in Fort Benning, Georgia, where, over the years, more than 60,000 Latin American and Caribbean military cadres have been trained in counterinsurgency, torture, psychological warfare, assassination and related subjects.

In November 2008, a government commission in Ecuador declared that most of the national debt owed to the IMF, international banks and foreign bondholders was illegitimate because it had been run up by a brutal U.S.-supported military dictatorship and much of it had been used for the benefit of American transnationals. The commission also complained that interest rates had been set above prevailing norms, and that repeated restructurings had further inflated the amount owed. In light of all this, the commissioners recommended that the government simply default on almost \$4 billion in outstanding foreign-held debt.

While U.S. imperialism no longer exerts the degree of control over events in Latin America that it once did, its residual strength should not be underestimated. Washington still wields enormous influence in the region, with hundreds of billions of dollars of investments and deep connections to the military, police and business elites of virtually every country, with the exception of the Cuban deformed workers' state.

An Epoch of War and Revolution

One byproduct of the erosion of American domination is the increasing militarization of international relations, as Japan and Germany doff their "peaceful" postures and undertake serious rearmament programs. The same dynamic is evident in second- and third-string imperialist powers like Canada, Denmark and the Netherlands, whose militaries were employed chiefly as UN "peacekeepers." Today they are anxious to demonstrate their potential value as auxiliaries of the larger predators in order to earn a share of future spoils.

Marxists unconditionally oppose capitalist militarism. Our policy is derived from the heroic German internationalists Karl Liebknecht and Rosa Luxemburg, who were jailed during World War I for openly declaring their opposition to providing even a single person or a single penny for the capitalists' war machine. When inter-imperialist economic rivalries spill over into military ones, as they did in World Wars I and II, the duty of revolutionaries in

every belligerent country is to convince workers that, in Liebknecht's words, "The Main Enemy Is at Home!"

The rise in militarism, xenophobia and economic nationalism across the "developed" world has been accompanied by a multi-sided assault on working-class living standards and bourgeois-democratic rights along with terror scares, state-sponsored patriotic mania and anti-immigrant attacks. The masters of the "free world" are consciously seeking to regiment their populations with the introduction of evermore authoritarian practices. Class-conscious workers must tenaciously oppose all attacks on civil liberties, and fight within the mass organizations of the proletariat to counter austerity, wage cuts and layoffs with an aggressive struggle for decent pensions, healthcare, housing and full employment at good wages. To capitalist claims that society cannot afford such demands, Leon Trotsky advised revolutionaries to counterpose "the socialist program of expropriation, i.e., of political overthrow of the bourgeoisie and liquidation of its economic domination" (*Transitional Program*).

Some bourgeois analysts are already worrying that a protracted economic downturn may well produce massive social explosions in the heartlands of imperialism. In the 28 October 2008 *Financial Times*, Martin Wolf fretted that "the vanishing of credit, closure of vast numbers of businesses [and] soaring unemployment" could result in a "catastrophe" that could threaten "the legitimacy of the open market economy itself." Seventy-five years ago Trotsky made a similar observation:

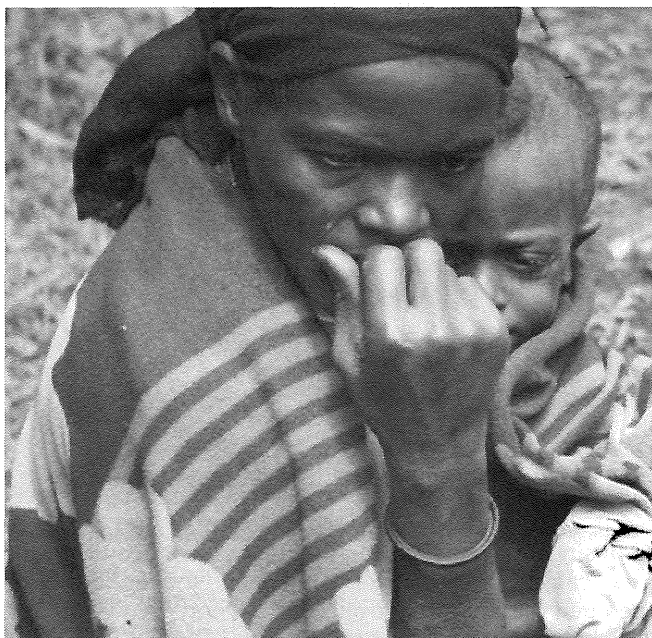
"The catastrophic commercial, industrial, agrarian and financial crisis, the break in international economic ties, the decline of the productive forces of humanity, the unbearable sharpening of class and international contradictions mark the twilight of capitalism and fully confirm the Leninist characterization of our epoch as one of *wars and revolutions*."

—"War and the Fourth International," June 1934

Capitalism has long since exhausted its historically progressive role. Faced with a global contraction, each national bourgeoisie seeks to save itself by grinding down the living standards of its own working class and by strengthening its position relative to its capitalist rivals. The current global economic crisis highlights the profoundly irrational character of a social system that condemns billions to poverty while threatening humanity with the prospect that capitalist rivalry will, sooner or later, produce a thermo-nuclear Third World War.

Only the international working class, the natural leader of all those oppressed by capitalism, has both the social power and the objective interest to free humanity from this nightmare through social revolution. But to turn the anger and alienation of the victims of imperialism into hope for the socialist future, mass revolutionary organization is required. The political mobilization of the working class and its allies for the gigantic struggle to overturn global capitalism can only be carried out by forging an international revolutionary party. Such a party must be rooted in the proletariat while aggressively championing the interests of every stratum of the oppressed and exploited. The International Bolshevik Tendency is committed to the political struggle necessary to create such an instrument. ■

Capitalist Accumulation & Neo-Colonial Pillage Imperialism & Global Inequality



Ethiopian mother and malnourished child wait for food

In *Imperialism and World Economy* (1915), Nikolai Bukharin, one of Vladimir Lenin's closest collaborators, observed that the "internationalization of economic life" (today referred to as "globalization"), which derives from the search for cheaper raw materials, cheaper labor, larger markets and more profitable investment opportunities abroad, generates two contradictory tendencies. The first, the "internationalization of capitalist interests," arises from a global division of labor and produces growing interdependence of capitalist enterprises across national frontiers. The second, counterposed tendency, the "nationalization of capitalist interests," is based on the fact that every entrepreneur depends on their own national state apparatus to guarantee conditions for profit-making at home and abroad.

In Lenin's important work, *Imperialism, the Highest Stage of Capitalism*, he observed: "If it were necessary to give the briefest definition of imperialism we should have to say that imperialism is the monopoly stage of capitalism." The "monopoly stage" of capitalism developed in a few of the more economically advanced countries where a handful of big firms, after gradually eliminating their competitors, merged with banking interests to create giant trusts. After dominating their national markets, they began to look for new markets abroad. They had the resources and connections to get preferential access to government contracts at home as well as for the construction of roads, ports, railroads and military installations required to open up investment opportunities in colonial holdings.

The tendency for accumulations of capital to become progressively larger continues to this day, as bigger fish swallow smaller ones through mergers and acquisitions

both at home and abroad. The concentration of wealth and economic clout in a few powerful nations that characterized imperialism at its birth is even more pronounced today. A recent United Nations study of the world's 100 largest transnational corporations found that:

"By origin, 85 of the companies had their headquarters in the Triad (the EU, Japan and the United States), the United States dominating the list with 21 entries. Of the top 100 firms, 72 came from five countries: the United States, France, Germany, the United Kingdom and Japan, in that order."

—UNCTAD, *World Investment Report 2008*

Lenin noted that inter-imperialist competition for resources, markets and territory shaped global politics:

"The epoch of the latest stage of capitalism shows us that certain relations between capitalist associations grow up, based on the economic division of the world; while parallel to and in connection with it, certain relations grow up between political alliances, between states, on the basis of the territorial division of the world, of the struggle for colonies, of the 'struggle for spheres of influence'."

Competition for control of "spheres of influence" between monopolists of different nations has a tendency to spill over into open military conflict. Both world wars of the 20th Century originated in such rivalries. Even during periods of relative peace, the threat of force exerts considerable influence on the operation of the "invisible hand" of the market, as Bukharin observed:

"Capital export unusually sharpens the relations between the great powers. Already the struggle for opportunities to invest capital, *i.e.*, the struggle for concessions, etc., is always reinforced by military pressure. A government or a 'country' subjected to the manipulations of the financiers of the great powers ordinarily yields to that party which appears to be the strongest militarily."

In the aftermath of World War II, the undisputed economic and military hegemony of the U.S., as well as shared antipathy for the degenerated Soviet workers' state, muted antagonisms between the major capitalist powers. The triumph of counterrevolution in the Soviet bloc, and the narrowing of the gap between the American hegemon and its competitors, has set the stage for a return to the sorts of great power rivalries that preceded the outbreak of wars in both 1914 and 1939.

'Washington Consensus': Looting the Neo-Colonies

The mechanisms employed today by "advanced capitalist" countries to exploit more economically backward ones are less transparent than they were in the colonial era. In Lenin's day many of what are now euphemistically referred to as "developing countries" were outright colonies of various European powers, the U.S. or Japan. The dissolution of the old colonial empires after World War II

created a host of neo-colonies—nominally independent countries in which the indigenous rulers served essentially as agents, rather than rivals, of the big interests of the “developed” world. In recent years, corporations from “advanced” countries have been directly “outsourcing” production facilities and services to low-wage and “free trade” zones in neo-colonies. There are a wide variety of ways that wealth is pumped out of neo-colonies: profits from investments, sale of commodities, licensing agreements, transfer pricing, interest payments on public and private debt and even land rent.

In the 1970s, major commercial banks in the West provided low-interest hard currency loans to many neo-colonial regimes, ostensibly to help accelerate economic development. Much of this money was appropriated by corrupt officials (sometimes with the connivance of imperialist bankers). Some was spent on projects that benefited imperialist corporations with connections to the banks making the loans. In many cases payments were maintained by “rolling over” the debts (i.e., paying off old loans with new, and often larger, ones). Eventually, rising interest rates in the 1980s produced a “debt crisis” as many “Third World” countries, their economies contracting and their currencies depreciating, reached a point where they could no longer continue to make their payments.

The International Monetary Fund (IMF) responded with “rescue packages” requiring the adoption of “Structural Adjustment Programs” to lower tariffs, privatize state enterprises (particularly utilities), slash subsidies for domestic manufacturers and farmers and deregulate business. Advertised as a means for poor countries to achieve rapid growth and economic modernization, the net effect of this prescription (which came to be known as the “Washington Consensus”) was to accelerate the flow of wealth to rich countries from “developing” ones, while also locking their economies ever more tightly into a subordinate position within the global capitalist division of labor.

The elimination of tariffs opened up new markets for foreign conglomerates, whose cheap goods bankrupted many local producers. Domestic food production shrank as land was bought up by foreign agricultural corporations and wealthy local elites in order to establish large-scale farms oriented to production of crops for export. The “globalization” of agricultural production that has taken place over the past several decades has transformed millions of displaced small farmers into urban slum dwellers and made many of the world’s poorest countries dependent on imperialist agribusiness for much of their food.

Haiti provides an example of the impact of “market liberalization” and “free trade” on impoverished neo-colonies. In 1995, in order to qualify for an IMF loan, the Haitian government agreed to cut the tariff on imported rice from 35 to 3 percent. This produced a flood of rice imports from the U.S., which undersold local growers and forced thousands of them out of business. Bourgeois ideologues like to trumpet the “efficiencies” that can be achieved by “leveling the playing field” and freeing the operation of the market from tariffs and other forms of state intervention. But the only reason American rice producers could undersell Haiti’s farmers was that they received an enormous government subsidy:

“...in 2003 the US government ploughed \$1.3 bn into rice sector subsidies, supporting farmers to produce a crop that

cost them \$1.8 bn to grow—effectively footing the bill for 72 per cent of the cost of production.”

—“Kicking down the door,” Oxfam Briefing Paper, April 2005

Decades of imperialist “development” have stunted and deformed the economies of the neo-colonies. Over a third of the world’s population, 2.5 billion people, eke out an existence on less than two dollars a day. Almost a billion are chronically undernourished, and an estimated 1.3 billion people have no access to safe drinking water. While publicists for the World Bank and the IMF talk about development and modernization, global capitalism, which originated in blood-soaked colonial conquest, has always operated as a mechanism for funneling wealth from poor countries to rich ones:

“World inequalities have been rising steadily for nearly two centuries. An analysis of long-term trends in world income distribution (between countries) shows that the distance between the richest and poorest country was about 3 to 1 in 1820, 11 to 1 in 1913, 35 to 1 in 1950, 44 to 1 in 1973 and 72 to 1 in 1992.”

—UNDP, *Human Development Report 1999*

Inequalities in the distribution of personal income are even more extreme:

“The world’s richest 500 individuals have a combined income greater than that of the poorest 416 million. Beyond these extremes, the 2.5 billion people living on less than \$2 a day—40% of the world’s population—account for 5% of global income. The richest 10%, almost all of whom live in high-income countries, account for 54%.”

—UNDP, *Human Development Report 2005*

The growing disparity between rich and poor internationally is paralleled by increasing social polarization within the imperialist centers themselves. In the U.S., as real wages stagnated between 1981 and 2005, “the real income of taxpayers at the 99.9th percentile nearly tripled, and the real income of taxpayers at the 99.99th percentile—a hyper-rich stratum comprising about 13,000 taxpayers—increased fivefold” (Larry Bartels, *Unequal Democracy: The Political Economy of the New Gilded Age*, 2008). This underlines the essential identity of interest between working people in both “developed” and “undeveloped” countries. Only a globally-planned socialist economy, organized as a democracy of producers and governed by the principle of production for human need rather than private profit, can eliminate the threat of poverty, hunger, racism and war once and for all. ■

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Political Revolution or Counterrevolution— Whither China?



Cops oversee queue at job fair held by labor union in Xian, Shaanxi province

In 1939, James P. Cannon, the historic leader of American Trotskyism, remarked: "Who touches the Russian question, touches a revolution. Therefore, be serious about it. Don't play with it" (*The Struggle for a Proletarian Party*). Revolutionaries today must approach the "Chinese question" in the same way.

The "market reforms" of the past three decades have reintroduced capitalist—and in some cases, even pre-capitalist—forms of exploitation for millions of workers in China. This has led many leftists to conclude that the Chinese Communist Party (CCP) bureaucracy has transformed itself into a new ruling class and turned "Red China" capitalist.

CCP censorship and the impressionistic "news management" of the Western media have contributed to widespread confusion about the nature of Chinese society. Making sense of recent developments is further complicated by the sheer immensity and diversity of China. There are vast regional disparities between the booming southeast, rusting northeast and the comparatively underdeveloped and isolated west. There are also enormous differences between provinces within the same region, counties within the same province and even villages within the same county. For example, in Nanjie village in Henan province, where collectivized agricultural production has been maintained, industrial enterprises still provide

employees with the guaranteed "iron rice bowl" introduced by Mao Zedong in the 1950s. Yet in other Henan villages state-owned and collective industrial enterprises have been almost completely privatized.

In the final analysis the class character of a state is based on the underlying social relations of production. The Chinese Revolution of 1949 created a bureaucratically deformed workers' state modeled on the Soviet Union under Stalin. While foreign and domestic capital was largely expropriated, political control was monopolized by a privileged caste—the top layers of the CCP—that pursued class-collaborationist policies internationally while promising to chart an autarkic path to a nationally isolated "socialist" China.

To assert that China remains a deformed workers' state is not to deny that the policies of the CCP over the past several decades have increased momentum toward a restoration of capitalism. It is, in fact, the only description that provides a coherent explanation of the class character of the CCP, the origins and development of the state created by the social overturn of 1949 and the alternative prognoses for the future of the Chinese Revolution.

Capitalist restoration—that is, the overthrow of the CCP and its replacement by a regime committed to the privatization of the land, the banks and the rest of the

state-owned sector of the economy—would most immediately impact China's 1.3 billion citizens, the vast majority of whom are workers and peasants. It would also have enormous international repercussions, greatly increasing pressure on Vietnam, North Korea and Cuba, the world's other deformed workers' states. Opening China's immense market to untrammelled foreign penetration would set off a chaotic and dangerous struggle involving the United States and Japan, and possibly other imperialist powers, over the spoils of counterrevolution.

The Chinese Question Today

China has long been an important touchstone for Marxist internationalists. The bloody defeat of the Second Chinese Revolution of 1925-27 led Leon Trotsky to generalize his theory of permanent revolution. Trotsky concluded that, just as in Czarist Russia, the indigenous capitalists in China and other backward countries were too closely tied to foreign imperialism, and too fearful of plebeian revolt, to be capable of carrying out a bourgeois-democratic revolution:

"With regard to countries with a belated bourgeois development, especially the colonial and semi-colonial countries, the theory of the permanent revolution signifies that the complete and genuine solution of their tasks of achieving *democracy and national emancipation* is conceivable only through the dictatorship of the proletariat as the leader of the subjugated nation, above all of its peasant masses."

—"What is the Permanent Revolution?"

In the 1930s, under Mao's leadership, the CCP advocated the Menshevik-Stalinist strategy of "two-stage" revolution. This class-collaborationist scheme called for a first, "New Democratic" stage of unity with the "progressive" bourgeoisie (represented by Chiang Kai-shek's Guomindang) that would supposedly benefit both the exploiters and their victims. The socialist "second stage" was postponed to some hazy point in the indefinite future.

