

permanentrevolution

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From the editors

Our autumn journal not surprisingly deals with the ongoing financial crisis and its implications for the British and world economy. Our lead article looks at Britain, while we interview Costas Lapavistas on the financial crisis and its implications for Marxist theory. Two reviews continue the analysis, one a polemic with our former comrades in the LFI who dismiss the idea of long waves in capitalism.

A major article looks at the new leadership in Cuba and the direction in which the country is travelling – we think towards the market. Two other articles on Latin America look at the political crisis in Bolivia and developments in Chile under Bachelet.

Other pieces give an impression of the new working class in China and the history of the US working class. Trying to explain why the USA has never built a workers' party is very relevant in a US election year where the voters again are faced with a choice between two bourgeois parties.

Our Editorial and Feedback sections address the thorny question of "left unity", following a period of failures to hold together left electoral fronts and parties, in England and Scotland. It does it in the context of reporting on the growing discontent and struggles against Labour's wage freeze.

If you find our journal stimulating, sympathise with its arguments and ideas, why not get in touch and help us? We are not just a journal but an organisation fighting to change society. Maybe you can too.

The Editors

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A quarterly review of revolutionary politics and theory

Co-Editors

Clare Heath, Keith Harvey and Stuart King

Editorial team this issue

Bill Jefferies and Dave Esterson

Production Editor

John Dennis

Production team

Linda Wilde and Dave Gay

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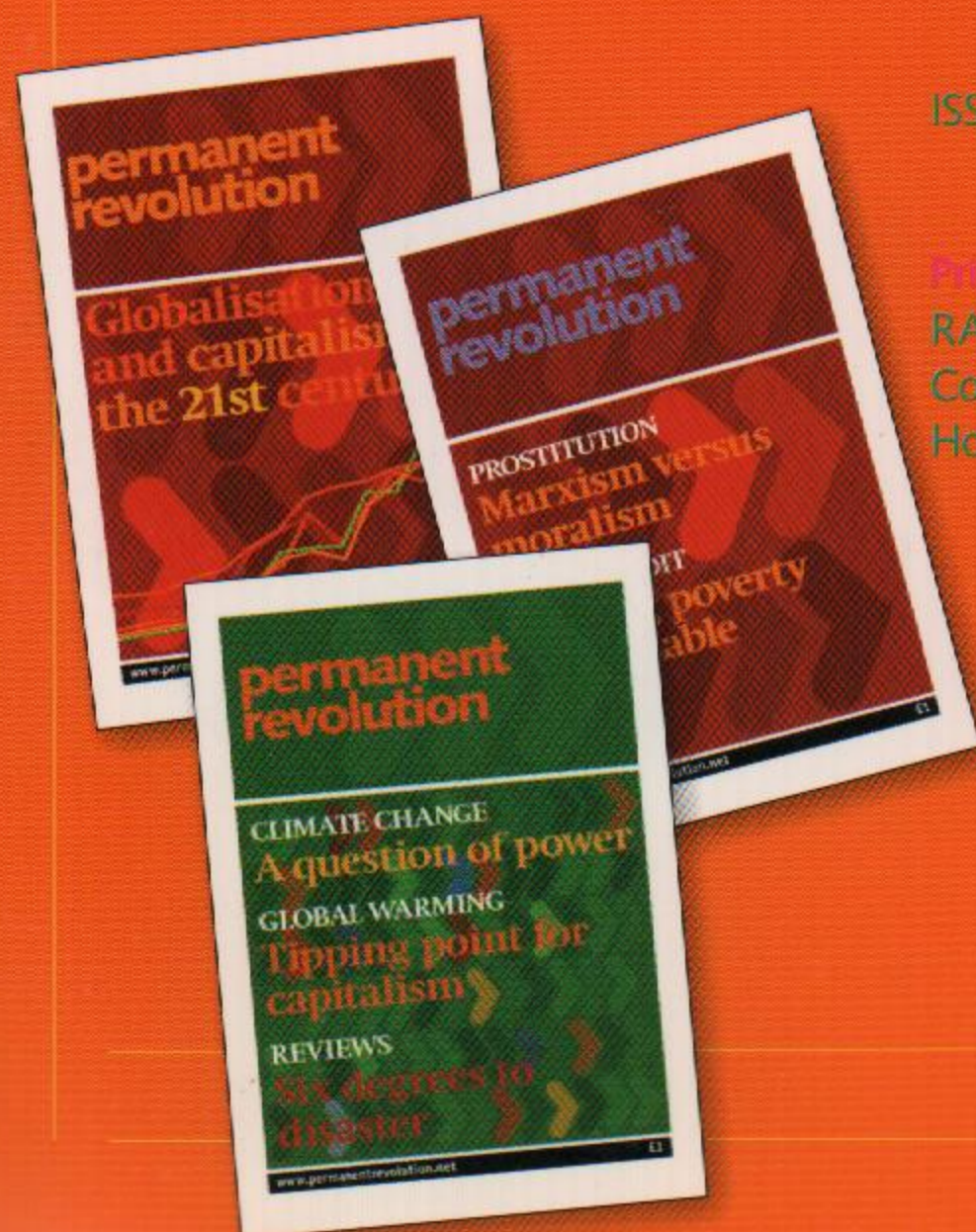
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Convention of the Left

THE LAST 10 years offered plenty of opportunities for the socialist left to make a significant step forward. The brutality of globalisation, the betrayals by New Labour, the war on Iraq and Afghanistan and now the economic turmoil of the credit crunch have led to anger and organised protest. The anti-capitalist protests brought many thousands on to the streets, the anti-war movement mobilised millions.

Yet under these favourable conditions the left in Britain has shrunk. It is divided and weak. It is marginal in society at large. And it shows few signs of recovering from the blows it suffered at the hands of Thatcher back in the 1980s.

In many cases the far left has thrown away the ideological compass of revolutionary Marxism, along with the clear-cut socialist goals that it pointed to. Instead it has adapted its politics to any would-be allies who seemed to promise electoral success.

Even basic democratic and general socialist demands, such as the right to free abortion on demand and opposition to all immigration controls, have been sacrificed at different times, by different groups in the search for 80/20 unity, electoral success, building a "broad" party, incorporating "new layers" and so on. Needless to say, the basic goal of revolutionary socialism – a revolution and the creation of a state based on working class power – was tossed into the furnace early on in this process.

The Scottish Socialist Party, the Socialist Alliance and Respect – each is guilty of watering down the socialist programme and each clearly founded on the basis of "agreeing to differ" over the question of reform or revolution.

They could not even claim that their horse-trading over the socialist programme led to a mass influx into the left or a serious growth in its influence in the unions and working class communities.

But their record is one of failure. It is one of rancorous splits, disillusionment and the driving of socialists away from the movement. It is a terrible record and it includes actions that are a stain on the movement, actions that have dismayed workers looking on.

The fate of these three organisations cries out for someone to tell the truth: just as there is no parliamentary road to socialism, so there is no parliamentary road to principled socialist unity and the creation of a genuine socialist party.

Just because we come to this conclusion does not mean that our answer is to stick a flag in the sand and say: join us. John Nicholson, in the Feedback section of this magazine, is quite right to point out that this too has failed as a method of rebuilding the left.

But nor is it a case for closing your eyes to the fact that the "broad party" has proved itself just as useless to the task of rebuilding the left as is sect building. We need a

new approach – not a new broad party.

The working class remains the decisive force for change in society. Its organisations, its social power and strength can swing the balance of forces away from the bosses. Yet it is ill equipped for this task because too many on the left refuse to acknowledge that as a movement it is in terrible shape.

Greeting every day of action – orchestrated by the union leaders and carefully contained by them – as the dawn of a new era of militancy will not resolve this problem. Nor will placing our faith in the election of left officials, no matter how good they sound in advance of their election.

Directing our efforts towards rebuilding the bedrock organisations, the shop stewards' committees in the workplaces, the trades councils in the wider movement and the national unions as democratic fighting organisations, can. The left can and should unite to ensure that the days of action, the strikes in each sector, the everyday components of the class struggle in the workplaces and the elections for office in the unions, all help further this process of reviving the workers' movement at a rank and file level.

A revived workers' movement, always and everywhere, will confront political questions: how do we combat the anti-union laws, how do we deal with climate change, how do we stop the relentless drive to war? A vibrant left, one that sets itself apart from its past tendency to regard backroom bartering over programme and predatory attempts to secure monopoly organisational control over campaigns and struggles, can answer these questions by reviving socialism.

A socialist movement worthy of the name, with social clubs, sports facilities, local papers and radio stations, websites and so on could educate and train a new generation of working class activists to provide the political answers the workers' movement needs. It would not be a party – sticking its flag in the sand – it would be a mass anti-capitalist movement, promoting fighting unity and recreating the political confidence of the working class.

But a movement is not a substitute for a party. Within both a rebuilt labour movement and a vibrant mass socialist movement we would continue to make the case for what we believe is necessary, not just to change the movement, but to change the world – a revolutionary working class party.

The need for such a party lies in the fact that a workers' movement and a socialist movement can agree on many things to unite around in the everyday struggle. But how do we go beyond the everyday struggle? How do we achieve our final goal?

We believe there needs to be a revolutionary party, free and able to answer this question in its own way and seek

to win the ranks of the movement to that answer. We don't want to win them through the crooked, discredited and manipulative ways of old. We want to win them by fighting resolutely alongside them and convincing them that our ideas are right.

The Convention of the Left has proposed a founding statement which calls for the establishment of local left

forums and for a recall conference on 29 November.

We support that call.

These are tentative early steps. But if the left is able to build local forums that can draw in activists and take the ideas of socialism and working class struggle into the labour movement then that will be an important first step forward.

A new "new world order"

A EUROPEAN-BROKERED deal to get Russian troops out of Georgia, while leaving them in control of South Ossetia and Abkhazia, has restored some calm to the Caucasus and moderated the bellicose rhetoric between Washington and Moscow. But it cannot disguise the fact that important changes in the strategic balance of forces between the US and Russia are underway.