But in the course of a savage and protracted civil war that polarized Chinese society, the CCP was eventually compelled to abandon any thought of coalition with the Guomindang. In 1949, the CCP's peasant armies finally rolled into China's major cities and Chiang and his generals fled to Taiwan, along with most of the big capitalists. The CCP's victory smashed the existing bourgeois state and freed China from imperialist control. The property of the gentry-landlord class was expropriated and millions of hectares of farmland were turned over to poor and middle peasants to cultivate. In the cities, property belonging to the "bureaucratic bourgeoisie" was nationalized and a state monopoly of foreign trade was instituted. At the same time, the CCP ruthlessly crushed all attempts at independent political activity by the workers' movement and created a centralized, bureaucratically-planned economy.

The Chinese Revolution stunned Chiang's imperialist backers and fanned the flames of anti-colonialism and social revolt throughout East Asia and beyond. It quickly resulted in enormous advances for the vast majority of China's population. Women, who were living under conditions approximating slavery, were able to enter into social and economic life for the first time. There was a tremendous expansion in literacy, as well as massive improvements in health care, housing, education and the provision

of other basic social services. Mammoth irrigation and waterworks were constructed, creating the prerequisites for subsequent advances in agricultural productivity. Life expectancy, which stood at 35 years in pre-revolutionary China, had nearly doubled to 65 by the mid-1970s.

Despite the catastrophic consequences of the "Great Leap Forward" in the late 1950s, and the chaos of the "Great Proletarian Cultural Revolution" of the 1960s, China's economy grew substantially. Between 1950 and 1977, industrial output expanded at an annual average rate of 13.5 percent, higher than any other major country—"developing" or "developed"—during that period. As historian Maurice Meisner observed, "Without the industrial revolution of the Mao era, the economic reformers who rose to prominence in the post-Maoist era would have had little to reform" (*Mao's China and After: A History of the People's Republic*).

Unlike the Bolshevik Revolution led by Lenin and Trotsky, the 1949 Chinese Revolution led by Mao's CCP was bureaucratically deformed from the outset. The Russian Revolution of 1917 was carried out by the Bolshevik Party at the head of a class-conscious workers' movement schooled in many years of political struggle. The Bolsheviks sought to create a state based on institutions of proletarian democracy—workers' councils—and regarded the October Revolution as the first step in a world socialist revolution. The CCP's road to power involved a military-bureaucratic social overturn, and the institutions it created were closely modeled on those of the degenerated Soviet Union. The CCP bureaucracy adopted Stalin's reactionary dogma of "socialism in one country," which constituted a denial of the importance of extending the revolution globally, and emphasized instead development on a nationally-limited scale.

Trotsky viewed the Stalinist bureaucracy that consolidated power in the Soviet Union after 1923 as a brittle and contradictory *caste*, rather than as some new kind of possessing class:

"The *class* has an exceptionally important and, moreover, a scientifically restricted meaning to a Marxist. A class is defined not by its participation in the distribution of the national income alone, but by its independent role in the general structure of the economy and by its independent roots in the economic foundation of society. Each class (the feudal nobility, the peasantry, the petty bourgeoisie, the capitalist bourgeoisie and the proletariat) works out its own special forms of property. The bureaucracy lacks all these social traits. It has no independent position in the process of production and distribution. It has no independent property roots. Its functions relate basically to the political *technique* of class rule."

—"The Class Nature of the Soviet State,"

October 1933

The Soviet bureaucracy's power and privileges paradoxically derived from the collectivized property of the workers' state. It "robbed the people" through endemic social parasitism rather than class exploitation in the strict sense. Trotsky anticipated that those sections of the bureaucracy that hoped to secure their privileges through privatization of state assets would align with the forces of capitalist restoration. More conservative elements, concentrated among those who stood to lose out in the event

of large-scale privatizations, would tend to resist counter-revolution and might even throw in their lot with an insurgent pro-socialist workers' uprising. Trotsky maintained that the ruling Stalinist caste had no necessary social function. In the long run, if the proletariat did not succeed in wresting power from the bureaucracy through a political revolution, capitalist counterrevolution would destroy the workers' state.

Our analysis of the Chinese Revolution is based on the historic contributions of the Spartacist League (SL) of the 1960s and 70s, when it was still a revolutionary organization. (For an account of its subsequent degeneration see *Whatever Happened to the Spartacist League?*) During the late 1960s, when Mao's "Cultural Revolution" was hailed by New Leftists and "Trotskyists" alike, the SL correctly identified it as an intra-bureaucratic feud, and asserted that all wings of the CCP constituted obstacles to China's socialist development, which depended ultimately on the extension of proletarian revolution internationally. This position was powerfully vindicated in the early 1970s when Mao's faction, fresh from its victory over its "capitalist roader" rivals, formed an overtly anti-revolutionary alliance with U.S. imperialism against the Soviet degenerated workers' state.

Despite the enormous changes that China has undergone, there is an essential continuity between Mao's regime of the 1970s, Deng Xiaoping's of the 1980s and Hu Jintao's today. The deformed workers' state created by the 1949 Revolution has not (yet) been destroyed. In unconditionally defending the Chinese deformed workers' state against capitalist restoration, Trotskyists uphold the gains of the social revolution, despite—indeed, *against*—the Maoist/Stalinist bureaucrats who monopolize political power within it.

Impressionists on China: Reformism in Reverse

A decade and a half ago, some leftists imagined that Deng's "market socialism" might represent a viable "third road" between planning and the market (a view we critiqued in 1917 No. 14). Today, there can be no illusions on this score. Many who once trumpeted "market socialism" currently view China as a purely capitalist society. Victor Lippit, a prominent China scholar with a leftist bent who embraced Deng's "reforms" in the 1990s, has since concluded that some form of welfare-state capitalism is the most that can be hoped for (*Critical Asian Studies*, January 2005).

Lippit, and others who share his pessimistic assessment, tend to a social-democratic view of the Chinese state as a class-neutral instrument which, if bureaucratic planning fails, can begin to introduce market elements leading to the gradual emergence of a fully capitalist society. Trotsky criticized such notions: "He who asserts that the Soviet government has been *gradually* changed from proletarian to bourgeois is only, so to speak, running backwards the film of reformism" (*op cit*).

Marxists, unlike reformists, consider that, at its core, the state is composed of "special bodies of armed men" that exercise a monopoly of force in defense of definite property forms—as Lenin explained in *The State and Revolution*. Capitalism can no more be restored in a workers' state through the quantitative extension of market relations

than it can be eliminated in a bourgeois state through a gradual expansion of the public sector into banking or manufacturing.

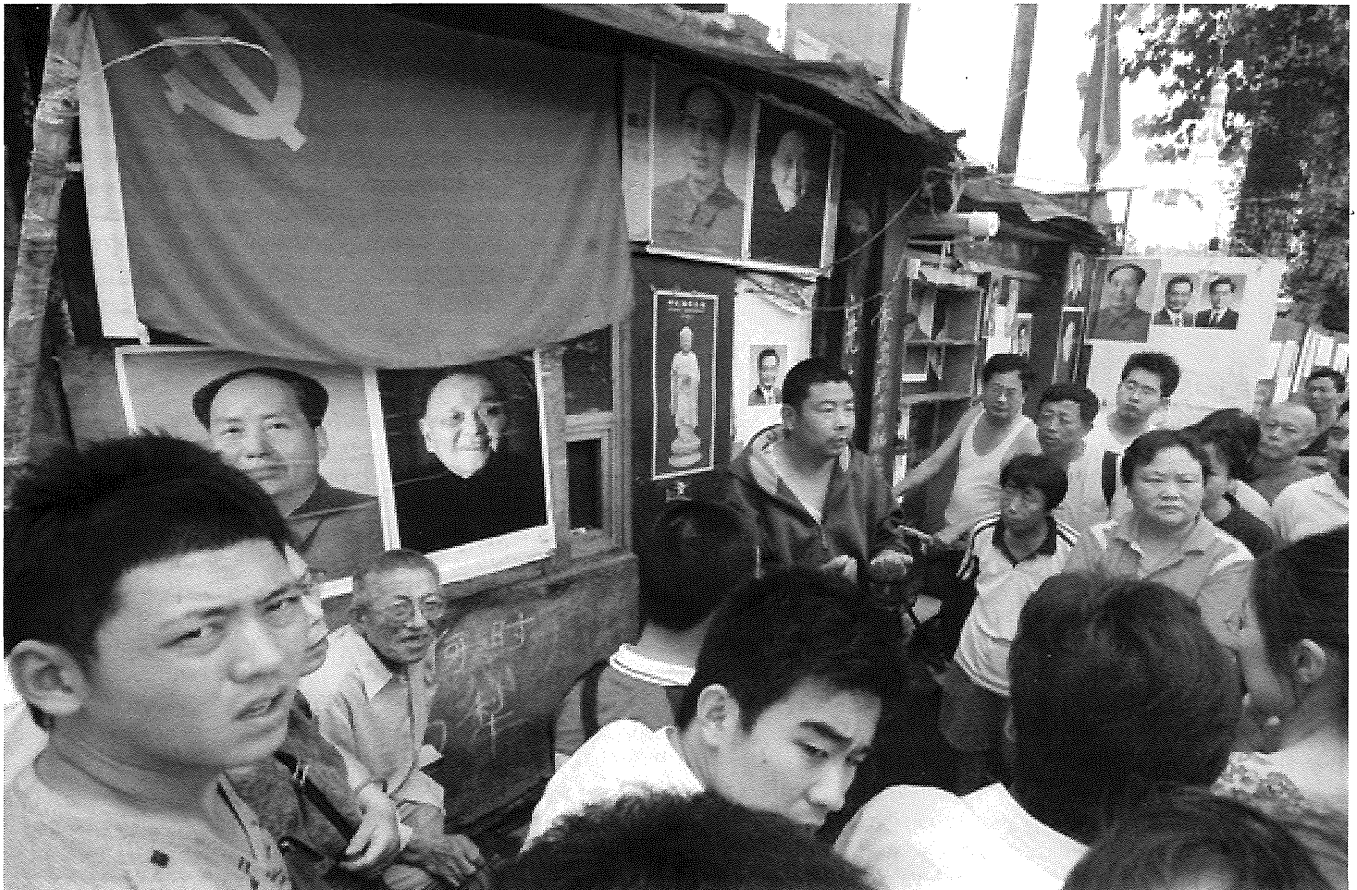
Most accounts of "capitalist restoration" in China are based on the apparent dominance of market relations in the economy. Even the leading organs of imperialist finance capital, which are normally acutely sensitive to questions of property rights, regularly refer to China as "capitalist," albeit with a modifier of some sort. The 20 September 2008 *Economist*; for example, speaks of "state-led" and "oligarchic" capitalism in both Russia and China. Elsewhere China's economy has been described as "authoritarian capitalism," "bureaucratic capitalism" and "developmental capitalism."

One of the more plausible "Trotskyist" attempts to explain how the CCP supposedly presided over a seamless reintroduction of capitalism appeared in the December 2007/January 2008 edition of *Socialism Today*, published by the Committee for a Workers' International (CWI). In a statement entitled, "China's capitalist counter-revolution," Vincent Kolo, representing a minority viewpoint within the CWI, argued that the Chinese Stalinists have carried out a full capitalist restoration. The article asserts that a "brutal social counter-revolution of the last two decades...has seen the former Maoist-Stalinist bureaucracy, like its counterparts in the Soviet Union and Eastern Europe, abandon central planning and shift to a capitalist position."

Kolo paints a vivid picture of the devastating effect of CCP "reforms" on the provision of education and health, which were previously guaranteed through rural collectives or urban state-owned enterprises (SOEs), but which are no longer affordable for many. He claims that China is more integrated into the global capitalist system than Russia or other former Soviet states in terms of trade and penetration of foreign capital. Chinese companies, he observes, are infamous for union-busting, corruption, environmental destruction and unsafe working conditions. While admitting that China's banks, which he considers "as parasitic as any in the capitalist world," are tightly controlled by the state, he argues that this is not particularly unusual in Asia. He concedes that in China land formally remains state property, but claims that successive "reforms" have effectively privatized its usage and amount to a "counter-revolution on the land."

Kolo points to the fact that employment in the SOEs and collectives fell by half in the last decade as a result of waves of corporate "reforms," mergers and downsizing, management buyouts and public stock listings. Today, three-quarters of the urban workforce is employed outside the public sector. While conceding that the SOEs account for the majority of fixed investment, Kolo argues that, as they are supposed to turn a profit, the state sector amounts to a "lever for developing the capitalist economy, providing a framework of essential industries such as energy and communications, plus targeted investments in certain advanced technological sectors after the Japanese and Korean models."

There is no question that the SOEs have been reduced in size and pressured to become profitable. It is also true that the workers in the state enterprises, who could be considered to constitute the bedrock of pro-socialist sentiment within the Chinese proletariat, have been forced on the defensive. Yet a close examination of the evolution of



AFP-GETTY

Family of 14 facing government eviction plasters their house with pictures of Mao Zedong and Deng Xiaoping, along with current President Hu Jintao and Prime Minister Wen Jiabao

China's economic "reforms" and their intersection with recent factionalism within the CCP shows that the Chinese state has not undergone a qualitative transformation. It remains a deformed workers' state.

Market 'Reforms' & CCP Control

The Chinese Stalinists introduced market "reforms" in 1978 without any intention of incubating an indigenous capitalist class or undermining the SOEs. On the contrary, they hoped that the spur of market competition would make state firms more efficient, boost exports, modernize production technique and thereby accelerate China's transformation into a "superpower"—which had been Mao's goal all along. But as we have pointed out previously (see 1917 No. 14 and No. 26), the logic of the market cannot be harmoniously melded with a system characterized by state ownership and central planning. Capitalist markets impose discipline on workers and managers through the "law of value"—when labor power becomes too expensive, it is shed; when firms cannot compete, they go bankrupt. The "efficiencies" of the capitalist market derive from the *commodification* of both labor power and the means of production.

Planning in a workers' state, by contrast, subordinates the law of value to conscious economic coordination. Evgeny Preobrazhensky, the leading economist of the Left Opposition in the 1920s, noted in *The New Economics* that two laws with diametrically opposed tendencies operate during the tran-

sitional period between capitalism and socialism. The first he identified as the "law of socialist accumulation," and the second, the law of value. If the law of value is not overridden when it conflicts with consciously determined priorities, the planning mechanism will be negated—i.e., scarce investment resources will be directed by considerations of profit maximization rather than social utility.

Throughout the 1980s, Beijing's economic policy oscillated—with bouts of "reform" alternating with periods of retrenchment—as the negative consequences of reliance on market indicators became too pronounced. The brutal suppression of the Tiananmen demonstrations in 1989 was followed by a period of infighting within the CCP leadership between "conservatives" and pro-market elements headed by Deng. The victory of Deng's faction in 1992 produced an uninterrupted wave of dramatic "reform," many of the consequences of which are cited as evidence of China's capitalist transformation.

The market reforms have resulted in large-scale appropriations of state property by both legal and illegal means. This has produced many of the phenomena that could be expected to accompany a social counterrevolution, including endemic corruption, environmental degradation, mass layoffs and the shredding of the social safety net. Yet, while clearly indicative of the direction in which China is headed, these developments do not signify that capitalism has been restored.

An important factor that must be considered is the



Migrant workers on Tianxingzhou Yangtze River Bridge, Wuhan

extent of privatization in the economy. China's agricultural sector remains extremely socially and politically significant because some 700 million people—roughly half the population—still work the land. Some leftists mistakenly view Deng's decollectivization of agriculture as *de facto* privatization. In fact, land remains state property, and this has insulated many poor peasant families from the full impact of the vagaries of the market. While conditions vary widely between regions, it is common for township governments to redistribute land-use rights, regardless of leases, in order to maintain rough parity in holdings. Legal prohibitions on farm households using their land for non-agricultural purposes have limited speculation and capitalist appropriation. Restrictions on land use have proved to be a lifeline for the millions of migrant laborers now returning to their home villages in the interior after being laid off by the export industries of China's east coast (*China Leadership Monitor*, Winter 2009).

Legal formalities have not prevented some local governments from selling peasant land to industrial and commercial interests—nearly half of the 90,000 “mass incidents” in China last year were sparked by such seizures. The Western bourgeois press has gleefully reported how some desperate peasants have embraced privatization in an attempt to protect their land tenure from illegal seizures. Pro-privatization sentiment certainly exists, but it is by no means universal. In 2008, several hundred angry farmers in Longzhuoshu, a village near Beijing, erected a large banner that read: “Collectively Owned Land Should Not Be Used For Commercial Purposes” to protest the

paltry compensation they were given for the conversion of their farmland to non-agricultural use (*Toronto Star*, 15 November 2008). For three days they blocked trucks, bulldozers and steam shovels. They were eventually dispersed by hired goons and local police, but their willingness to resist this social parasitism points to the importance that the land question is likely to have in future political and social struggles.

China's entry into the World Trade Organization (WTO) in 2001 potentially threatened the livelihood of peasant farmers unable to compete against the large-scale, mechanized production of imperialist agribusiness. While meeting some WTO obligations with lower tariffs and import quotas, Beijing has thus far shielded small agricultural producers to avoid bankrupting millions of poor peasant households. The CCP's “new socialist countryside” program, which eliminated tuition fees for primary and secondary schools, reduced agricultural taxes, expanded infrastructure investments and increased funding for social services, has also eased conditions for many rural families.

In the industrial sector, the SOEs underwent dramatic changes a decade ago when some 30 million workers were laid off, and tens of thousands of small and medium-sized enterprises were privatized or “corporatized” through issuing shares and entering into joint ventures (see 1917 No. 26). These measures were pushed through by the CCP's Zhu Rongji/Jiang Zemin leadership as a form of “shock therapy” in preparation for China's entry into the WTO. Their intention was to force the largest SOEs to

become internationally competitive while retaining state ownership. In fact, the SOEs survived, regardless of their profitability, as a result of state control of the banking system.

In 2003, SOEs accounted for some 70 percent of total fixed assets and 30 percent of non-agricultural production. The state sector remains dominant in most strategic industries, including heavy machinery, steel, petroleum, non-ferrous metals, electricity, telecommunications and transportation. In recent years, the privatization of larger SOEs has virtually ceased. Only a tenth of insolvent SOEs filed for bankruptcy in 2007 and 2008; the rest were prevented from doing so by local officials concerned about losing access to government resources (*Economist*, 13 December 2008).

The size of the state sector distinguishes China from its capitalist neighbors, including the so-called "tigers." Singapore's SOEs account for about ten percent of GDP, South Korea's five percent and Taiwan's half that (UBS Investment Research, "How to Think About China"). The dimensions of the state sector, combined with land ownership, means that, despite the inroads of private property, the Chinese economy is still predominantly collectivized. Zhiwu Chen, a Yale economist, notes:

"Despite privatization, there are roughly 119,000 state-owned enterprises today, with a book value of about \$4-trillion. State-owned land is valued at more than \$7-trillion. Combined, these state-owned assets total almost three-quarters of China's national productive wealth.

"With the state owning so much, most of the gains in asset values experienced over the past 30 years have gone into the government's coffers. When most households own no productive assets, they cannot share any of the asset appreciation or property income. For most citizens, wages are the only source of income."

—*Globe and Mail* [Toronto], 26 November 2008

Of course, a deformed workers' state cannot be identified solely by the extent of state ownership. There are indeed many cases where capitalist states have resorted to extensive nationalizations in response to major crises or to prop up enterprises in strategic sectors that are unable to compete successfully on the market. Various semi-colonial states have also nationalized oil and other natural resources in order to boost revenues and increase autonomy from imperialist predators. None of these are "anti-capitalist" acts, but rather attempts to strengthen the position of the bourgeoisie as a whole.

Those who see China as capitalist claim that nationalized property serves this function today, and treat the CCP bureaucracy as simply an agent of foreign and domestic capitalist interests. While it is true that, for the time being at least, China's capitalists limit themselves to talk of "reforming," rather than overthrowing, the CCP, both the imperialists and the indigenous capitalists look forward to the establishment of a bourgeois "multi-party democracy" where everyone is "free" to buy as much political influence as they can afford.

In the economic sphere, bourgeois ideologues tend to focus on proposing "reforms" to incrementally shrink the state sector and unfetter capitalist accumulation, thereby strengthening the restorationist forces in anticipation of the inevitable political crisis that China is drifting toward. A 2006 paper by Wing Thyee Woo, a Chinese economist who

teaches at the University of California (Davis), provided a wish list for those who want to see capitalism restored:

"The most important economic task for China is to adopt the best economic growth engine that world economic history has identified: a market economy where competitive private enterprises constitute the norm, and where the state focuses mainly on the provision of public goods and social insurance. The switch to the new growth engine, necessitates that China continues the privatization of non-defense-related state enterprises that are not natural monopolies, begins the privatization of [state-owned banks], and reduces drastically the legal discrimination against the private sector."

—*Journal of Chinese Economic and Business Studies*, February 2006

In December 2008, a clot of "dissidents" presented the world with "Charter 08," an even more overtly counter-revolutionary statement named after "Charter 77," the 1977 manifesto that served as a rallying point for capitalist-restorationists in Czechoslovakia. The foreword to Charter 08 dismissed the 1949 Revolution with the claim that: "the Communist defeat of the Nationalists in the civil war thrust the nation into the abyss of totalitarianism." The document contains the following blueprint for social counterrevolution:

"We should establish and protect the right to private property and promote an economic system of free and fair markets. We should do away with government monopolies in commerce and industry and guarantee the freedom to start new enterprises. We should establish a Committee on State-Owned Property, reporting to the national legislature, that will monitor the transfer of state-owned enterprises to private ownership in a fair, competitive, and orderly manner. We should institute a land reform that promotes private ownership of land, guarantees the right to buy and sell land, and allows the true value of private property to be adequately reflected in the market."

—reprinted in *New York Review of Books*, 15 January

The increasing weight of private capitalist enterprises, both foreign and domestic, strengthens the forces of counterrevolution but does not automatically resolve the fundamental issue of which class rules. The decisive task of the capitalist counterrevolution is the political conquest of state power. The massive and continuing resistance of workers and peasants across China to capitalist encroachment, while so far entirely politically inchoate, is evidence that the ultimate fate of the Chinese Revolution has yet to be determined.

CCP's 'Left' Turn

During the Jiang Zemin/Zhu Rongji regime (1996 to 2002), an influential section of the ruling bureaucracy openly embraced the notion that a gradual and harmonious transition to a capitalist economy could be accomplished without disturbing the supremacy of the CCP or touching off major social conflict. But it appears that the majority of party functionaries recognize that they would have no role to play in a thoroughly privatized economy. The SOEs are supposed to be profitable—and most have actually made money during the past few years—but their value to the party bureaucrats is not simply economic. They provide the foundation for the CCP's political power, the primary

justification for its existence and a key training ground for its core cadre. All top-level appointments, promotions and dismissals at the SOEs require the approval of the party's Organization Department and Ministry of Personnel.

SOE managers who want to advance their careers must balance the pursuit of profitability with other requirements laid down by the party. In 2002, two oil executives were up for promotion from alternate to full members of the Central Committee at the 16th Party Congress—Ma Fucai of PetroChina and Li Yizhong of Sinopec. They both had to deal with strikes in their enterprises, but Ma, who had refused to make any concessions to his workers so that company profits would be higher, was passed over and remained an alternate, while Li, who took a conciliatory approach more in tune with the party's concerns about social cohesion, was promoted to full membership (Erica S. Downs, "Business Interest Groups in Chinese Politics: The Case of the Oil Companies," in *China's Changing Political Landscape*).

Fear of social instability has constrained the CCP's privatization program. Workers in China's state sector, which still constitutes the core of the economy, tend to identify state property as their own and feel antagonistic toward private capitalists. A former employee at a state window frame enterprise, witnessing the demolition of his factory after it was sold to a private real-estate developer, remarked bitterly:

"Every inch of grass and every piece of steel in the factory belonged to us workers. They were our sweat and labor. People had tears in their eyes when they saw the fallen pieces of window frames left on the burnt ground. Those were state assets and these officials just squandered them...."

—*Theory and Society*, Vol. 31 (2002)

In denouncing the incursions of capitalist social relations, state-sector workers frequently employ the CCP's own socialist rhetoric. When the Changjiang Sugar Factory was privatized, its employees protested:

"How to restructure the form of property should be democratically determined by workers. The county government cannot unilaterally decide it.... Workers are the master of the enterprise and the main body (*zhuti*) of reform. Restructuring without consulting the workers' and staff council and selling the factory without informing workers are serious violations of workers' democratic rights. We demand to get back our democratic rights."

—*Modern China*, Vol. 29, No. 2 (April 2003)

Such complaints resonate deeply within Chinese society. There is a widespread perception that the government operates as a tool of wealthy and powerful elites who have been enriched by the market reforms at the expense of ordinary working people. The current administration of President Hu Jintao (who is also CCP General Secretary) and Premier Wen Jiabao has responded with the CCP's first "left" turn since the Tiananmen events, and is attempting to present itself as an opponent of the excesses of the capitalist roaders and a defender of workers and peasants.

The first indication of this shift came in 2004, when prominent intellectuals of what has become known as the "Chinese New Left" exposed the massive squandering of public assets that accompanied the privatization of several prominent state-owned companies. In November of that year, the government halted management buyouts of SOEs—the main mechanism for privatization—while

the State-owned Assets Supervision and Administration Commission (SASAC, established in 2003 to manage the SOEs) implemented measures to maximize the value of state holdings and prevent asset stripping. The privatization of large SOEs has since stalled. Foreign ownership of steel companies was prohibited and a number of small private mines (where a spate of deadly accidents had taken place) were abruptly renationalized.

These measures have been accompanied by new restrictions on both the country's "red capitalists" (CCP officials who become "entrepreneurs") and foreign investors, the two primary beneficiaries of the WTO-oriented "market reforms." The central government has been closely regulating urban land transactions and has imposed price and expenditure controls, including on food. Collusion between local officials and private businesses has been targeted, and a massive anti-corruption campaign, focused on the coastal elites, has been launched.

In 2006-07, the CCP imposed new regulations on foreign capital, increased scrutiny of foreign-backed mergers and introduced further restrictions on banking, retailing and manufacturing. These measures, aimed at aiding domestic companies and slowing the growth of poverty and inequality, led Myron Brilliant (vice president for Asia at the United States Chamber of Commerce) to complain: "It's not only a threat to foreign investors but it also undermines China's transition to a market-based economy" (*New York Times*, 16 November 2007).

The curbs on the private sector, while extremely limited, signal that significant layers of the CCP, feeling pressure from below, are uneasy about the pace and extent of "market reform." In June 2007, state media ran horrific accounts of children and the mentally ill being forced to work as virtual slaves in brickworks in Shanxi, a relatively poor interior province. The revelation that local CCP officials apparently condoned this brutal exploitation sparked fierce popular outrage and renewed public criticism of pro-capitalist "reform."

A group of 17 senior CCP cadres, including influential retirees from the military and industrial ministries, issued an open letter criticizing the extent of foreign penetration of the economy, the marginalization of the state sector and the low wages that have accompanied the reforms. The authors urged the approaching 17th Party Congress to reverse the pro-capitalist course and return to "Mao Zedong Thought," i.e., renationalization and central planning. They warned that if the market reforms continue, "a Yeltsin-type person will emerge, and the Party and country will tragically be destroyed very soon" (reproduced on mrzine.monthlyreview.org).

The Maoist oppositionists' proposals failed to pass. The "conservatives" are clearly a minority within the CCP and the openly Maoist faction smaller still. But the 17 who signed the letter are not minor figures. While it is impossible to know how widespread "conservative" sentiments are within the CCP, the tortured history of China's property law suggests that they are not insignificant. In 2007, the National People's Congress overwhelmingly approved a "Property Rights Law of the People's Republic of China," by a vote of 2,826 to 37, with 22 abstaining. This legislation, which spelled out the rights of private owners for the first time, had been held up by "conservative" and Maoist opposition for 13 years. As late as 2006, its supporters had been unable to have it considered, so it seems safe to presume

that objections are still being aired behind closed doors.

The CCP bureaucracy places a great deal of importance on projecting an impression of stability by maintaining a united public face, but Hu's left-populist turn appears to have increased internal tensions. The "conservatives" view the highly publicized crackdown on some of the worst examples of unbridled capitalist competition as too superficial to contain the rising tide of plebeian discontent. The capitalist-restorationists, or "neo-liberals," have the opposite concern: they fear that Hu's measures may stall the movement toward unrestricted market relations. With the support of some of China's most prominent economists, they are proposing that the leading "dragonhead" SOEs should be the next target for privatization.

For Workers' Political Revolution in China!

The direction and tempo of future developments are difficult to predict. It is clear however that, despite the deep inroads made by capitalist social relations and the emergence of a significant layer of "red capitalists," China remains a deformed workers' state. The CCP bureaucracy has neither transformed itself into some sort of new possessing class nor become a reliable instrument for foreign or domestic capital. The Chinese Stalinist bureaucracy remains a brittle and contradictory caste that acts as a transmission belt for the pressure of world imperialism, but whose political power and privileges derive from the collectivized property forms established by the social revolution of 1949. With significant elements within the party's deeply fractured top echelon publicly advocating diametrically opposed programs—a return to central planning versus outright capitalist restoration—it is evident that the CCP's grip on power is becoming increasingly tenuous.

Talk of China's emergence as a global economic "superpower" reached its peak during the 2008 summer Olympics in Beijing, but the financial crisis that immediately followed has highlighted the vulnerability of China's export-led development model, the depth of domestic social instability and the unrelenting hostility of the imperialist powers. The negative effects of China's integration into the capitalist world economy are being felt most acutely in the heavily privatized and export-dependent south.

Already more than half of China's toy factories have been forced out of business, throwing some two million people onto the street. A total of 670,000 small firms closed in 2008, with a loss of 6.7 million jobs. Construction projects have been suspended; automobile sales have plummeted and property prices are declining. Demonstrations, strikes and riots by laid-off workers take place every day throughout the faltering export zone. Although most of these events go unreported in the Chinese media, the CCP leadership is very concerned by them. In a December 2008 teleconference, Meng Jianzhu, China's Minister of Public Security, implored the country's police chiefs to "be fully aware of the challenge brought by the global financial crisis and try their best to maintain social stability" (*China Daily* website, 19 November 2008).

The basis for the explosive growth of China's privately-owned export sector was the explicit and implicit assurance that capital could operate free from government interference. This has limited the CCP authorities' ability to intervene. When the Weixu Shoe Factory in Dongguan,



Factory workers' protest, Dongguan, November 2008

Guangdong went bankrupt and the boss absconded with two months of back pay owed to his 4,000 workers, a local taxi driver commented: "This is not a state-owned enterprise.... You shouldn't bother the government about it. It is a matter between you and a private company" (*Financial Times*, 11 November 2008). But the CCP bureaucracy fears that if it is too "hands off," workers may try to settle accounts with their bosses directly. So local governments throughout the Pearl River Delta in Guangdong province—where more than a third of China's exports originate—have been trying to defuse protests by stepping in to pay overdue salaries.

The Beijing authorities hope that a massive expansion of state spending may help ameliorate the effects of the global economic downturn, as it did during the 1997-98 Asian financial crisis. The CCP is proposing to invest 4 trillion yuan, the equivalent of 16 percent of China's annual GDP, in a variety of projects including affordable housing, rural infrastructure, water and power projects, transportation, environmental improvement, technological innovation, health care and reconstruction following natural disasters.

There are significant differences between the Chinese initiative and the "stimulus packages" in the U.S. and other imperialist countries, where public funding is being used to bail out bankers and other financial parasites. In China, central government spending accounts for only a quarter of the total, with most of the rest expected to come from the state-owned banks and SOEs, i.e., those sectors most characteristic of a workers' state:

"Chris Wood at CLSA, a brokerage, says the effectiveness of the stimulus hinges on the extent to which China is now a capitalist economy. The more 'capitalist' it is, the deeper the downturn now; the more it is still a command economy, the better the chance of recovery in 2009. State-controlled firms, which account for one-third of industrial output and almost half of all investment, have been 'asked' not to cut jobs and capital spending. All the big banks are state-owned and their chairmen are appointed by the government. If they get a phone call telling them to lend more they are likely to do so."

—*Economist*, 24 January

China's government is also committed to shoring up the largely private export-oriented sector. To ensure cheap labor power, the bedrock of private-sector profitability, the

regime has delayed scheduled increases in the minimum wage, reduced taxes for export industries and restored subsidies that had previously been rescinded. In an attempt to re-inflate China's urban housing market, taxes on real estate transactions were slashed and bankers encouraged to make new home loans. Deputy Finance Minister Wang Jun estimates that government revenues will decline by 300 billion yuan in 2009, turning a projected small surplus into a significant deficit (*Caijing* website, 24 December 2008). Some bank directors, who have been pressured for years to turn a profit, are reluctant to return to the days when non-performing loans made up much of their portfolio. One senior banker grumbled: "Do you expect banks to lend immediately in response to the government's call?... We go through a procedure when signing each loan and it is not fast" (*Caijing* website, 26 December 2008).

As China's private sector contracts, the CCP tops face unpalatable choices. A sustainable state-sector expansion will mean, at a minimum, sharply increasing taxes on foreign and domestic capital, thereby squeezing profits and accelerating layoffs and shutdowns. On the other hand, a failure to expand state spending could produce a social explosion that undermines the authority and stability of the regime. Popular mobilizations on the scale of the 1989 Tiananmen protests could split a CCP polarized between "conservatives" and capitalist-restorationists. In the event of a major confrontation, the conservative faction would inevitably be forced to rely, if only indirectly, on support from the plebeian masses, while the pro-capitalist elements would be backed by domestic entrepreneurs, the substantial overseas Chinese bourgeoisie and global imperialism.

Those "revolutionaries" who maintain that capitalism has already been restored in China could only view a split in the CCP as a division within the bourgeoisie. The logic of this position would either be neutrality, or more likely, supporting the "democratic" counterrevolution, as the CWI, Workers Power, the United Secretariat and most other ostensibly Trotskyist groups did in August 1991 when they backed Boris Yeltsin's rabble against the decrepit Stalinist remnants of Gennady Yanayev's "Emergency Committee."

In a similar showdown between Chinese Stalinist "conservatives" and open restorationists, Trotskyists would bloc with the former against the latter, as we did in the Soviet Union in 1991 (see "Soviet Rubicon & the Left," 1917 No. 11). This is the only position that is congruent with the policy Trotsky outlined in the *Transitional Program*:

"From this perspective, impelling concreteness is imparted to the question of the 'defense of the U.S.S.R.' If tomorrow the bourgeois-fascist grouping, the 'fraction of Butenko,' so to speak, should attempt the conquest of power, the 'fraction of Reiss' inevitably would align itself on the opposite side of the barricades. Although it would find itself temporarily the ally of Stalin, it would nevertheless defend not the Bonapartist clique but the social base of the U.S.S.R., i.e., the property wrenched away from the capitalists and transformed into State property....