One does not have to agree with neo-con Robert Kagan's assessment in the Washington Post that the conflict will be seen as "a turning point no less significant" than the fall of the Berlin Wall, to recognise that the "new world order" that came out of the collapse of the Soviet Union after 1989 is being revised, with all the dangers of intensified inter-imperialist rivalry in the decade ahead.

Georgia was an accident waiting to happen, a fragile faultline in US-Russia relations. It is a small but key ally for the US in the Caucasus. The government of Saakashvili has been its neoliberal poster-boy in the region since 2004. His army and security services were trained and armed by the US and its 2,000 Georgian troops were the third largest contingent in Iraq. Tbilisi has been pushing for Nato membership, raising its military budget to \$1bn in July 2008 from only \$84m in 2004.

In August Georgia put some of this armed might to work in South Ossetia. Scores, if not hundreds, of poor farmers and civilians have lost their lives – first in the vicious Georgian bombardment of the South Ossetian capital, Tskhinvali, and then through Ossetian militia reprisals against Georgian villages in the area.

Russia claims to be the innocent party in these events, acting as a "peacekeeper" and in defence of South Ossetia and Russian citizens. This story is far from the truth. Russia has been looking for an excuse to deal a blow to Georgia for some months and the speed of its military offensive showed it was ready. Saakashvili's provocation gave it just the excuse it needed.

Russian intervention in Georgia is a calculated response to years of aggressive expansion by the US and Nato up to its borders. The entry of many of the former Soviet and east European states – Estonia, Latvia, Poland, Czech Republic etc – into the EU and Nato, the planting of anti-missile sites in Poland and the Czech Republic, and the promise of Nato membership to Georgia and the Ukraine, have

all led Russia to act to defend what it sees as its sphere of influence, its backyard.

Georgia has been used to make a point. The US and NATO are on notice that Russia is no longer the collapsed country of the 1990s but a major regional power that can stand up for itself and assert its might, just as the US does. It is also a warning to the Ukraine, where the joining of Nato will pose a real threat to the strategic Russian naval base in the Crimea.

Russia played out its prepared plan. It has taken advantage of the US's overstretched strategic commitments in Afghanistan and Iraq (the latter stable but precarious, the former rapidly deteriorating). Medvedev has made it clear that it considers Georgia, the Ukraine and other former Soviet states as regions where Russia has "privileged interests". He has declared that the era of the unipolar world is over and that Russia would do what it could to create a multi-polar world that challenges US hegemony and power, without seeking to supplant it.

Georgian people are suffering the results of being at the heart of a growing imperialist rivalry, being in a strategic oil and gas rich region of the world. Socialists should condemn this rivalry and refuse to take sides in this fight over Georgia. The working people of the Caucasus are the real losers in this battle.

Georgia certainly has a right to territorial integrity, but not to oppress national and ethnic minorities within its own borders. We should defend the rights of national and ethnic minorities such as the Ossetian people to determine their own future, with separation from Georgia and/or merger with North Ossetia and secession from Russia as well if they choose. But we should warn, as with other mini-states like Kosovo, that the creation of a separate state is no answer to the poverty and deprivation suffered by most of the people. The workers and peasants need to build alliances across borders against those who would use their communities as pawns in their great power rivalries.

The only real solution to this problem lies in the overthrow of imperialism east and west and in the establishment of a voluntary socialist federation of the Caucasus, where national autonomy and national rights are respected and the corrupt capitalist leaders who promote division and ethnic cleansing are assigned to the dustbin of history.

LABOUR PARTY

Going down with or without Brown

➤ AT THE start of the summer break a leadership challenge to Gordon Brown seemed very likely. Defeat by the SNP in Glasgow East, appalling opinion poll ratings following the abolition of the 10% tax band and a clear statement of intent to be a contender by David Miliband, all added up to a serious

Labour's third leader in this parliament.

For the large majority of MPs the only show in town remains Brown allied to a probably forlorn hope that things can be turned round in the next two years. However, this situation could change if things get worse.

There is an abdication of responsibility by the union leaders to deal with the question of who leads the Party which cannot be separated from policy implementation

threat to Brown.

However, even with the economic situation worsening this autumn, it now seems unlikely that there will be a challenge at least in the immediate future – despite a number of calls at the Labour Party conference. Why is this?

Firstly, because Labour MPs don't think it will make a difference to their individual electoral fortunes, the crucial determining factor for the vast majority of them when deciding their political strategy. All the polling evidence suggests that a new leader would make no difference, whoever it was. In particular, voting intentions with Miliband as leader indicate no material difference in a predicted outcome – a crushing defeat for the Labour Party at the general election!

Secondly, any decision to adopt a new leader would be likely to reduce the time needed to reverse the government's appalling ratings. That's because, with a new leader, an earlier than wanted election would have to be called. It would be very difficult to resist the clamour for a vote, given that it would be

After the completion of the conference season, Labour will face another potential disaster, in a by-election to be held in Glenrothes, a seat that shares a border with Brown's own constituency. Another defeat by the SNP could very quickly dissipate any improvement in fortunes Brown may have gained on the back of the Labour Party conference and the introduction of economic measures to offset the effects of the credit crunch. A further period of economic woes through the winter, followed by more bad election results in the Euro elections next spring could result in new attempts to replace Brown.