"Although it is thus impermissible to deny in advance the possibility, in strictly defined instances, of a 'united front' with the Thermidorian section of the bureaucracy against open attack by capitalist counter-revolution, the chief

political task of the U.S.S.R. still remains the *overthrow of this same Thermidorian bureaucracy.*"

The CCP conservatives are inherently incapable of addressing the underlying contradiction in the Chinese deformed workers' state between the collectivized property at its core and the maintenance of the political monopoly of a venal and incompetent bonapartist bureaucracy. A victory by Stalinist conservatives in a confrontation with a "fast track" restorationist faction would not put political power directly into the hands of the working class; but it would give revolutionaries an opportunity, at a critical juncture, to win the most advanced layers of the Chinese proletariat to the perspective of a political revolution to wrest power from the CCP. A victory by Chinese Yeltsinites, on the other hand, would represent an enormous historical defeat for the working class, both in China and internationally, and create an immensely more difficult terrain for future struggles.

There are important differences between the situation in the Soviet Union under Gorbachev and in China today. On the one hand, China's private sector, while increasing the size of the industrial proletariat by roughly one hundred million, has produced a capitalist class that is vastly more powerful and cohesive than the fledgling Russian bourgeoisie of 1991. Private enterprise contributes 50 percent of China's GDP and accounts for up to 70 percent of employment in some cities. On the other hand, China's workers have a far clearer understanding of the realities of "free market" exploitation than did Soviet workers, and have demonstrated a willingness to actively resist capitalist attacks. The current international economic crisis, which has thrown so many out of work, can only have reinforced anti-capitalist sentiments among China's proletarians and their poor peasant allies.

China's workers manifestly possess both the social power and fighting spirit necessary to overthrow the brittle and deeply fractured CCP bureaucracy. A proletarian political revolution could open the road to an egalitarian, socialist future through the expropriation of both domestic and foreign capital and the institution of a centrally planned economy organized on the basis of genuine workers' democracy. A successful insurrection will require a mobilization of millions led by a revolutionary socialist party armed with an internationalist, Trotskyist perspective. Such a party would advance a program to address the issues faced by workers in private-sector sweatshops and link their struggles to the defense of state-sector employees against privatizations and layoffs. Revolutionaries would also take up the particular problems faced by peasants and members of rural collectives, as well as national minorities, women and other oppressed sectors.

A victorious proletarian political revolution in China would be a world-historic event. It would instantly transform the entire framework of global politics. It would spark a revolutionary resurgence from Indonesia and the Philippines through South Korea and Japan, all the way to the imperialist citadels of Europe and North America. The first step in realizing this goal is to assemble a nucleus of Chinese Trotskyists committed to the unconditional defense of the gains of the social revolution of 1949 and to forging a Chinese section of a reborn Fourth International. ■

British Fascism on the Rise Smash the BNP!



Derbyshire, August 2008: anti-fascist protesters near BNP's annual 'Red, White and Blue' provocation

Fascism is gaining ground in Britain. In May 2008, British National Party (BNP) cadre Richard Barnbrook became the first fascist to win a seat in the Greater London Assembly. He joins dozens of BNP councilors scattered around Britain—including twelve in their Barking and Dagenham stronghold in East London and nine in Stoke-on-Trent in the Midlands.

In November 2008, a list with the names, home addresses and occupations of 13,500 BNP members was leaked to the public. Predictably, a large proportion of them are current or former employees of private security firms and/or the military, police and prison system. One guard at a detention center for asylum-seekers was forced to resign after his connection to the BNP was publicized. The presence of racists and outright fascists inside the repressive apparatus of the capitalist state is hardly surprising:

"Over the past two years *The Independent* has helped reveal nearly 300 allegations of brutality, including 38 claims of racism, made by asylum-seekers about private security and immigration staff. Some of the allegations included abusive and racist language, in which refugees

fleeing persecution were referred to as 'monkeys' or told to 'go back to their own countries'."

—*Independent* [London], 14 January

The social base of fascism extends far beyond the personnel of the state. Most fascist shock troops are recruited from petty-bourgeois layers hostile to trade unions, along with degraded lumpenproletarians and backward workers poisoned by chauvinism.

In the 1930s, the great Russian revolutionary, Leon Trotsky, noted that a fascist social mobilization is the last resort of a capitalist class that feels threatened by mass popular unrest:

"At the moment that the 'normal' police and military resources of the bourgeois dictatorship, together with their parliamentary screens, no longer suffice to hold society in a state of equilibrium—the turn of the fascist regime arrives. Through the fascist agency, capitalism sets in motion the masses of the crazed petty bourgeoisie and the bands of de-classed and demoralized lumpenproletariat—all the countless human beings whom finance capital itself has brought to desperation and frenzy."

—"What Next? Vital Questions for the German Proletariat," January 1932

Trotsky observed that fascist movements grow rapidly when there is both "a deep social crisis, throwing the petty bourgeois masses off balance, and the lack of a revolutionary party that would be regarded by the masses of the people as an acknowledged revolutionary leader." If, as Trotsky wrote, Marxism is:

"the party of revolutionary hope, then fascism, as a mass movement, is the party of counterrevolutionary despair. When revolutionary hope embraces the whole proletarian mass, it inevitably pulls behind it on the road of revolution considerable and growing sections of the petty bourgeoisie."

—"The Turn in the Communist International and the German Situation," September 1930
[emphasis in original]

To harness the despair and anger of the frenzied petty bourgeoisie, the fascists often rant about settling accounts with plutocrats on behalf of the downtrodden "little guy." But, as Mussolini and Hitler demonstrated, fascism in power soon reveals itself as the most brutal form of rule by big capital:

"German fascism, like the Italian, raised itself to power on the backs of the petty bourgeoisie, which it turned into a battering ram against the working class and the institutions of democracy. But fascism in power is least of all the rule of the petty bourgeoisie. On the contrary, it is a most ruthless dictatorship of monopolist capital."

—Leon Trotsky, "What is National Socialism?," 1933

In his classic study, *Fascism and Big Business*, Daniel Guerin discussed the conditions under which a section of the bourgeoisie may opt for fascism:

"When the economic crisis becomes acute, when the rate

of profit sinks toward zero, the bourgeoisie can see only one way to restore its profits: it empties the pockets of the people down to the last centime. It resorts to what M. Caillaux, once finance minister of France, expressively calls 'the great penance': brutal slashing of wages and social expenditures, raising of tariff duties at the expense of the consumer, etc. The state, furthermore, rescues business enterprises on the brink of bankruptcy, forcing the masses to foot the bill...

"But such maneuvers are difficult under a democratic regime. As long as democracy survives, the masses, though thoroughly deceived and plundered, have some means of defense against the 'great penance': freedom of the press, universal suffrage, the right to organize into unions and to strike, etc. Feeble defenses, it is true, but still capable of setting some limit to the insatiable demands of the money power. In particular, the resistance of the organized working class makes it rather difficult to simply lower wages."

While most British capitalists do not yet feel it necessary to seek extra-parliamentary means to contain working-class struggle, the present economic crisis creates opportunities for the fascists to grow.

BNP: Fascist Thugs in the Service of Capital

The BNP's recent electoral success provides its cadres with a platform for spewing racist venom, sometimes, but not always, masked with "respectable" euphemisms. The BNP is *not* a right-wing bourgeois splinter party—it is a fascist organization that poses a deadly danger to trade unionists and all the oppressed. The February 2008 issue of *Searchlight*, Britain's foremost anti-fascist journal, documented the threat posed by BNP Führer Nick Griffin, who in the 1990s edited a Croydon-based publication called *The Rune*:

"*The Rune* showed Griffin to be a hardliner par excellence. He used the publication to argue forcefully against modernising the BNP, stating that 'the electors of Millwall [who voted in the BNP's first local councilor in 1993] did not back a post modernist rightist party but what they perceived to be a strong, disciplined organisation with the ability to back up its slogan "Defend Rights for Whites" with well-directed boots and fists. When the crunch comes power is the product of force and will, not of rational debate.'"

The BNP was formed in 1982 by John Tyndall, former chairman of the National Front, and Ray Hill of the neo-Nazi British Movement. Combat 18 (the numbers "1" and "8" representing the position of Adolf Hitler's initials in the alphabet) has long been associated with the BNP. In 1997, the National Socialist Movement (NSM) broke from Combat 18. The NSM is most notorious for its member David Copeland, known as the London nail bomber, whose attacks on a gay pub in Soho and the largely black and Asian neighborhoods of Brixton and Brick Lane killed three people and injured hundreds more in April 1999.

The BNP leadership tends to formally disavow much of the violence of its associates, but stands ready to get involved when things heat up. During the 2001 Oldham "race riots" in the north of England, BNP members joined National Front and Combat 18 thugs in attacking Asian youths:

"Several of those sent to prison last month for the Roundthorn Road incident [the site of a fascist attack on

Asians] were active BNP supporters. Darren and Sharon Hoy are both regulars at BNP meetings, as are Bourne, Rhodes and Walsh. [Paul] Brockway, 'the General', heads the FYC [the Oldham hooligan mob, the 'Fine Young Casuals'] and has attended BNP and C18 [Combat 18] events in the town. Matthew Berry, Hoy's cousin, was photographed with Darren Hoy giving a nazi salute at a C18 gig in Wigan. James Clift was arrested only three weeks before the riots during an earlier attempted racist incursion into an Asian area. Mark Priestley was sent to prison in 1995 for his part in a C18 attack on a Chinese takeaway in Derbyshire. More recently, in 2000, he was convicted for using racially abusive language and threatening behaviour. He too has been [sic] involved in the BNP. [Mick] Treacy [an Oldham BNP organizer] knows these people well. Many of them continued to attend BNP events right up until the judge sent them to prison for nine months each."

—*Searchlight*, July 2003

On 20 September 2008, 800 fascists, some wearing Nazi regalia, terrorized the locals during a rally and a concert in Somerset held to commemorate the death of Ian Stuart Donaldson, lead singer of Screwdriver, which helped raise funds for the National Front and the BNP.

No Platform for Fascists!

The only way to deal with fascists is to mobilize sufficient force to crush them:

"Fascism finds unconscious helpers in all those who say that the 'physical struggle' is impermissible or hopeless, and demand of [French Prime Minister Gaston] Doumergue the disarmament of his fascist guard. Nothing is so dangerous for the proletariat, especially in the present situation, as the sugared poison of false hopes. Nothing increases the insolence of the fascists so much as 'flabby pacifism' on the part of the workers organizations. Nothing so destroys the confidence of the middle classes in the working class as temporizing, passivity, and the absence of the will to struggle."

—Leon Trotsky, "Whither France?," October 1934

Fascism is not a set of ideas that can be discussed and debated—it is a program of violent terror directed at the left and workers' movement, visible minorities, immigrants, the disabled, homosexuals, the transgendered, Jews, Muslims and anyone else who does not fit their psychotic vision of a "pure" society.

Fascism attracts the demoralized and disturbed, typically people with defective personalities and low self-esteem who are bitterly disappointed with their lives and looking for scapegoats. They are, in Trotsky's phrase, "human dust." Knock-backs, even on a relatively small scale, can have an immediate positive impact. Would-be fascists are attracted by the prospect of terrorizing the defenseless—when groups like Combat 18 or the BNP get hammered by their intended victims, their appeal disappears and recruitment dries up.

At its peak in the 1930s, Oswald Mosley's British Union of Fascists (BUF) could hold meetings of tens of thousands, yet they were stopped in their tracks on several occasions by mass working-class action. On 9 September 1934, when BUF "Blackshirts," named after Benito Mussolini's thugs, tried to hold a rally in London's Hyde Park, 150,000 deter-

mined anti-fascists made sure it did not happen. Two years later, the BUF staged a provocative march through the largely Jewish East End of London. Despite the efforts of thousands of police to clear the way for the fascists, a powerful mobilization of over 250,000 working people blocked their path and forced the Blackshirts to retreat. This victory, known as the "Battle of Cable Street," boosted the morale of anti-fascists across Britain, and demoralized the Mosleyites and their backers.

In the run-up to the "Battle of Cable Street," the Communist Party (CP), along with the Independent Labour Party, called on the government to ban the BUF march. The CP, acting on directives from the Stalinist bureaucracy in Moscow, was pursuing "unity" with the supposedly progressive bourgeoisie, and did not want to risk being labeled "extremists." Instead of confronting the fascists, the Stalinists proposed to ignore the BUF provocation and hold an "anti-fascist" rally several miles away in Trafalgar Square.

Joe Jacobs, a CP secretary for Stepney in East London at the time and later a Trotskyist, recounted:

"We in the CP were supposed to tell people to go to Trafalgar Square and come back in the evening to protest *after* Mosley had marched. The pressure from the people of Stepney who went ahead with their own efforts to oppose Mosley left no doubt in our minds that the CP would be finished in Stepney if this was allowed to go through as planned by our London leaders."

Jacobs reports getting the following note from Frank Lefitte, the CP's East London organizer:

"Keep order: no excuse for Government to say we, like BUF are hooligans. If Mosley decides to march let him. Don't attempt disorder (Time too short to get a "They shall not pass" policy across. It would only be a harmful stunt). Best see there is a good, strong meeting at each end of march. Our biggest trouble tonight will be to keep order and discipline."

Jacobs was astounded:

"I could hardly believe my eyes. How could they be so blind to what was happening in Stepney? The slogan 'They shall not pass' was already on everyone's lips and being whitewashed on walls and pavements..."

"In any case, the people of East London had their own ideas about all this and would oppose Mosley with their bodies, no matter what the CP said. We argued long and hard."

—*Out of the Ghetto*

The CP leaders eventually abandoned their cowardly maneuver, but only after it became clear that they risked losing influence over their working-class base if they ducked the fight to block Mosley.

Socialist Party Dialogues with BNP

Trotsky's policy regarding fascists was clear and unambiguous. But many ostensibly Trotskyist groups today take a very different attitude. For example, the Socialist Party (SP—flagship of the Committee for a Workers' International) generally prefers not to refer to the BNP as "fascist," choosing instead to describe it as "far-right," "racist," "homophobic" or "sexist." The SP's reluctance derives from political, rather than terminological, consid-



BOB SEVERN

SPers 'put the case' to fascist Barnbrook, 9 May 2008

erations—i.e., a desire not to alienate BNP supporters:

"...where people are voting to punish New Labour merely calling the BNP 'fascists' is counter-productive. It is the BNP leadership who are fascists, not the voters and even some members do not agree with these far-right ideas.

"During elections when Socialist Party activists have spoken to people with 'Vote BNP' window posters they have patiently explained and discussed with them. Some have swapped their posters over on the basis of seeing the need for a united working-class party."

—*Socialist*, 10 July 2008

The SP has a history of indulging a variety of unsavory elements. In January 2008, when over 20,000 cops marched to Westminster to demand higher pay for enforcing capitalist repression, the SP sought to give this reactionary mobilization a progressive spin:

"This is in many ways a momentous occasion, since the last time they took any action over pay was 1919..."

"Socialist Party members got a mixed response but there was clearly a strong underlying anger at the government..."

"Unusually compared to most demonstrations, the police did not talk the numbers down! And the Police Federation had to distance themselves from the presence of the BNP's London Mayoral candidate on the march."

—*Socialist*, 30 January 2008

The "BNP's London Mayoral candidate," Richard Barnbrook, the Greater London Assembly member, was not merely "present"—he marched right at the head of the demonstration. He "had been told by officers that he was welcome and said a number of the protesting police officers had agreed to be interviewed for BNP TV" (*Guardian* [London], 24 January 2008).

A few months later Barnbrook was approached in the street by SPers, who asked:

"what about the BNP councillors in Stoke or Kirklees who voted for cuts and privatisation and tax increases—or don't even bother to turn up to the council chambers?"

"Barnbrook handily didn't know anything about that. So we explained it to him—the BNP pretend to be the party for the white working class but when they get in the council chamber they preside over cuts, the same as the three main parties."

—*Socialist*, 14 May 2008



13 August 1977: SWP-led rally aborts National Front march at Lewisham

By sanctioning discussions with this scum, the SP leadership teaches its followers that fascism is a set of ideas suitable for debate. This is entirely wrong. The BNP poses a deadly danger to leftists and all the oppressed—the only way to “explain” anything to a fascist is through forceful direct action.

When the BNP was trying to expand its activity in Glasgow’s heavily working-class Pollock area in September 1989, hundreds of energetic anti-fascist youths met to discuss how to respond. Militant, as the SP was then known, pushed for a “flabby pacifist” debate:

“We decided to challenge the fascists to an open debate—originally to be held in a local football ground. Some of the youth wanted to take matters into their own hands. But we said we should wait until we had this meeting. Although normally we wouldn’t have considered debating the fascists we realised we could thoroughly discredit them in the eyes of the youth—and thought they probably wouldn’t turn up anyway.”

—*Militant*, 22 September 1989, cited in *Workers Hammer*, November/December 1989

Militant subsequently approached the fascists a second time to propose a debate. The only reason it did not happen was that the BNP, perhaps unable to believe the depths of the stupidity of these reformists, decided their offer was “too dodgy” to accept.