The manoeuvrings and machinations at the end of July help us to see who the potential contenders may be and what they represent. Chief amongst these is David Miliband. He has already made it clear that he has leadership ambitions and stands ready to act.

His politics are also clear. Unlike Blair and Brown, he has no religious conviction, but he is New Labour through and through. At the time of the 1997 election, he was head of

the policy unit in Tony Blair's office. Alistair Campbell nicknamed him "Brains" after the Thunderbirds character.

He was responsible for many of the neoliberal wheezes adopted by New Labour. He became a Labour MP in 2001 and quickly took on a series of ministerial posts. He became Minister for Schools, then Local Government, which elevated him into the cabinet. When Brown became leader he was made Foreign Secretary, partly to keep him out of the way. There he has dutifully carried out the previous agenda of warmongering and kowtowing to the US – most recently with his bellicose calls for sanctions against Russia over Georgia.

When Brown became leader there were some ultra-Blairites who wanted Miliband to stand then. He declined. He knew he couldn't win at that stage.

However it's also true that if he does make a move in the near future, he will face a number of dilemmas. In particular, outside the New Labour coterie of MPs he has little support in the party. In the unions he has no real support and has yet to build a serious base in the constituencies – but then that was the case for Blair as well.

Doubtless, in coming months, he will seek to address these problems and win more allies in the party. There have already been some judicious leaks indicating that he was critical of the Iraq war and that he told Blair to criticise Israel's attack on Lebanon.

However there has never been any public disavowal of New Labour policies. Even before he became a minister, his voting record was immaculately loyal. However, as befits his nickname, he's not stupid and will attempt to portray himself as centre/left rather than exclusively New Labour. We should expect to hear some union-friendly noises the nearer any leadership challenge gets.

That is in the future, but for now the trade union leaders are stuck with Brown. After all it was they who endorsed him for leader whilst peddling a false schema that Brown would mark a significant shift away



from Blairism. Even they realise that no such shift has transpired and so they resort once again to windy rhetoric against New Labour policies that are hammering rank and file activists, whether in pay freezes, privatisations or refusal to tax windfall profits.

Their current mantra is that policies must change, not leaders. In August, for example, Tony Woodley, Joint General Secretary of Unite, told the Observer that "with the wealth gap widening, job insecurity rife . . . and soaring fuel, energy and food prices, the Labour government desperately needed to get back to its roots and get a grip." Fine words – except, when pressed on what the unions should do if Brown fails to act, there is no reply.

Clearly there is an abdication of responsibility by the trade union leaders to deal with the question of who leads the Labour Party which cannot be separated from policy implementation. Brown has no intention to shift away from his neoliberal policies and so must be removed and replaced.

The TUC conference in Brighton only confirmed this stance. Despite passing militant resolutions on pay, energy and trade union rights, no trade union leader was prepared to declare for a fight to challenge Brown's leadership. Indeed, Derek Simpson suggested the way forward was for Brown to adopt a more radical stance, like Obama in the US! The trade union leaders are, for all their talk, still supporting Brown in an attempt to head off a Miliband challenge in the future.

At one point, when it looked as though Miliband might launch a leadership challenge this autumn, MPs from the soft left Compass group, in conjunction with Woodley et al, started to entertain the possibility of an alternative, a so-called "dream ticket" of Alan Johnson/Jon Crudass. This idea proved stillborn when the impeccably New Labour Johnson failed to give it house room, but it does reveal the lengths to which many on the Labour "left" and within the trade union bureaucracy are prepared to go in avoiding a real challenge to New Labour: in this

case by enlisting a right winger in the cabinet just because of his previous trade union roots.

In the next period, if Brown fails to turn things round, we are likely to see more opportunist plotting and subterfuge in the government and Labour Party, such as the coordinated attempt by ex-Labour Party vice-chair Joan Ryan and others to force a contest on the eve of conference.

That's why we welcome renewed attempts to put forward John McDonnell's name as a principled, alternative leadership candidate. We support these moves, representing as they do, the basis for an anti-neoliberal campaign of opposition to New Labour, whether

in the form of Gordon Brown, Miliband, Johnson or whoever.

McDonnell has said that the Brownites-Blairites infighting is "like watching the crew having a punch-up on the deck of the Titanic" when in reality they have not "a single policy difference between them", and he is absolutely right.

Certainly at the heart of any such campaign for the leadership by McDonnell must be a commitment to challenge and replace the existing trade union leaders who have been largely responsible for preventing or sabotaging any widespread action against Labour's reactionary policies since 1997.

Andy Smith

PUBLIC SECTOR PAY

Fight against the freeze rumbles into autumn

DELEGATES TO the recent annual gathering of the Trades Union Congress (TUC) in Brighton overwhelmingly approved a resolution calling for an escalation of resistance to the Brown government's imposition of a de facto pay freeze across the whole of the public sector. General secretary after general secretary delivered fiery rhetoric against real pay cuts at a time of sharply rising inflation and pledged to confront the New Labour government as never before.

The composite resolution, backed by the PCS and eventually by Unison, called for industrial action coordinated between the public sector unions along with a national demonstration against the pay freeze and "days of action" under the aegis of the TUC. But, significantly, delegates on a card vote rejected an amendment from the Prison Officers Association (POA) calling for strikes to mark the days of action. Rather curiously, the voting card of the single biggest union, Unite, with a bloc vote of

some 1.5 million members, could not be found at the key moment. So Unite abstained despite its delegates supporting the POA amendment in rostrum speeches.

The more battle-hardened union activists might be swift to dismiss TUC debates as an almost irrelevant sideshow, but the arguments and votes in Brighton indicate that pressure from below is percolating to the top of the union bureaucracies. The prospect of a Tory government will not, on its own, stop sections of the movement going into struggle against Brown's government. Whether those sections can mobilise sufficient strength to drag the most right wing and weightiest elements of the union bureaucracy into a serious confrontation with New Labour is another matter.

School's out in November?

Days before the TUC Conference, the executive of the NUT unanimously approved a motion for a new strike ballot in opposition to

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the framework of real pay cuts imposed by the School Teachers' Review Body at the start of the year. For the first time the NUT executive has sanctioned a ballot calling for discontinuous action, which allows for the possibility of multiple one-day strikes or extended walkouts.

Having mounted a widely successful strike on 24 April, alongside sections of the PCS and the college lecturers' union (the UCU), the NUT did not rejoin the fray for the local government strike days in mid-July, called by Unison and Unite, across England and Wales. Now, however, the NUT is the potential catalyst for much wider opposition to the Brown/Darling pay freeze. The NUT ballot

starts from 6 October and closes three weeks later.

Meanwhile, the PCS, the union with the most left wing leadership of those centrally involved in the public sector pay battle, has called for ballots among some 270,000 of its members across the Civil Service. General Secretary Mark Serwotka has promised a one-day national strike of the vast majority of PCS members, followed by a rolling programme of industrial action across swathes of the PCS membership over the space of 12 weeks.

Arguably, PCS members, especially in the union's bastion of the Department of Work and Pensions, have been hardest hit by

the pay freeze that has come in tandem with a long-term package of massive job cuts and further privatisation.

The PCS ballot opens on 24 September and concludes on 17 October. This allows for the real possibility of a walkout in conjunction with the NUT on a much larger scale than seen in April.

Unison: Brown's best bulwark

Ironically, the single biggest strike thus far against the pay freeze came in mid-July and was called by Unison, with a leadership that has been the most reluctant of

LAMBETH COUNCIL

Rebuilding rank and file organisation

IT'S BEEN a busy last year at Lambeth Council in the Lambeth Unison branch. After narrowly losing the ballot to turn Lambeth Housing into an ALMO, the branch has been fighting privatisation and building the campaign to stop yet another pay cut.

The experience in the Lambeth branch has highlighted both problems in the union movement and possible ways to re-energise and radicalise the rank and file.

One of the main initiatives has been building the "Save our Services" campaign, which was launched by the housing stewards after news that the department faced yet more privatisations. It is an attempt to link up local union branches with community groups and tenants and resident associations. Several meetings have been held, including an extremely successful meeting of 130 people at the Town Hall.

The idea of linking union issues with local community issues is extremely important and the aim is to turn Save our Services into a fighting campaign against the privatisation and cut backs. If this

can be done it could be a blueprint for other local united action committees.

In the pay campaign we had a mixed picture with some workplaces getting over 90% of members out, while other offices had a poor turnout. One of the biggest problems we faced is that union organisation at the base is extremely weak, if not non-existent in many sections of the council.

The housing stewards have launched an initiative to try and turn this around and have been holding local workplace based meetings (something which hasn't happened for a long time), setting up Unison noticeboards, producing posters, leaflets and a newsletter and listening to the concerns of members, and trying to initiate active campaigns on issues such as bullying, flexi-time and stress from over work.

We have been trying to stress to members that we will only win decent pay increases and stop the management attacks once we have a strong membership that runs the branch from the bottom up. This is already producing results with more people joining Unison and

more people becoming stewards and workplace contacts.

We are hoping that other directorates will carry out similar initiatives and there has already been interest in producing newsletters for every directorate. These initiatives are extremely important in that they show Unison membership that we are a fighting union at a local level and that there are opportunities for members to get involved. It is part of rebuilding the union movement, regrouping our forces after a period of defeat.

The left has to take these tasks more seriously and realise that sloganeering and top-heavy conferences are not the way forward. Rebuilding a militant rank and file organisation will hopefully lead to a link between local branches. Then we will be able to take on the regional and national bureaucracies with genuine support from the union's membership. Until these practical steps are taken all the words in the world won't turn things around in the union, and "candidates of the left" will remain isolated.