On 20 September 2008, 350 fascists held a rally in Stoke to commemorate a BNP thug, Keith Brown, who was killed a year earlier when his neighbor, Habib Khan, found Brown strangling his son. The SP, which participated in a “peace and unity vigil” held as a counter-rally to the BNP event, made the incredible claim that “Keith Brown was tragically stabbed to death by his Muslim neighbour over a year ago” (*Socialist*, 23 September 2008). The only thing that was tragic about Keith Brown’s death was that Khan was sent to jail for eight years for it. “Militants” who preach

pacifism to the victims of fascist terror, and see the loss of a BNP hoodlum as “tragic,” have no business claiming to be any sort of socialists.

SWP: From Confrontation to ‘Anti-Fascist’ Pacifism

In the mid-1970s there was a surge of fascist activity spearheaded by the National Front (NF). The Socialist Workers Party (SWP) initially responded with anti-fascist mobilizations aimed at confronting the NF. On 13 August 1977 in Lewisham, thousands of anti-fascists, led by the SWP, successfully prevented the NF from marching. The *Economist*, which featured the demonstration on its front cover, reported: “The police thought they could control the march. They were wrong.” The issue’s lead editorial, referring to “echoes of Cable Street,” observed that:

“the Socialist Workers party has succeeded once more in exacerbating tension between London’s police and its black community, so advancing its message that only the far left is ready to fight for the rights of blacks against a hostile political establishment.”

—*Economist*, 20 August 1977

The *Times* (15 August 1977) pronounced: “the blame for Saturday’s violence must be laid squarely on the Socialist Workers’ Party, whose members and adherents, some of them armed with vicious weapons, came prepared to fight.” Britain’s ruling class was clearly alarmed that thousands of Asian, black and other youths were prepared to follow the SWP’s lead in spiking the NF provocation. Alex Callinicos and Alastair Hatchett responded to widespread criticism of the SWP by bourgeois pundits and labor bureaucrats with an article entitled, “In Defence of Violence”:

“The physical struggle is as important now as it was in the 1930s. The Nazi leaders of the National Front are faced with a major strategic problem. They have succeeded in attracting a considerable protest vote, especially from working-class voters disillusioned with Labour, suspicious of the Tories and willing to blame the blacks for all the problems under the sun. But the membership attracted by the NF’s racism is very different from the hardened Nazi cadre that Tyndall and Webster need in order to succeed.

“The NF will only begin to attract the interest and financial backing of important sections of the bourgeoisie, and not the occasional racist or crank, unless they can prove that they are a worthwhile option. This means building a fascist fighting formation that can, one day, take on the workers’ movement and smash its organisations. In other words, the NF leaders must turn their membership, still predominantly ‘soft’ and racist (except for the hardened thugs of the Honour Guard), into fascist storm-troopers. “The Nazi marches through black areas are an important part of this process.”

—*International Socialism* (1st series), No. 101, September 1977

This is exactly right, but after Lewisham the SWP leadership began denouncing direct action as “squadism,” and instead launched the more bourgeois-respectable Anti-Nazi League (ANL).

The ANL held a rally of tens of thousands in Trafalgar Square on 30 April 1978. After a few speeches by union

bureaucrats, participants set off on a four-mile hike to Victoria Park, for a punk rock "Carnival." The next day, May Day, over a thousand NF fascists marched under police protection from Portland Place in central London to Hoxton in the East End without any opposition. This was the first time the NF had ever been able to march in London without incident.

On 24 September 1978, 2,000 fascists marched in London from Embankment to the East End, without meeting any serious resistance. This time, the leadership of the ANL led thousands of militants in the opposite direction, from Hyde Park to Brixton, for "Carnival 2." The then-revolutionary Spartacist League reported on this disgraceful desertion:

"Lulled by ANL leaders into thinking that all was well in the East End, an estimated sixty to one hundred thousand people stood in the sun and 'rocked against racism' in Brixton, and only a handful of ANL supporters joined leftists and local immigrants in the Brick Lane area for an anti-fascist demonstration called by the Hackney and Tower Hamlets Defence Committee. In all, perhaps a thousand or twelve hundred anti-fascist militants gathered in the East End. Pitifully weak and woefully disorganised, they had no chance of getting near, let alone stopping, the Front's deliberately provocative 'march against communism'."

—*Spartacist Britain*, October 1978

A gang of 50 NF thugs celebrated their victory by ram-paging through a predominantly Asian estate off Brick Lane, smashing shop windows and threatening local residents. The SWP leadership, pleased by the turnout at its "anti-fascist" carnival, responded with a petition calling for the removal of the new NF headquarters in the East End. The November 1978 issue of *Spartacist Britain* acidly commented:

"True to its character, the ANL has resorted to that classic instrument of 'militant' struggle, so beloved of the pacifists, preachers and Labour reformists...a petition. This petition calls for the 'removal' of the fascist headquarters. But who is supposed to do the 'removing'? Certainly not the masses of workers and oppressed minorities: according to the ANL, they are supposed to spend their time listening to 'anti-Nazi' speeches from union bureaucrats and Liberals and dancing at Carnivals, not 'falling into the trap' of confronting the fascists in the streets. Clearly, the 'removal' is supposed to be organised by the local Labour-controlled Council, since calls for state bans against the NF go hand-in-hand with social-patriotic leaflets and pacifist Carnivals to make up the sum total of the ANL's anti-fascist strategy."

In August 2008, IBT comrades participated in an anti-fascist demonstration in the village of Denby, Derbyshire to protest the BNP's annual "Red, White and Blue" festival. They reported:

"NSBNP [Nottinghamshire Stop the BNP campaign] was the main organiser of the protest, but with little national cooperation, only about 400 people turned up. Much of the blame belongs to Unite Against Fascism (UAF), one of the Socialist Workers Party's (SWP) front groups, which called a similar demonstration at the same place but at a different time than the one organised by NSBNP. UAF failed to organise coaches from London, which might have significantly increased the size of the demonstration.

"NSBNP set up a platform for speakers before the march towards Denby was to begin at about 11:45 am. But UAF irresponsibly started to march before the speakers had finished, thereby temporarily splitting the demonstration. There was further tension over whether UAF or NSBNP banners should be at the front of the march.

"Not everyone saw the need for militant action against the fascists, who brazenly hung about the demonstration, down side streets and at the assembly point. Combat 18, the military wing of the British neo-Nazi organisation Blood & Honour, were rumoured to be guarding the farm. Yet the demonstration organisers had evidently made no serious provision for self-defence, and it was apparent that they had no real intention of actually preventing the fascists from holding their hate-fest, despite the SWP's claim to want 'to stop [the] Nazi BNP rally' (*Socialist Worker*, 16 August). Some people were foolish enough to bring small children on the march.

"Back in Codnor, Love Music Hate Racism (LMHR), another SWP front group, had already set up stalls and a stage with music, but most of the crowd dispersed soon after returning to the site. After this frustrating protest, which left the fascists unscathed to carry on with their business, it is perhaps not surprising that LMHR was unable to bring 'people together through music'. 'Moral witnessing', reliance on cops and sectarian division do not make for successful anti-fascist actions."

—www.bolshevik.org, 21 August 2008

For United-Front Action to Smash the BNP!

It is necessary to initiate labor-based "united-front" actions to physically confront and disperse the fascists whenever they attempt to mobilize. Following the Denby debacle, our comrades proposed: "Close tactical cooperation between stewards from each participating organisation could be achieved without blurring the political lines between them, as each group would be free to put forward its own programme in its own name" (*Ibid.*).

The basis of a united front to stop the BNP would be an agreement to mobilize sufficient force to prevent the fascists from rearing their heads, and to teach any who dared appear a painful lesson. All organizations committed to ridding the streets of these thugs would be welcome to participate without having to adopt a particular set of political ideas or belong to any sort of front group. Everyone would be free to put forward their own distinctive views. This sort of non-sectarian united-front approach has the potential to attract the broadest number of militants, and thus maximize the chances of dealing serious blows to the fascists.

The BNP poses an immediate and acute danger—it must be confronted before it becomes even stronger. Successfully spiking the next "Red, White and Blue" festival would be a real victory for workers, minorities and all those targeted by the fascists. A united front offers the best framework for conducting an effective fight, because it combines organizational flexibility with political openness. Ultimately, the only way to eliminate the scourge of fascism once and for all is to uproot the capitalist social system that breeds it. ■

Free Abortion on Demand!

Women's Rights in 'Pro-Life' Ireland

The following statement by the International Bolshevik Tendency has been distributed at abortion rights events in Dublin and Cork.

Since October 1983, the constitution of the Republic of Ireland has enshrined a supposed 'equal right to life' for a foetus and the woman carrying it. Marxists completely reject this reactionary proposition and its corollary: the prohibition of abortion in cases where the potential mother's life is not directly threatened. Such 'pro-life' legislation has had fatal consequences for many women around the world:

'A World Health Organisation report shows that almost half the world's abortions are unauthorised and unsafe. In East Africa and Latin America, where religious conservatives ensure that terminations remain illegal, they account for almost all abortions. Methods include drinking turpentine or bleach, shoving sticks or coathangers into the uterus, and pummeling the abdomen, which often causes the uterus to burst, killing the patient. The WHO estimates that between 65,000 and 70,000 women die as a result of illegal abortions every year, while 5 million suffer severe complications. These effects, the organisation says, "are the visible consequences of restrictive legal codes".'

—*Guardian* [London], 26 February 2008

Women in Ireland who can afford to fly to Britain for an abortion can escape these horrors, but those who are young, poor or immigrants without papers are stranded on this anti-choice island. Yet even in Britain the limited abortion rights that exist today are under attack. The 1967 Abortion Act legalised the procedure up to the 28th week of pregnancy, but in 1990 this was lowered to 24 weeks. In May 2008, the House of Commons rejected proposals to reduce it further to 22, 20, 16, and even 12 weeks. These proposals, which foreshadow future attempts to ban abortion outright, are dangerous in themselves as young and menopausal women are often unaware they are pregnant until relatively late, and many foetal abnormalities are not detected until 18-20 weeks of gestation.

British prime minister Gordon Brown, while personally claiming to oppose further restrictions on abortion services, allowed Labour members a 'conscience vote'—a manoeuvre that could have had tragic repercussions for thousands of women on both sides of the Irish Sea, as dozens of his MPs, including several cabinet ministers, supported the reactionary measures.

George Galloway, the central figure in the now defunct Respect coalition, did not turn up for the vote, but his opposition to a woman's right to choose is a matter of public record. According to the bigots of Right to Life UK: 'Throughout his parliamentary career he has consistently opposed abortion on demand and late abortions' (www.righttolife.org.uk).

Galloway, the only MP elected under the Respect banner, was for several years actively promoted by the pro-choice reformists of Britain's Socialist Workers Party (SWP), elder sister of the Irish group of the same name. To paper over the contradiction between Galloway's position and their own, the SWP avoided having Respect take an official position on abortion, leaving Galloway free to do as he wished.

The 1967 Abortion Act has not been applied in Northern Ireland during the British occupation, and a recent proposal to extend the law's ambit to the Six Counties was withdrawn in the face of furious opposition from all major religious and political leaders:

'Catholic primate Cardinal Seán Brady, Methodist president the Rev Roy Cooper, Presbyterian moderator Dr John Finlay and Church of Ireland primate Archbishop Alan Harper said abortion legislation should be decided by the Northern Ireland Assembly, where there was a large anti-abortion majority, rather than by Westminster....

'An amendment has been tabled which would provide for abortion in the North, but the DUP [Democratic Unionist Party], Sinn Féin, Ulster Unionists and the SDLP [Social Democratic and Labour Party] are opposed to the proposed extension.'

—*Irish Times*, 17 May 2008

'Kinder, Küche, Kirche' in the Republic of Ireland

The regulation of female sexuality and reproductive activity has always been central to women's oppression:

'While the form, extent and intensity of women's oppression has varied among different societies, and in different historical periods, it has always been closely linked to women's role in the reproduction of the next generation. This, in turn, is ultimately shaped by the requirements of the prevailing mode of production and its accompanying social structure.

'The subjugation of women under the capitalist "free market" is rooted in their central role in the family as unpaid providers of the domestic services necessary for the maintenance of society. These functions include primary responsibility for food, clothing and cleaning; for the care of the very young, the aged and the sick; and for meeting the varied emotional and psychological needs of all the members of the household. The family provides these services more cheaply for the ruling class (both in economic and political terms) than any alternative. The need to maintain the family as the basic unit of class-divided societies thus constitutes the material basis for the subordination of women.'

—1917, No. 19

The Irish constitution 'recognises the Family as the natural primary and fundamental unit group of Society' (Article 41.1.1) and 'the necessary basis of social order' (Article 41.1.2). The basic law also 'recognises that by her life within the home, woman gives to the State a support without which the common good cannot be achieved' (Article 41.2.1). The social emancipation of women requires the expropriation of the capitalist exploiters, who derive real material benefits from female oppression. In order to do this, the state that serves and protects the capitalists must be smashed and replaced by the rule of the workers and oppressed.

While the influence of Catholicism, a traditional bul-

wark of Ireland's rulers, is declining, the Catholic Church still runs 92 percent of the country's primary schools. The constitution stipulates 'that the homage of public worship is due to Almighty God' (Article 44.1), although reference to 'the special position of the Holy Catholic Apostolic and Roman Church' was deleted in 1972. The obscurantist clerical hierarchy opposes contraception as well as 'abortion, abortifacient pills and devices, the abortion pill and the morning-after pill, destructive embryo and embryonic stem cell research, genetic engineering, euthanasia, etc.' (www.catholiccommunications.ie, 5 October 2007).

Ireland's two largest 'socialist' organisations, the Socialist Party (SP) and the SWP, both nominally uphold a woman's right to choose, but have failed to mention the issue in electoral campaigns. The platform of the 'People Before Profit Alliance', in which the SWP was immersed for the 2007 Dáil election, said nothing about abortion rights. The SP's manifesto for the 2004 European and local elections also avoided the question.

Marxists in Ireland fight for the separation of church and state and the creation of a completely secular education system. Opposing the attempts of religious reactionaries to poison the minds of youth with social backwardness and superstition requires unflinching advocacy of free and universal access to contraceptives as well as free abortion on demand. It also means advancing a series of measures necessary to begin to liberate women from the shackles of the nuclear family, including the right to immediate divorce at the request of either partner, extended parental leave for either partner at full pay, full employment at good wages, free quality healthcare (including care for the disabled), 24-hour childcare, and a guarantee of decent housing for all.

United-Front Action for Abortion Rights!

Marxists participate in united-front campaigns alongside reformists, sectoralists and proponents of other non-revolutionary ideas to advance the interests of the oppressed. In doing so, we do not conceal our political views and neither demand that our partners support our programme nor take responsibility for theirs. The Cork Women's Right to Choose Group, in which we are active, has the following basis of unity:

The Cork Women's Right to Choose is a single-issue group; a loose alliance of women and men who believe that a woman has the right to control her fertility. We believe that abortion should be treated as a health issue and not as a criminal law matter. We campaign for full safe and legal access to abortion and reproductive health services for all women in Ireland regardless of income, age, sexuality, race, ability, geography, immigration status, or culture.'

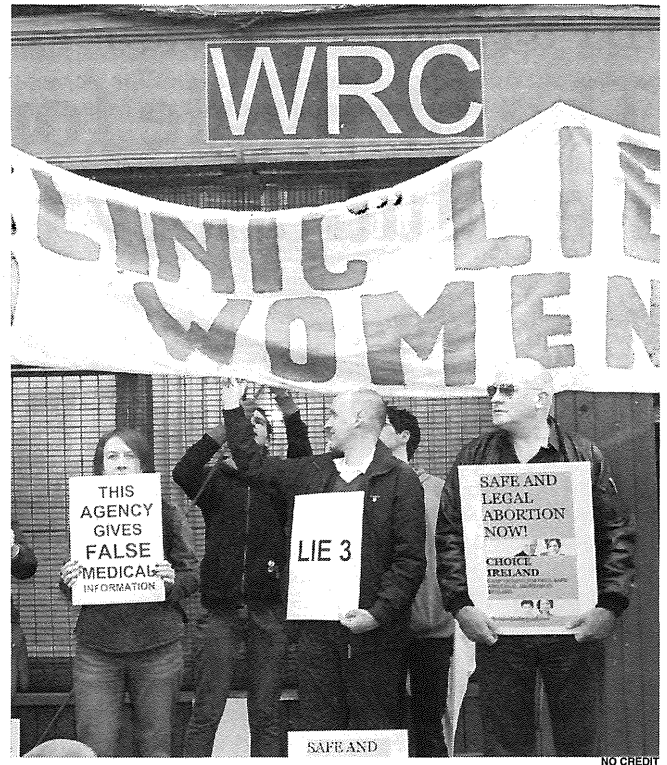
—<http://corkwomensrighttochoose.blogspot.com>

Choice Ireland, a larger abortion-rights coalition, is organised on a different basis:

'We proudly declare ourselves to be a feminist organisation. We reject the negative connotations that have been attached to feminism in recent years (mainly by its enemies). We call for all women who share our aims and principles to reassert ownership of the word.'

—<http://choiceireland.blogspot.com>

Among the founders of Choice Ireland are the ostensibly



Pro-choice activists, Dublin 2008

revolutionary anarchists of the Workers Solidarity Movement. Revolutionaries do not endorse feminism because it is a cross-class ideology that views gender inequality, rather than social class, as the fundamental axis of social oppression. This logically leads to promoting unity between working women and their ruling class 'sisters', and thus limits the fight for women's rights to what is compatible with the continuation of capitalist rule. While Marxists can work with feminists in concrete struggles, we consider feminism to be an ideological obstacle to women's liberation.

Women's Liberation Through Socialist Revolution!