Dan J, Lambeth

all to stage a fight and has not given much of a welcome to the prospect of coordinated action with other unions. On 16 and 17 July, Unison and Unite called out some 500,000 members across local councils in England, Wales and the north of Ireland in response to a "final" offer of just 2.45%. The GMB had already railroaded through acceptance of the sub-inflation pay deal.

Support for the two-day strike was uneven but the action was not a disaster, regardless of the claims made by the Unison local government organisation. What has happened since, however, has been little short of disastrous. Predictably, the local authority bosses offered new talks soon after the strike days with "nothing ruled in and nothing ruled out". In return the leadership of Unison and Unite suspended any further strike action for an indefinite period.

Two days of meetings in August yielded a joint statement announcing a framework for further negotiations to be concluded by December. While Unison officials refuse to confirm that there is no new money on the table from the employers, they have kept members completely in the dark over the space of nearly two months – a surefire recipe for demoralisation and disillusionment when members have not seen even a nominal pay rise since 1 April.

As August drew to a close the union's national HQ initiated a so-called consultation exercise, ostensibly to measure support for further strike action including selective walkouts by key sections of the workforce. Many activists are rightly suspicious that the consultation, has been designed to allow the Unison leadership to call a halt to the dispute.

At the same time as there is a very real danger of Unison abandoning the local government pay dispute in England and Wales, Unison, Unite and the GMB have called a further one-day strike in Scotland for 24 September over much the same issue for council workers across the 32 Scottish authorities. Perhaps the New Labour-loyal leadership prefers the

prospect of conflict with the SNP minority government at Holyrood to a showdown with New Labour at Westminster.

Unison's complete withdrawal from the fray in England and Wales would certainly be a major blow for the resistance to the pay freeze, not least because the sharp erosion of real wages for the public sector workforce over the last couple of years has created considerable bitterness, especially in the context of hefty bonuses for senior managers and the shares and salaries bonanza for many private sector bosses.

For union militants, whether in Unison or other public sector unions, there are no easy answers. Clearly, for teachers in the NUT and PCS activists the immediate priority is to secure large "yes" votes in the ballots that get underway in coming weeks, and to ensure that effective action goes ahead. The argument needs to be pressed home that while the government has shown few signs of conceding over the pay freeze, it is operating from a position of terrible weakness, and determined action over the next few months could secure real gains. The potential absence of Unison from upcoming battles cannot be allowed to paralyse the struggle

against pay cuts elsewhere.

At a local level there need to be renewed efforts to establish effective links across different unions and the public sector through Trades Councils or as local affiliates of the National Shop Stewards' Network. These bodies should serve as a means of enhancing the prospects for coordinated action in the future and ensuring that there is an element of rank and file control over disputes. They could also act to generate solidarity with other workers' struggles. In the individual unions militants need to use the struggle to rebuild effective rank and file organisations that can prevent their leaders selling out.

The experience of the past two or more years of fighting the public sector pay freeze has provided some difficult lessons, both about the ability of the union bureaucracies to undermine struggles and the weaknesses, both organisational and ideological, of fighting lefts in the unions. The need for democratically accountable leaderships and fighting rank and file groups in the unions that can transform the unions into fighting organisations is ever more urgent.

George Binette

RMT TUBE CLEANERS

Stop the deportations – justice for the cleaners!

▶ AFTER A series of strike days over the summer, RMT tube cleaners employed by Metronet have won the right to be paid the London Living Wage. Strike days planned for July were suspended when Metronet, who are responsible for the majority of the network, agreed to give cleaning staff £7.40 an hour from this September.

This represents a significant victory for some of the most exploited workers in London, but

the fight is far from over [see box overleaf]. In a wilful act of revenge and retribution, the cleaning companies, in close collaboration with the immigration authorities, have launched a witch-hunt against the cleaners, through the use of immigration checks, sackings and deportations.

The strikes have shown the strengths and weaknesses of the RMT. The idea of industrial trade unionism, workers of all grades fighting together, has given

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confidence to cleaners who are often scattered across the tube and who would by themselves find it difficult to shut the network down. RMT activists have been key in making links with the cleaners, building support in depots and using the strikes to build the union.

Out of this struggle a new layer of rank and file reps have emerged, some of whom have shown enormous courage in taking on the bosses, but not without casualties. ISS, one of the leading cleaning companies, sacked the rep at Stonebridge depot during the strike, using his immigration status as an excuse.

Direct action organised by the umbrella group Justice4tubecleaners, who held up a train for 10 minutes at Stonebridge, demanding his immediate reinstatement, raised the need for solidarity from RMT workers at the depot. A walkout by the RMT branch at Stonebridge is the least the union should be fighting for.

The RMT urgently needs to turn its attention to the current wave of intimidation and attacks being carried out by companies like ISS, Initial and GBM.

Many of the cleaners are forced

to work without papers. Of course this suits the bosses as they can exploit workers' fears to pay poverty wages. As a result of cleaners standing up for their rights these unscrupulous companies have suddenly "discovered" that their workers may not have work permits.