The anti-abortion alliance of the political and religious establishment across all 32 counties, along with the attempts to impose new restrictions in Britain, demonstrates that a woman's right to choose will never be secure under capitalism. Working people and the oppressed must struggle to sweep away the muck of ages by establishing an Irish workers' republic within a Socialist Federation of Europe.

Women's liberation will only be achieved when the provision of the domestic services traditionally performed within the nuclear family (childcare, housework, food preparation, etc.) are socialised as the material foundations of a classless society are laid. A workers' revolution that expropriates capitalist property and opens the door to a socialist economic order requires an organisation capable of providing political leadership to all of capitalism's victims. The model for such an organisation is the Bolshevik Party of Lenin and Trotsky which led the Russian working class to power in October 1917 and immediately began to lay the basis for the emancipation of women as it struggled to spread socialist revolution around the world. ■

IBT's Fifth International Conference

The Struggle for Revolutionary Leadership



REUTERS

Athens, December 2008: Riot cops confront protesters in front of Greek parliament

The International Bolshevik Tendency (IBT) held its fifth international conference in April 2008, with delegations representing all sections, as well as members at large, from a total of seven countries. International conferences, held every three years, allow the organization to critically assess the work of the preceding period; to take stock of the overall state of the class struggle; to discuss unresolved programmatic issues; to project appropriate tasks and perspectives for the future and to elect a new leadership to guide the tendency until the next conference. Our international gatherings also serve as important venues for cadre education.

Although our conference took place several months before the spectacular implosion of the world financial system, it was already evident that global capitalism stood on the edge of a precipice. The Tasks and Perspectives document noted the existence of "profound disequilibria" and anticipated the possibility of a major economic dislocation, while observing that, in the short term at least, neither the circumstances in which we work, nor our immediate political perspectives, would likely change a great deal. Though we will seek to take advantage of any opportu-

nities for mass work beyond our immediate milieu, our small size and lack of influence mean that our objectives remain essentially unaltered:

"Our strategy remains to build an international propaganda group to act as a pole of revolutionary regroupment, becoming the nucleus of [the revolutionary] party. All tendencies on the left and in the workers' movement are products of the history of the struggles between the contending aspirant leaderships, and the programs they embody, whether they are primarily shaped by the history of the Russian Revolution of 1917 or by more contemporary trade-union organizational exigencies. Our organization is not unique in seeking to have its program lead the working class. Our uniqueness lies in our program being the historically-evolved revolutionary program of the working class, as developed by Lenin and the Bolshevik Party in the Russian Revolution and continued through successor organizations, most latterly the international Spartacist tendency, until its degeneration in the late 1970s."

The conference document made a frank assessment of the considerable challenges facing the IBT, but pointed

to the incremental improvement of our relative position within the international "far left":

"We have not in this period made any large step forward; we remain tiny, fragile, dispersed, mostly restricted to the imperialist countries and with a press, which, though of the highest quality, is thoroughly insufficient....

"Nevertheless, as we could report last time, we find that our standing in relation to our opponents has improved, not so much through our own tiny steps forward, as their steps backward, both organizationally—they continue to bleed—but also programmatically as, apparently seeking an easy way out of the difficulties handed to activists by the early 21st Century, they move to the right, ditching elements of politics necessary if they were to maintain a claim, however spurious, to the mantle of revolutionary [Marxism]."

The rightward degeneration of much of the "revolutionary" left, as well as increased access to an international audience via the internet, creates significant opportunities for any group that can credibly claim to uphold the tradition of authentic Marxism. There are already some important signs—in France, Greece, Iceland, Ireland and elsewhere—of a revival of mass struggles against capitalist attempts to solve their economic difficulties by redoubling attacks on working-class living standards. A renewed wave of political radicalization could generate leftward movement within some ostensibly socialist organizations whose leaders have made their peace with the bourgeois political system. Criticism of groups that purport to represent a revolutionary alternative for young working-class fighters therefore continues to be a central element in the struggle to expand the influence of the Marxist program.

Decline of Pseudo-Trotskyism

The counterrevolutionary destruction of the Soviet degenerated workers' state in August 1991 ushered in a period of capitalist triumphalism. The bourgeoisie's "Death of Communism" propaganda offensive helped disorient and demoralize historically pro-socialist layers of the international working class. The Stalinist parties most closely associated with the Kremlin bureaucracy shrank dramatically, but the effects were felt by virtually every organization identifying with Leninism and the October Revolution. The leaders of the "Trotskyist" groups that supported Boris Yeltsin and the forces of capitalist restoration signaled that they no longer possessed any revolutionary impulse.

Among the most prominent of these organizations was the United Secretariat of the Fourth International (USec), which after decades of liquidationism has for all intents and purposes ceased to exist as an ostensibly Trotskyist formation. Its leading section, the French Ligue Communiste Révolutionnaire, formally abandoned any reference to "Trotskyism" when it finally dissolved itself into the "New Anti-Capitalist Party" (NPA) in February. Despite a few suggestions about the desirability of "revolutionary transformation" in the fine print, the NPA's focus is on reformist electoralism and class-collaborationist maneuvers (see "No to Popular Frontism!," 1917 No. 30).

The International Socialist Tendency (IST), which broke with the Trotskyist movement by refusing to defend the North Korean deformed workers' state against the U.S.-led imperialist alliance in the early 1950s, was one of the

few organizations to grow in the immediate aftermath of the triumph of counterrevolution in the USSR. Yet its main section, the Socialist Workers Party (SWP) in Britain, recently suffered a humiliating setback with the collapse of its ultra-opportunist "Respect" gambit (see our statement, "Class Collaboration—at the Ballot Box and on the Streets," March 2008). There is little evidence that this shameless attempt to hitch a ride with alien class forces has produced any serious critical discussion within the IST (apart from some bureaucratic scapegoating), although the organizational consequences are readily apparent in the reduced influence, activity and effectiveness of the SWP and most of its international satellites.

Workers Power, the largest left split ever to emerge from the SWP, spent roughly the first decade of its existence posturing as a serious, hard-left Trotskyist organization (see *Trotskyist Bulletin* No. 3). But Workers Power was incapable of completely breaking from the Stalinophobia of its parent, and consistently backed pro-imperialist forces throughout the Soviet bloc. Its supporters were physically present on the Yeltsinite barricades in August 1991. From there it was only a short step to its scandalous refusal to defend Bosnian Serbs against NATO air strikes in August-September 1995, and its subsequent solidarity with NATO's Kosovar auxiliaries during the imperialist attack on Serbia in 1999 (see "O, What a Tangled Web," 1917 No. 17, and "NATO's 'Humanitarian' Terrorism," 1917 No. 22). In July 2006, Workers Power suffered a deep split, with a substantial minority, including most of its experienced cadres, leaving to found Permanent Revolution, a group that is chiefly oriented toward the left-Labourite milieu. What remains of Workers Power is more inclined to politically adapt to whatever seems popular with low-level youth activists.

The Committee for a Workers' International (CWI), headed by Peter Taaffe's Socialist Party of England and Wales,

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HOOVER INSTITUTION, STANFORD UNIVERSITY

Leon Trotsky, Constantinople (Istanbul), 1929

has a long-established reformist view of the capitalist state reflected in solicitousness toward cops and prison guards (see *Marxism vs. 'Militant' Reformism*). In 1992, a sizable chunk of the group's cadre broke to the right when the Taaffe leadership turned away from deep entrism in the Labour Party. The dissident minority launched the International Marxist Tendency, whose affiliates are chiefly distinguished by their inclination to burrow into social-democratic (and bourgeois-populist) parties, and also by their uncritical adulation of Venezuela's bonapartist president, Hugo Chávez (see "Venezuela & the Left," 1917 No. 30).

Stagnation & Degeneration in the Anti-Pabloite Tradition

Tendencies that trace their origins to the International Committee (IC) wing of the historic 1951-53 split in the Fourth International are among the more credible contemporary claimants to Trotskyism. Despite important flaws, the IC upheld the necessity of a conscious Marxist leadership as a precondition for socialist revolution, and resisted the liquidationist course set by Michel Pablo and Ernest Mandel.

The U.S.-based Socialist Equality Party (SEP) headed by David North claims continuity with Gerry Healy's corrupt fragment of the IC. The SEP presents an impressive journalistic façade with an online daily publication on their World Socialist Web Site (WSWS). The quantity of the articles posted on the WSWS, and the fact that many are of a relatively high quality (even though the political edges are usually rounded off), gives the impression that the SEP is a considerably larger and more dynamic organization than it actually is. The fundamentally revisionist character of the Northites' worldview was evident in their support to the forces of counterrevolution in the Soviet bloc and their assertion that the Chinese deformed workers' state estab-

lished in 1949 has always been capitalist. Their refusal to defend workers' states against imperialism is paralleled by their claim that trade unions have become simple agencies of the capitalists. It seems reasonable to assume that the SEP's view of unions is linked to the role that North and other leading members play as proprietors and managers of a multi-million dollar printing company in Michigan (see "Being Determines Consciousness," 1917 No. 30).

The increasingly wobbly and irrelevant Spartacist League/U.S. (SL), mothership of the International Communist League (ICL), is chiefly significant for historical reasons—in the 1960s and 70s it was the organizational embodiment of the Trotskyist program. Today the SL's degeneration is so far advanced that many good young militants are simply repelled by the frequently strident and cultish public behavior of its members. Yet it retains a capacity for revolutionary posturing that continues to attract some serious youth, most of whom are soon burned out by life in the SL/ICL.

The group's highly-bureaucratized leadership, centered on founder/leader James Robertson, has frequently been stung by our criticisms (see *Whatever Happened to the Spartacist League?*). Their responses have tended to oscillate between attempts at political argument and vituperative denunciation. For an example of how we have dealt with the former, see "On Combating Religion & Social Backwardness," 1917 No. 27; regarding the latter, see *On the Logan Show Trial*.

It is unusual these days to see the Spartacists marching on demonstrations—they are more apt to merely walk alongside trying to flog their papers to passers-by. In formal programmatic terms, the SL/ICL has been developing in an idiosyncratic sectarian direction, adopting positions that are presumably intended as some sort of internal loyalty test for the membership. An outstanding example is the assertion that it somehow violates communist principle to demand the imprisonment of individual cops who gun down innocent civilians (see "On Jailing Killer Cops" elsewhere in this issue). Another example is Robertson's claim that Engels, Trotsky, James P. Cannon, etc. grievously erred by endorsing the tactic of standing revolutionary candidates in bourgeois elections for "executive offices" (see "Of Presidents & Principles," 1917 No. 30).

Many of our criticisms of the contemporary SL parallel those of the New York-based Internationalist Group (IG), and its League for the Fourth International, which, like the IBT, was founded by former Spartacists. The IG's central cadres, who were driven out of the SL in 1996, are people of unquestioned commitment who possess both a great deal of experience and enormous energy. However, they have consistently resisted seriously appraising their own history and the roots of the SL's degeneration, preferring instead to brush such questions aside. We have on several occasions suggested to the IG that refusing to candidly acknowledge past mistakes can lead to compounding them, or, at the very least, make it difficult for new recruits to assimilate the importance of programmatic clarity and historical continuity within the revolutionary movement. The SL's disgraceful attempt to sabotage the 1984 anti-apartheid boycott by dockers in San Francisco (see Jack Heyman's speech elsewhere in this issue) is the sort of question the IG will have to come to grips with if it is to play a constructive role in the process of building an

international Trotskyist current with enough social weight to affect the outcome of the major class battles looming on the horizon.

Crisis of Proletarian Leadership

Every historical period has produced its own particular assortment of centrists and renegades within the socialist movement, but, as several educational presentations at the conference demonstrated, revisionism has always derived from the same fundamental impulse: a lack of confidence in the revolutionary capacity of the working class. It frequently finds expression in attempts to take political shortcuts to gain mass influence. Bolshevism, by contrast, is rooted in the conviction that the proletariat has both the social power and the objective material interest to reconstruct society from the ground up.

The conference document emphasized the importance of our careful and patient work developing the political capacity of our younger members to defend and apply the historic program of Trotskyism:

"Prophecy is dangerous, and in the past we have prophesized neither leaps forward, nor back. But we have always nursed a reasonable hope for a leap forward—and it never actually came. And that is how things are today, too. Our work, in the next few years as in the past, is primarily for the maintenance of the revolutionary program, the gradual primitive accumulation and training of cadres and the slow, systematic establishment of ourselves as a pole of authentic revolutionary politics. But we also look for opportunities to make leaps forward, particularly for opportunities to recruit in more than ones and twos, through political struggle among leftward-moving groups, both in localities where we have branches and beyond."

The document pointed to several factors that suggest that the next period may present more opportunities than we have seen in the recent past:

"First, our competitors offer less and less competition. This very right-wing [devolution] (sometimes assisted by our own polemical clarifications) has seen a tendency for programmatic ambiguities in our opponents to be resolved in the direction of ever-deeper degeneracy.

"Second, we are, just slightly, a more effective organization. The patient, slow, careful work we have done, and the incrementally greater political weight and collective competence we have achieved, has made the chance of leaps forward somewhat greater in the future than it was in the past.

"Third, the passage of time since the two great shaping events of our time (the destruction of the Soviet Union and the American imperial 'War on Terror') has allowed some redevelopment of semi-conscious resistance to capitalist disorder and thereby [created] a generally more favorable environment for us.

"And fourth, there are some indications of upcoming economic fluctuations of an order that may translate into changing social conditions and changing patterns of plebeian resistance, and therefore better conditions for the selection, training and testing of revolutionaries...."

The May Day 2008 shutdown of American West Coast ports by dockworkers protesting the Iraq War—the first political strike against an imperialist adventure in U.S.

history—was a vivid demonstration of both the potential social power of organized labor and the vital importance of the "subjective factor" if it is to be wielded effectively. This "illegal" strike, prepared by decades of work by dedicated, politically-conscious militants, provides a positive example of how breakthroughs in the class struggle can be achieved. The dockers' courageous action will stand as an inspiration for a renewal of working-class struggle against the irrationality of a social system in terminal decline.

During the Great Depression of the 1930s, with inter-imperialist war drawing ever closer, Trotsky highlighted the centrality of revolutionary organization if humanity is to transcend capitalism:

"Without a socialist revolution, in the next historical period, at that—a catastrophe threatens the whole culture of mankind. The turn is now to the proletariat, i.e., chiefly to its revolutionary vanguard. The historical crisis of mankind is reduced to the crisis of the revolutionary leadership."

—*Transitional Program*

The stage is set for a wave of turbulent social upheavals around the globe. Harnessing the energy of those who suffer from the insanity of a system of production for private profit requires the construction of an international Leninist combat party through a process of splits and fusions within the "far left" and the massive expansion of Marxist influence among tens of millions of working people. The IBT looks forward to participating in the creation of a mass, revolutionary workers' party—a reformed Fourth International—based on the historic program of Bolshevik-Leninism. ■

The Death Agony of Capitalism and the Tasks of the Fourth International

LEON TROTSKY

THE TRANSITIONAL PROGRAM

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Marxism vs. Sectarian Idiocy

On Jailing Killer Cops

In the early hours of 1 January, Oscar Grant, a 22-year-old black man who had been out celebrating the New Year, was killed by a member of the Bay Area Rapid Transit (BART) police in Oakland, California. Cell phone footage of the murder revealed that Grant, who was unarmed and lying face-down on the ground, was shot in the back by Johannes Mehserle, a 27-year-old white cop.

While police initially refused to arrest Mehserle, the mass outrage following circulation of cell phone images of the execution made it impossible for state authorities to ignore the crime. On 13 January, Mehserle was arrested and subsequently released on bail. Prior to Mehserle's arrest, Oakland police viciously attacked a 7 January demonstration and arrested 100 of those protesting the racist killing of Grant.

While every leftist in the Bay Area supports the demand for immediately dropping all charges against the arrested protesters, the former Trotskyists of the Spartacist League (SL) apparently think that it is a mistake to call for jailing Mehserle. In a 12 January statement they wrote:

"At the Oakland protest [on 7 January], placards from the ANSWER coalition, led by the reformist Party for Socialism and Liberation, called to 'Jail Killer Cops!' In your dreams. The capitalist rulers are hardly going to jail their own police guard dogs. And, even if one cop were charged and imprisoned, it wouldn't stop police brutality and terror. The cops serve, together with the military and the prisons, as the core of a state whose purpose is the repression of the working class and oppressed by any means necessary."

—*Workers Vanguard*, 16 January

It is quite true that jailing Mehserle "wouldn't stop police brutality and terror." But that is no reason not to demand that he spend the rest of his miserable life behind bars.

Grant's murder provides a graphic reminder that Barack Obama's ascent to the presidency has not changed the fact that American "free enterprise" has its roots in slavery and brutal racial oppression. Marxism teaches that the entire capitalist "justice" system, from cops to courts to jails, "serves and protects" a social system predicated on exploitation and inequality. Racism is inextricably woven into the fabric of American capitalism—it always has been and always will be. This is why revolutionaries, while opposing all concrete manifestations of racial oppression, do not promote the illusion that capitalism can somehow be purged of racism. Our program calls for *Black Liberation Through Socialist Revolution!*

Advocacy of a revolutionary solution to social oppression does not, however, mean that Marxists are not also prepared to advance certain concrete, usually negative, demands on bourgeois authority. An obvious example is the call to drop legal proceedings against those who were arrested on 7 January while protesting this hideous crime. It is equally necessary to demand, not only that Mehserle's bail be revoked, but that this racist killer be jailed for life.

This is not the first time that this issue has come up.