Already two cleaners working for GBM have been deported back to Nigeria, and currently one other worker is being held in detention. ISS has written letters demanding that cleaners bring in their National Insurance numbers, and it has been reported that Initial are carrying out their own immigration "checks". This goes hand in hand with a government crackdown on employers and a new tightening of work permit controls based on the "points system".

The RMT should be mobilising the full weight of the union to demand an end to all victimisations, demanding the immediate issue of work permits to all those cleaners currently working on the tube and full citizenship rights to those who want it.

A tall order you might think, but the very minimum that any trade union that talks about workers'

solidarity should be fighting for.

The network of activists who have organised around Justice4tubecleaners intends to keep the pressure on. Successful pickets and occupations of the offices of ISS, GBM, Transport for London and Mayor's question time have given the cleaners' struggle for justice and dignity some excellent publicity.

This network, as with the Justice for Cleaners campaign in Canary Wharf, shows the importance of linking trade union action with direct action against these companies organised by supporters and other trade unionists less vulnerable to victimisation by the employers and state.

Activists will be attending Boris Johnson's question time in October to demand the Greater London Assembly support the rights of cleaners to a living wage and life free from harassment and persecution.

Kirstie Paton

Join the protest
For more details mail:
[justice4tubecleaners@
googlemail.com](mailto:justice4tubecleaners@googlemail.com)

or ring Robin on: 07947 331053

TUBE LINES DISPUTE

Tube Lines cleaners fail to get living wage

WHILE METRONET, who run the majority of the tube network, agreed to the living wage. Tube Lines, who run the Northern, Piccadilly and Jubilee lines, refused and instead offered cleaners an increase of 60p an hour with the promise of a living wage next April.

Whether they actually get it or not is another matter. Amongst some of the RMT reps there is a concern that the RMT Executive suspended the action prematurely. Why did they call off the strike when cleaners employed by Tube Lines were offered an insulting

60p with no guarantee of the living wage?

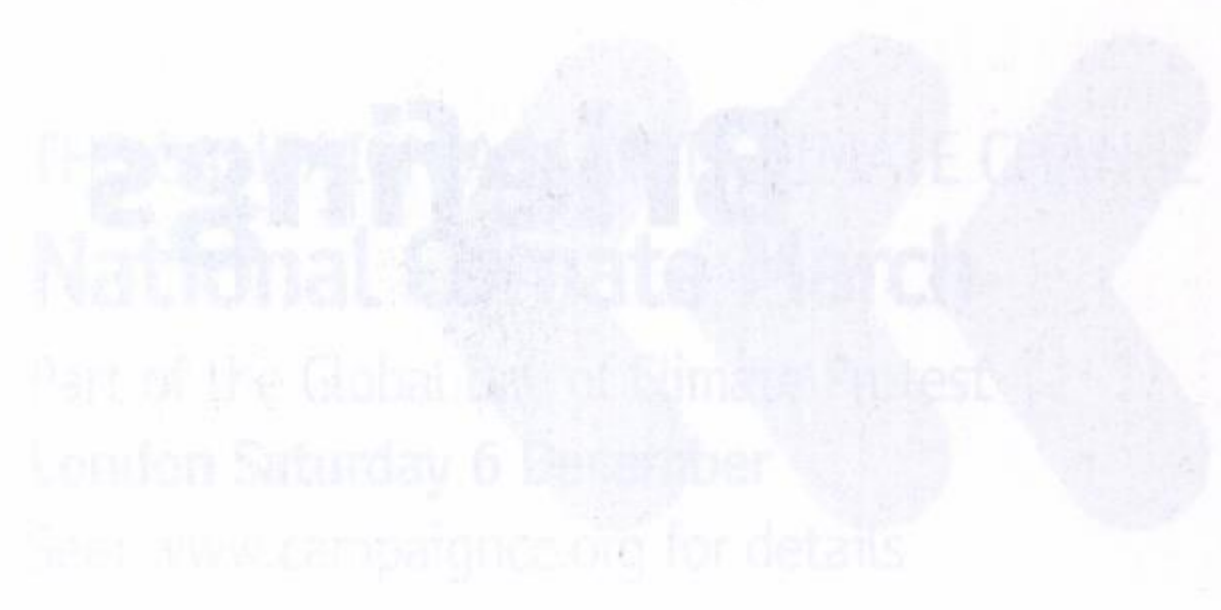
Originally the strikes planned for August were to coincide with engineers in dispute with Tube Lines over pay and other similar issues. Wouldn't it have made sense that the engineers and cleaners, both members of the same union, working for the same employer, agree in advance that they would refuse to call off their strike until an agreement had been reached that met the demands of both groups of workers?

Instead the engineers accepted

an offer by Tube Lines and agreed to call off the strikes before they had a chance to speak to the cleaners who were negotiating in the same building! This left the cleaners out on a limb and in a much weaker position to take on the bosses.

The question of rank and file control is paramount. Decisions about when to call off action should be voted on by all those cleaners on strike. The strike committee must be accountable to the strikers, not the union bureaucrats.