The SL raised exactly the same criticism after New York City police gunned down Amadou Diallo, a young black immigrant, in February 1999. We responded as follows in a statement on the acquittal of the four killer cops:

"Of course a murder conviction for these killer cops would not have ended police brutality nor resurrected Diallo. But whenever a few cops can be held accountable for a few of their crimes it is a small victory for their victims and a small setback for the proponents of the racist 'shoot first, ask questions later' style of 'crime-fighting' pushed by [New York Mayor Rudy] Giuliani and his ilk. Conversely, the fact that Diallo's killers were acquitted only encourages further abuses. This month NYPD hit squads have gunned down another two unarmed black men: Malcolm Ferguson on 1 March and Patrick Dorismond on 16 March.

"Revolutionaries support demands to jail individual cops guilty of murder, while combating illusions in the possibility of reforming the police. The once-Trotskyist Spartacist League (SL), which historically took such an approach, has recently changed its tune:

"The main slogan raised by the WWP [Workers World Party] on February 26 was 'Jail the Killer Cops!' while the ISO [International Socialist Organization] chimed in with the call, 'Jail the Racist Thugs in Blue.' This appeal to the capitalist rulers to chastise their racist killers for doing their job reflects the view of the ISO/WWP opportunists that the capitalist state can be pressured to serve the interests of the workers and minorities."

—*Workers Vanguard*, 10 March [2000]

"While the SL stops short of chastising itself for having raised similar demands in the past, we note that this new 'leftist' posturing parallels other recent line changes, including rejection of both the general strike demand and the united front.

"If calling for jailing killer cops only creates illusions in the capitalist state, one might imagine that this would also be true of demands for freeing Mumia Abu-Jamal or abolishing the racist death penalty. Yet *Workers Vanguard* reprints a March 1st letter from the SL's legal arm to U.S. Attorney General Janet Reno and San Francisco DA Terence Hallinan raising both of these. Go figure."

—reprinted in 1917, No. 22, 2000

While the SL leaders did not respond to our criticism, we note that they have not repudiated either the call to free Mumia Abu-Jamal or the demand for the abolition of the racist death penalty. It is not clear to us whether the ostentatiously sectarian impulse evident in opposing the call to jail killer cops—an impulse increasingly, if inconsistently, exhibited by the Spartacists in relation to a variety of other issues (see, for example, "Of Presidents & Principles," 1917, No. 30, 2008)—is motivated by a desire to flaunt the "uniquely correct" insights of their peerless leader, James M. Robertson, or is merely an attempt to give their growing abstentionism a suitably "programmatic" cover. Whatever the motivation, it is just plain wrong. ■

Crisis...

continued from page 48

most dynamic of these so-called “emerging economies”—has seen its annual growth rate fall from 12 to 8.9 percent, and this is expected to drop below 7 percent in 2009. While robust by global standards, such a level of growth is insufficient to absorb the 24 million people who enter China’s labor market each year. With official unemployment already over 70 million, declining growth rates in China will lead to a major spike in the number of people out of work and to wrenching economic dislocations.

A broad consensus has emerged that all signs point to the global economy spiraling downward into a very severe, and lengthy, recession—or depression. But sharp disagreements exist over both the causes of the crisis and the solution to it.

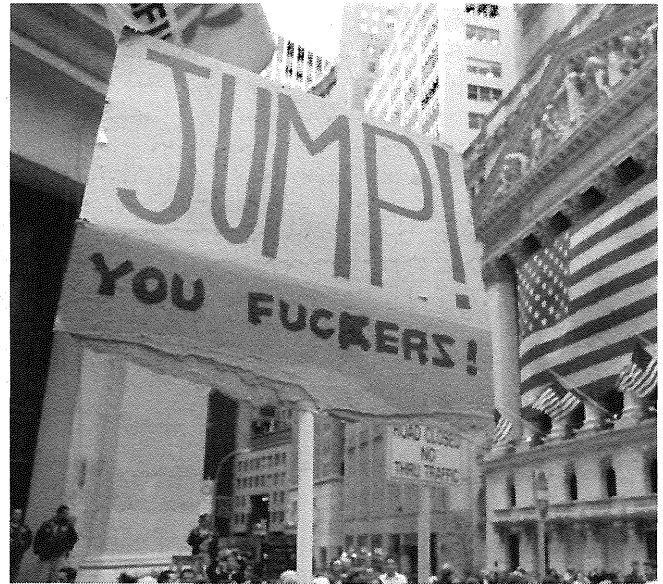
Those intent on “Saving the System”—the headline of the 11 October issue of *The Economist*—insist that there is “no alternative” to global capitalism, and are already seeking to convince the chief victims of the economic crisis—working people and the poor—that they must make major sacrifices to help restore the system’s health. The ideological guardians of the status quo are already putting forward various accounts that absolve the capitalist system itself of responsibility. Some focus on the greed and short-sightedness of the Wall Street financial elite and the failure of various government agencies to adequately regulate the markets. More sophisticated apologists for capitalism are blaming the excesses of “neoliberal ideology” and urging a retreat from “free market fundamentalism.” Some go so far as to advocate a social-democratic “mixed economy” with a significantly expanded public sector.

At the other end of the “mainstream” spectrum, right-wing elements are, as usual, blaming the working class and the socially marginalized. According to these victim-bashers, the deflation in housing prices that precipitated the recent financial crisis was triggered by “irresponsible” poor people who took advantage of sub-prime mortgage rates several years ago and subsequently defaulted on their mortgages when rates went up. So far this explanation hasn’t found much resonance, however, as “greed” (and “reckless irresponsibility”) has become exclusively associated with the capitalist class and especially its financial aristocracy.

Productivity, Value and Capitalist Crisis

One of the pivotal moments of the recent American presidential election campaign occurred on 15 September when Republican candidate John McCain made the patently ridiculous assertion that “the fundamentals of our economy are strong.” In response to criticism from Barack Obama, McCain indignantly pointed to the high productivity of American workers: “Our workers are the most innovative, the hardest working, the best skilled, most productive, most competitive in the world.”

Now, as unlikely as it may seem, McCain’s observation is actually a useful starting point for developing an interpretation of the current crisis that counters *The Economist’s* call to “save the system.” For if one thing is clear in the present situation, it is that *the working class* can’t be blamed



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Anti-bailout demonstration in front of NY Stock Exchange

for this crisis. On the contrary, worker productivity is at an all-time high and wages have lagged behind productivity growth for a whole generation. Since the 1970s, labor has lost considerable ground in what has been a pretty one-sided class war. Capital has had its way, and yet, *despite that*, capital has still found a way to shoot itself in the foot—and rather badly at that. With Soviet-style “communism” out of the way, with unions decimated and lacking in strategic vision, with the “welfare state” a receding memory, and with most of the world’s masses evidently resigned to the inevitability of “free-market economics,” capitalism is nevertheless now facing what some mainstream economists are calling its worst crisis in a century.

Socialists have a responsibility to “say what is”: the crisis unfolding before our eyes confirms yet again that capitalism has reached its “historical limits.” This moribund, irrational and inhuman system must be superseded, in Karl Marx’s words, by a “higher state of social production”—a rationally planned, collectivized global economy under the democratic administration of those who labor.

Let me expand a bit on why McCain’s observation is a useful starting point for a Marxist-socialist perspective on the economic crisis and the current predicament of world capitalism. In my 1994 book, *Invisible Leviathan*, I pointed out that at the very heart of Marx’s critique of capitalism is the proposition that an immanent contradiction exists between the drive of capitalist firms to increase productivity and the imperative of the capitalist mode of production to measure wealth in terms of labor-time. According to Marx, the sole source of “new value” (including the profits of the capitalist class) is the living labor expended in capitalist production, and this new value constitutes a definite magnitude that limits prices, profits and wages. Now if Marx was right, and I believe he was, money is the necessary form of appearance of abstract social labor—the “social substance” of capitalist “value.” If he was right, money profit results from the exploitation of wage labor in capitalist production—the appropriation of workers’ surplus labor and its conversion into surplus value. If he was right, it follows that the displacement of living labor



AFP—GETTY

Manila, July 2008: Rising food prices threaten world's poor

from production—through increased investment in labor-saving machinery and technology—must tend to undercut the profitability of the system as a whole: its ability to produce “social surplus value” in magnitudes large enough to sustain the average rate of profit. Thus, improved labor productivity, insofar as it results from labor-saving innovation, may actually *lower* the average rate of profit, which is the decisive regulator of investment and growth in a capitalist economy. As Marx put it, “The progressive tendency for the general rate of profit to fall is...simply the expression, peculiar to the capitalist mode of production, of the progressive development of the social productivity of labor” (*Capital*, Volume III).

The fundamental point is that capitalism is a system geared not toward the maximization of “material wealth in general” but toward the maximization of wealth in the socially-antagonistic form of *private profit*—the profits of capitalists who own and control the major means of production, distribution and exchange. This explains the characteristic form of capitalist crisis, “overproduction.” Capitalism enters into periodic crisis not because too few goods are being produced, but because *too much* is produced in the *socially antagonistic form* of commodities intended for sale at a profit. *Too many commodities are produced in relation to the effective, money-backed demand that exists for them.* What’s more, capitalism enters into crisis not because of declining productivity growth (although this can certainly affect the relative fortunes of competing capitalist firms and even national economies), but because

not enough surplus value is being produced and subsequently realized in money-form across an increasingly globalized capitalist economy. And not enough surplus value is being produced because, with the introduction of ever more productive technology, the relative contribution of living labor as a “technical-natural input” into the production process diminishes, even though living, exploitable labor remains the sole source of all new value within the economy as a whole.

So where did McCain go wrong? McCain implied that a high level of labor productivity should mean that the “economic fundamentals” are sound. But this presupposes the existence of a rationally ordered economic system. The problem is that capitalism is not rational in this sense. On the contrary, capitalism is under the domination of historically specific laws—the law of value and the law of the tendency of the rate of profit to fall—which involve a growing structural contradiction between the development of the productive forces and the reproduction of capitalist social relations. These laws inform and give expression to the growing incompatibility between the “technical-natural” and “social” dimensions of capitalism. Without grasping them, it’s impossible to understand how real progress in labor productivity—based on labor-saving technical innovation—can result in the kind of mess global capitalism finds itself in at the moment. These laws are the key to understanding how the application of natural-scientific rationality in production, spurred on by the competition of individual firms, creates the “macro” social irrational-

ity of wasted capacity, wasted labor-power and wasted opportunities for human development—as well as a vast and growing mass of human misery.

Production, Finance and the Falling Rate of Profit

What does all this talk about capitalist “production” have to do with the current financial crisis? Certainly the most *immediate* “causes” of the crisis lie in the frenzied and short-sighted efforts of investment bankers to realize profits through more-or-less speculative transactions in *the sphere of exchange*—above all, through the sale, slicing up, repackaging and reselling of “toxic” mortgages. It’s also true that the puncturing of “bubbles” (in particular the housing bubble) associated with the growth of highly dubious forms of “fictitious capital” has sent shock waves through the financial system. But I want to argue that the ground for these financial bubbles and the associated feeding frenzy was prepared by an economic malaise that extends back to the 1970s. The spectacular rise of fictitious capital (relative to “productive capital”) over the past three decades was not an accident. Rather an adequate account of the long-term “financialization of the economy” must focus on *the tendency of the rate of profit to fall* as a result of changes in the capitalist process of *production*.

Let’s consider a couple of observations from Marx’s *Capital*. Marx observed that the corporate capitalism emerging in his own time (in the form of the “joint-stock company”) would produce a “financial aristocracy, a new kind of parasite in the guise of company promoters, speculators and merely nominal directors; an entire system of swindling and cheating with respect to the promotion of companies, issue of shares and share dealing” (*Capital*, Volume III). Elsewhere he wrote: “[To the possessor of money capital] the process of production appears merely as an unavoidable intermediate link, as a necessary evil for the sake of money-making. All nations with a capitalist mode of production are therefore seized periodically by a feverish attempt to make money *without the intervention of the process of production*” (*Capital*, Volume II, emphasis added).

To understand the significance of such “feverish” behavior, one needs to consider how the pre-conditions for it develop, which in turn requires a *concrete* analysis of how the immanent contradictions of capitalism find expression and unfold in particular historical contexts. The current financial crisis is the outcome of a decades-long effort on the part of the capitalist class, in the U.S. and elsewhere, to arrest and reverse the decline in the average rate of profit that occurred between the 1950s and the 1970s. It is the cumulative and complex result of a series of responses by the capitalist class to an economic malaise that can be traced to the persistent profitability problems of *productive capital*—the form of capital associated with what is sometimes called “the real economy.”

Virtually all radical political economists agree that the current debacle has roots in the profitability crisis of the 1970s. In response to that crisis, manifested throughout the advanced capitalist world in falling rates of profit as well as in “stagflation” (high inflation rates combined with slow growth), the capitalist class abandoned the “capital-labor accord” negotiated in the late 1940s and 1950s. Rendered economically feasible by the high profit rates of the immediate post-war period and prompted by the politico-ideological exigencies of the Cold War (especially

the necessity to block the emergence of powerful left-wing forces in Western labor movements), this “class compromise” delivered rising real wages, low unemployment and expanded social programs for over 20 years. With the advent of the profitability crisis of the 1970s the capitalist class felt compelled to undo much of this. The inflation that fuelled high levels of class struggle in the 1970s was defeated through wage controls and/or high interest rate policies under successive post-Keynesian and monetarist regimes. The recession of the early 1980s and cutbacks in social welfare provision replenished the “reserve army” of the unemployed and placed downward pressure on real wage growth. Trade liberalization and the turn toward “lean production” and “flexible labor markets” further weakened nationally-based labor movements. Taken together, these measures—often referred to as “neoliberalism”—*stemmed* the fall in the rate of profit in the leading capitalist countries but failed to restore the much higher rates of profit enjoyed by capital in the earlier post-war period. The average profit rate stabilized in a comparatively low range. More draconian anti-labor measures might have been tried to restore profitability to higher levels, but such measures would have carried considerable political and ideological risks—particularly during the 1980s, when the capitalist West was facing down a weakening but still formidable Soviet adversary.

This was the background to the long ascendancy of the rate of profit in the U.S. financial sector relative to that of manufacturing. In the early 1980s, the financial sector accounted for only about 10 percent of total profits; by 2007, this figure had risen to 40 percent. From the 1950s to the 1970s, the ratio of financial assets to GDP averaged approximately 4 to 1; by 2007 it had risen to roughly 10 to 1. In 1980, world financial assets (bank deposits, securities and shareholdings) amounted to 119 percent of global production; by 2007 that figure had risen to 356 percent.

Following the capitalist offensive against labor in the 1970s and early 1980s, crises of overproduction were avoided or attenuated (as in 1991-92 and 2001-02) through an enormous expansion of credit. While real wages stagnated or declined, American workers were encouraged to maintain “effective demand” by going ever deeper into debt. Between 1988 and 2007, credit card debt mushroomed from 168 percent of GDP to 350 percent. Meanwhile, the average real income of the bottom 90 percent of American taxpayers declined by more than 7 percent between 1973 and 2000. Ronald Reagan’s massive increase in military spending during the 1980s, which primed the demand pump, ran up U.S. debt to unprecedented levels. Throughout the 1990s, the U.S. national debt continued to steadily expand, before exploding under George W. Bush. It now stands at about \$11 trillion in a \$14 trillion (GDP) economy (see Table 2).

Table 2: *The Growth of U.S. Debt (in constant 2007 dollars) 1945-2008*

1945	1950	1990	2000	2008
\$3 trillion	\$2 trillion	\$5 trillion	\$7 trillion	\$11 trillion

What is most striking about the last 30 years is the persistently lackluster performance of *productive capital* operating in the “real economy”—the form of capital that, according to Marx, is the sole source of all “new value”

and thus of all “real wealth” in capitalist terms. (Surplus value must be *produced* before it can be shared with financial and commercial capitals.) Since the 1970s the ruling elites have been successful both in massively redistributing wealth in their own favor and in ratcheting up the rate of exploitation of wage labor, but the rate of growth of the world capitalist economy has been declining, and there have been numerous indications of long-term malaise (see Tables 3 and 4).

Table 3: Indicators of Economic Malaise, G-7 Nations, 1950-93

PRIVATE BUSINESS INDICATORS	1950-1973	1973-1993
Average annual growth rate of output	4.5%	2.2%
Average annual growth of labor productivity	3.6%	1.3%
Average unemployment rate	3.1%	6.2%

Source: Robert Brenner, “The Economics of Global Turbulence,” *New Left Review*, No. 229, 1998, p. 5

Table 4: Average Growth Rates of World Capitalist Economy, 1960-2004

1960s	1970s	1980s	1990s	2000-2004
4.90%	3.93%	2.95%	2.70%	2.76%

Source: World Bank

Apologists for the capitalist system have a hard time responding to the bleak picture I’ve just sketched. Even so, while leftist critics of capitalism, and even many mainstream economists, have identified the profitability crisis of the 1970s as a vital factor in shaping subsequent economic trends, controversy abounds as to whether Marx’s theory provides a satisfactory explanation of its origins. Does our recent history confirm Marx’s claim that “the real barrier to capitalist production is capital itself”?

Marx’s Law of the Falling Tendency of the Rate of Profit

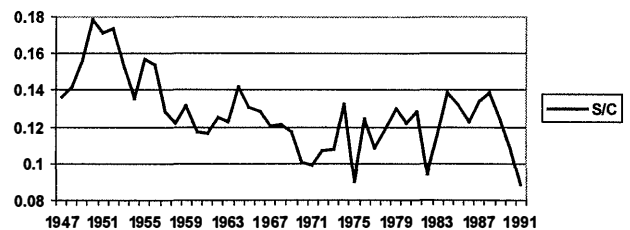
For many years, the favored explanation for the profitability crisis among radical political economists was the “wage-push/profit-squeeze” or “rising strength of labor” account. According to this approach, the profit share of national income declined because real wages rose faster than the rate of productivity growth—a view shared by most mainstream economists as well. The element of truth in this explanation was that over a considerable period of time an increasing share of the aggregate wage bill went to wage and salary earners who were not directly involved in the production of commodities, and “total wages and salaries” as a percentage of national income rose relative to the profit share. As workers were displaced from production due to technological innovations in manufacturing, mining and construction, they found new jobs in the commercial or financial sectors as well as in non-profit state or para-state agencies (the civil service, education, etc.). While the labor performed by these workers was “socially necessary” from the standpoint of capital, it wasn’t *directly productive* of commodities embodying surplus value—and

it therefore constituted “unproductive labor” in Marx’s terms. This growth of “socially necessary unproductive labor” was a *supplementary* cause of the post-war fall in the rate of profit in the advanced capitalist world, but it was by no means the only or even the primary cause.

There is strong evidence, particularly for the U.S. economy, that the growth of real wages for productive workers did not outstrip productivity growth in the post-war period leading up to the profitability crisis of the 1970s. Convincing empirical studies by the Marxist economist Anwar Shaikh have established that the fall in the average rate of profit in the U.S. economy was significantly correlated with an increase in what Marx called the “organic composition of capital”—the ratio of “dead” to living labor in production.¹ Independent studies by Fred Moseley complement Shaikh’s findings, while also emphasizing the role of a rising ratio of unproductive to productive labor in the overall fall in the average rate of profit.²

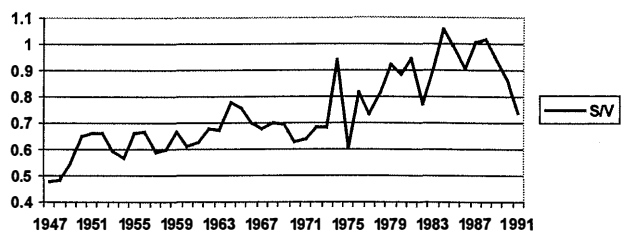
Over a decade ago, I tested Marx’s theory of the falling rate of profit in regard to the evolution of the Canadian economy between 1947 and 1991. This analysis, co-authored by K. W. Taylor, was originally published in the journal *Studies in Political Economy* (Spring 1996, No. 49) and later summarized in my article, “The Necessity of Value Theory,” published in *Historical Materialism* (1999, No. 4). The first major finding of the study was that between 1947 and 1975 the average rate of profit on capital investment exhibited a long-term declining trend—a well-established and uncontroversial fact (see Chart 1).

Chart 1: The Average Rate of Profit (Ratio of the Aggregate Surplus-Value Flow to the Value of the Fixed Constant Capital Stock: S/C), Canada 1947-1991



The second major finding of our study was that, as the rate of profit was declining, the rate of surplus value (that is, the rate of exploitation of *productive* workers) showed a long-term upward trend (see Chart 2).

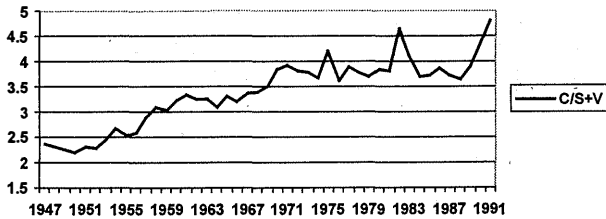
Chart 2: The Rate of Surplus Value (Ratio of Aggregate Surplus-value Flow to Variable Capital Flow: S/V), Canada 1947-1991



But the most interesting finding of our study was that the organic composition of capital (the ratio of capital values invested in machinery, raw materials and other physi-

cal assets to the total new value created by living labor) displayed a very sharp upward trend during the same period (see Chart 3).

Chart 3: The Organic Composition of Capital (Ratio of Value of Fixed Constant Capital Stock to the Sum of Surplus-Value and Variable Capital Flows: $C/S+V$), Canada 1947-1991

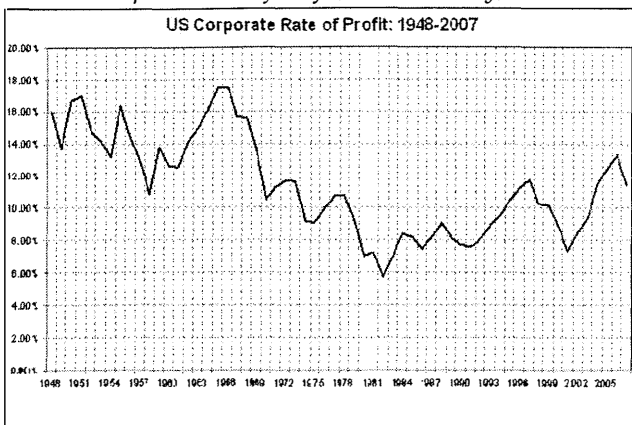


From the mid-1970s to the recession of the early 1990s, the trend line for the average rate of profit flattens out, while the rate of surplus value increases dramatically and the organic composition of capital levels off. This analysis accords well with well-established facts about the response of capital and the state to the economic crisis (stagflation) of the 1970s: to limit wage growth, to curtail the strength of the labor movement, to improve productivity by intensifying the labor process and lengthening the working day, to cut back on social programs and to reduce corporate taxes, all with a view to restoring conditions of profitability.³

The empirical findings of our study lend strong support to the proposition that the profitability crisis of the 1970s in Canada (which paralleled that of the U.S.) resulted from the displacement of living labor from production and its replacement by labor-saving technologies, a process encouraged both by competitive cost-cutting and capital-labor antagonism. Marx's projections regarding the long-term dynamics of capital accumulation are thus fully consistent with the actual performance of the Canadian economy in the mid-twentieth century.

The overall conclusion emerging from this brief survey is that Marx's law of the tendency of the rate of profit to fall holds up remarkably well in light of the empirically verifiable performances of the Canadian, U.S. and world economies over the course of the second half of the twentieth century. With this in mind, let's return to what has been called "ground zero" of the current economic crisis: the U.S. economy. Chart 4 traces the evolution of the "corporate rate of profit" in the U.S. from 1948 to 2007

Chart 4: Corporate Rate of Profit, U.S. Economy, 1948-2007



March 2009: Los Angeles teachers protest layoffs

One of the interesting things about this chart is the overall upward movement in the rate of profit from about 1991-92 to 2006-07. Clearly, the profit rate wasn't restored to the levels that prevailed between 1948 and 1968, but it showed some promise of overcoming the "malaise" of the late 1960s to the early 1990s. Much of this is attributable to the above average returns of the financial sector both in the late 1990s and after the 2001 recession. But consider what needs to be said about the U.S. economy after that recession: manufacturing continued its decline while the role of the "housing bubble" in fueling growth became crucial. Indeed, between 2002 and 2007, about half of the growth of U.S. GDP was housing-driven (new home construction, home renovation and financial activity associated with the high-flying real estate market). The result was *overproduction* in the housing sector—a glut of "overvalued" homes for which there turned out to be insufficient "effective" demand. The ensuing wave of mortgage foreclosures precipitated a sharp decline in housing prices and set off the present financial crisis. The bursting of the bubble that sustained the relatively high profits of recent years will undoubtedly mark the end of the longer-term upward trend in corporate profitability.

Where Are We Headed?

To date, the responses of capitalist governments to the crisis have included:

a) Floating the idea of a federal-government buyout of toxic financial "assets" held by U.S. banks—a gambit doomed to failure not only because they are widely diffused but also because they represent liabilities that exceed the value of the approved bailout package by a few trillion dollars.

b) Effectively nationalizing and partially recapitalizing some of the worst-hit European and American financial institutions using borrowed money. While this might temporarily stabilize the banking system, it does nothing to address the underlying problem of the toxic assets.



AFP—GETTY

Icelanders demonstrate against government, 29 November 2008, Reykjavik

c) Promising a collective effort by the G-20 countries to stimulate employment and demand through a boost in government spending.

Where the money for such initiatives will come from remains a mystery. Most banks are illiquid, with many of the ostensible assets on their balance sheets exposed as uncollectable liabilities. Western governments have few significant currency reserves. China and Japan have substantial foreign currency reserves, but are likely to use them for domestic purposes. The Arab oil states are still swimming in money capital, but it's unclear why they would choose to lend it out at low interest rates rather than use it to acquire some of the steeply discounted corporate assets now becoming available.

In the capitalist West, consumer credit cards are maxing out, and delinquency is on the rise. The financial system hasn't been fixed: it's just been put in different (and fewer) hands. Even if central banks can find some way of injecting liquidity into the system (by printing money for example), it seems very unlikely that the relatively small stimulus packages now being implemented will be able to kick-start the world economy. Past consumption has borrowed heavily against future demand; in Britain and North America consumers are deep in debt and the credit system that made it all possible is several trillion dollars in the red. The tsunami of layoffs and bankruptcies that has begun will soon send the G-20 economies into a tailspin. With declining tax revenues and the credit system in shambles, governments are going to have a hard time financing existing levels of expenditure—much less launch the major “public works” programs proposed by starry-eyed reformists who are praying that Barack Obama is the

second coming of Franklin Delano Roosevelt.

In short, it's hard to see where the U.S. and the other advanced capitalist economies will find the means for renewed profitable growth. The depth of the crisis and massive existing government debt make a “Keynesian fix” highly improbable. The last time there was a crisis of this magnitude the profit system was only returned to “health” through the combined effects of a massive devaluation of assets (the Great Depression) and the *physical destruction* of capital stock during the Second World War. Contrary to liberal opinion, it was the cataclysm of global war, not FDR's “New Deal,” that pulled America out of the 1930s depression and created the conditions for the robust capital accumulation of the post-war era.

On that somber note, let me finish with a few general remarks regarding the *political* consequences of the current crisis.

This crisis lays bare the fundamental irrationality of capitalism, confirming Marx's observations concerning the tendency of the rate of profit to fall:

“Beyond a certain point, the development of the powers of production becomes a barrier for capital; hence the capital relation a barrier for the development of the productive powers of labor....The growing incompatibility between the productive development of society and its hitherto existing relations of production expresses itself in bitter contradictions, crises, spasms. The violent destruction of capital not by relations external to it, but rather as a condition of its self-preservation, is the most striking form in which advice is given to it to be gone and to give room to a higher state of social production.”

—*Grundrisse*, 1857

But as Marx knew well, capital is a *social relation*, not a thinking entity, and it therefore cannot take such “advice.” What’s more, the human beings who seek to perpetuate this social relation (above all, the capitalist class) will never accept it. The outcome of the growing contradiction between the “technical-natural” and the “social” imperatives of capitalist production will not depend on the unfolding of immutable historical laws but on the response of conscious human beings to the systemic irrationality manifested by this contradiction. In other words, it will depend on a competition of “programs” and a struggle of social classes.

The agents of capital—its main beneficiaries—will do everything possible to “save the system,” regardless of the terrible human costs involved. They will seek to win support for their program from working people and the middle classes, partly through bribery, intimidation and blackmail; partly through the promotion of reformist illusions and partly through the exploitation of irrational and backward prejudices: racism, xenophobia and, above all, nationalism. But the working-class majority is not predestined to swallow the poison offered up by the proponents of “saving the system”—a program that could ultimately lead to thermonuclear Armageddon.

If enough people who understand the “limits” of capitalism devote their energies to building a serious socialist movement, the current crisis can be turned into an opportunity of historic proportions. Seizing this opportunity requires much more than making a moral critique of the depredations and iniquities of capitalism, and more than elaborating an abstract case for socialism. What is objectively necessary is an organized socialist vanguard that is rooted in the most politically advanced layers of the working class—among those who recognize that there is nothing inevitable about capitalist rule and who are prepared to fight for the reconstruction of society as a socialist

democracy of “the associated producers.” To be capable of successfully challenging capitalism, such a socialist workers’ movement would need to be built as a “tribune” of the oppressed—as a champion of the special needs and interests of racial minorities, women, immigrants and all the other victims of the social irrationality engendered by global capitalism.

The looming catastrophe, which threatens to destroy the lives of tens of millions of people, starkly illuminates the necessity of forging a new, class-struggle leadership for the labor movement. Such a leadership would campaign for workers’ control of production and fight for a sliding scale of wages and hours to defend living standards and combat layoffs. A struggle for these demands would help mobilize the masses for the conquest of power and the wholesale expropriation of the means of production, communication and transportation, as well as the banks and other financial institutions. A successful mass struggle against capitalist tyranny would culminate in the creation of a government of workers’ councils to democratically administer an egalitarian, rationally-planned collectivized economy.

The time has come for a revival of Marx’s *scientific socialism*. The time has come for a class-struggle, socialist program that appeals boldly to working people’s own most fundamental *interests*. Furthermore, the time has come for a socialist message that declares loudly and clearly that our species can no longer afford an economic system based on class exploitation—a system whose social relations imperiously necessitate the outmoded measurement of wealth in terms of “abstract social labor” and that must, as a consequence, deny humanity the full benefits of scientific rationality while plunging us recurrently into economic depression and war.

The time has come for this great humanity to say: *Enough!* ■

Endnotes

1 Anwar Shaikh, 1989. *The Current Economic Crisis: Causes and Implications*, available at: <http://homepage.newschool.edu/~AShaikh/The%20current%20economic%20crisis.pdf>. See also A. Shaikh and A. Tonak, *Measuring the Wealth of Nations: The Political Economy of National Accounts*, Cambridge University Press, 1994.

2 Fred Moseley, *The Falling Rate of Profit in the Postwar United States Economy*, London: Macmillan, 1991.

3 A caveat must be introduced at this point. These findings were based on a particular specification of the value categories comprising “gross output” in Marx’s theory (constant capital + variable capital + surplus value = total value). The most controversial question in measuring these value categories is how to allocate the wage-bill of socially necessary but unproductive workers. We decided to treat this wage bill as a special form of *constant capital*: more precisely, as an element of the *flow* of constant capital—that is to say, as a *special cost* of the reproduction of the “social capital” as a whole. Very briefly, the costs of employing this type of labor were viewed as analogous to the costs associated with maintaining and replenishing the stocks of fixed and circulating constant capital in produc-

tion, inasmuch as both types of costs involve a transfer of *previously existing values* to the total value of output. If the wages of unproductive workers are added to the wage bill of the productive labor force and thereby treated as “variable capital” (the productive-labor “input” that yields “new value”), the empirical results are much less supportive of Marx’s theory. Not only do they reflect theoretical presuppositions at odds with Marx (the presumed irrelevance of the distinction between productive and unproductive labor); they are also much harder to reconcile with many well-established facts about the “real history” of the Canadian economy over the post-war period. For a theoretical defense of the constant-capital specification of unproductive labor, see Murray E.G. Smith, *Invisible Leviathan: The Marxist Critique of Market Despotism beyond Postmodernism*, University of Toronto Press, 1994; and Smith, “Productivity, Valorization and Crisis: Socially Necessary Unproductive Labor in Contemporary Capitalism” (*Science & Society*, Fall 1993).

4 Reproduced from: <http://marxsite.com/Charles%20Post%20crisis%20theory.html>. Sources: BEA, Corporate Profits, NIPA Table 1.13, line 7; Corporate Current Cost Capital Stock, Fixed Assets Table 4.1, line 13 (Corporate Non-residential) plus Table 5.1, line 3 (Corporate Residential).

A Marxist Analysis of the Global Downturn

Capitalism in Crisis



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Detroit, Michigan—Destitute victims of capitalist irrationality line up for handouts

The following is an edited version of a public lecture delivered by Murray E. G. Smith at Brock University in St. Catharines, Ontario on 12 November 2008.

Evidence is accumulating rapidly that the current financial panic, converging with a more general downturn in the global capitalist economy, has produced the worst economic crisis since the 1930s. The U.S. government's recent \$700 billion bailout has guaranteed lavish bonus packages for Wall Street executives and provided funds for a new round of buyouts and concentration of financial capital, but it has done little to alleviate the credit squeeze that has paralyzed new business investment and dampened consumer spending, generating a wave of layoffs and bankruptcies in financial, manufacturing and commercial sectors. With or without a so-called "rescue package" from Washington it's probable that at least 50,000 autoworkers will soon lose their jobs in the wake of anticipated mergers, "restructuring" and possible bankruptcies of General Motors, Chrysler and Ford. Stock markets in North America and overseas have already lost some 30 percent of their

ostensible value due to declining corporate profitability, tightening credit markets and shattered "confidence." Ukraine, Hungary and Iceland have obtained major loans from the International Monetary Fund (IMF) to avoid bankruptcy, while the economies of most developed countries have begun to contract. The IMF has forecast that the gross output of the world's most advanced economies will shrink by at least 2.0 percent in 2009—the first such contraction since 1945 (see Table 1).

Table 1: IMF Projected Growth Rates for 2009—Selected Economies

U.S.	Japan	U.K.	Eurozone	Canada	Developing	World
-1.6%	-2.6%	-2.8%	-2.0%	-1.2%	+3.3%	+0.5%

According to the IMF, growth in the volume of international trade has fallen from 7.2 percent in 2007 to 4.1 percent in 2008 and is likely to decline to -2.8 percent in 2009—a harbinger of much slower growth for the recently booming economies of South and East Asia. China—the

continued on page 41