A London tubeworker



FEMINIST FIGHTBACK

Debating policies for the campaign

FEMINIST FIGHTBACK held a policy meeting in August. Around 20 women activists gathered to discuss what sort of demands a feminist socialist movement should be fighting for today. The organisation was formed as an activist network drawing together people who had attended two successful Feminist Fightback Conferences in 2006 and 2007.

"We're inspired by the politics of socialist feminism – the idea that women's liberation and the establishment of a democratic, classless society are interlinked – but we seek to involve socialist and feminists of different viewpoints in discussing ideas and building an activist movement", explains the website.

Permanent Revolution members attended both conferences and have been supporting Feminist Fightback activities such as the campaign to defend abortion rights and solidarity in support of the Tube cleaners.

The policy meeting took as its starting point the demands of the Women's Liberation Movement agreed 30 years ago at the last WLM conference in Birmingham [See box, top right].

These demands are still relevant today, although thirty years later they all provoke discussion as to what each concretely would mean to fight for and implement now. The demand for "free 24-hour community controlled childcare" led to a discussion over what kind of childcare women want, and by whom, and how it should be delivered. Some women at the meeting felt that if parents desire it, they should be able to look after their children at home with the requisite state support in the form of benefits at average wage level, and/or part time work with good pay and conditions. Others argued

that free nurseries didn't have to mean Stalinist era soulless, understaffed, poor quality, childcare and that childcare workers should be much better paid and their skills valued.

Taking the demands as a starting point certainly made for an interesting afternoon's debate but in retrospect it meant that we didn't have a full discussion about the roots of women's oppression itself. Feminist Fightback is a coalition of different groups and individuals, some coming from an academic research background, some like ourselves and the Alliance for Worker's Liberty comrades with a Marxist perspective, others representing the various campaigns based at the Crossroads Women's Centre and some coming from an anti-capitalist direct action tradition.

There will be differences in our views as to the origins of, and the way to bring an end to, women's oppression. These differences did come up from time to time – for example, does Feminist Fightback want to be an organisation that raises money through grant applications and pays people to take anti-sexist education sessions into schools? Or should Feminist Fightback be more of an activist organisation with an emphasis on solidarity with the organised working class?

As there had been no time allocated to the central question of what women's oppression is and how the struggle against it is linked to the struggle against capitalism and its state, these issues were left unresolved. However, they will not simply go away, and more open debate about our differences would help to clarify what and how much common ground there is.

Having looked at the seven original demands, it was agreed to

In 1978 the movement declared, "The women's liberation movement asserts a woman's right to define her own sexuality, and demands:

- › Equal pay for equal work
- › Equal education and job opportunities
- › Free contraception
- › Free 24-hour community-controlled childcare
- › Legal and financial independence for women
- › An end to discrimination against lesbians
- › Freedom for all women from intimidation by the threat or use of male violence. An end to the laws, assumptions and institutions which perpetuate male dominance and men's aggression towards women".

focus on ten areas: childcare, immigration controls, workers' rights, public/social services, education, violence against women, women's health, reproductive freedom, discrimination, international solidarity and anti-imperialism, a democratic,

Media Workers Against the War Conference

Under Siege: Islam, war and the media

2.00-6.30pm Saturday 15 November
London School of Economics

Speakers agreed so far

- Moazzam Begg** – writer and former Guantanamo inmate
- Lauren Booth** – Mail on Sunday journalist and Palestine campaigner
- Inayat Bunglawala** – Muslim Council of Britain
- Nick Davies** – author, Flat Earth News
- Jeremy Dear** – General Secretary, NUJ
- Eamonn McCann** – Irish journalist and writer
- Explo Nani-Kofi** – Editor, Kilombo, a Pan-African journal
- Peter Osborne** – Daily Mail columnist, former Editor of the Spectator

Tickets

Full price: £15 Students/concessions: £10
To pre-book email info@mwaw.net or pay online using PayPal

accountable rank and file women's movement, and freedom of sexual expression.

Since I work for a domestic abuse support service I volunteered to draft some current demands on the issue of violence against women. The problem I found was one of where do you stop? It's the classic problem of campaigns that focus on one part of society - when you start to think about what needs to change for women not to live in fear in their homes, or to be safe on the streets, you quickly start getting into demands around education, social housing, the benefits system, and more - the hugely complicated question of the legal system and "justice" in the bourgeois courts! Every issue you look at leads out into demands for the wider working class as a whole.

The absolutely key demand is actually around organisation, expressed above in terms of "a democratic, accountable rank and file women's movement". If such a movement could be built, with strong links to the rest of the labour movement, it would be able

to react to challenges as they came along as well as fighting proactively for an end to women's oppression. It could also help to revitalise the weakened labour movement as a whole.

We're a long way from there at the moment, but at least Feminist Fightback has an orientation to working women's struggles and wants to continue to make those links. It's crucial that it does for the campaign to become more than just another pressure group.

We will be discussing these issues over the next few months in the run up to the next Feminist

Fightback conference, and welcome any contributions for the magazine or on the website.

Work this autumn is going to begin with a focus on supporting Diane Abbott's amendment to the Human Embryology and Fertilisation Bill which, if passed, would extend the right to abortion to Northern Ireland.

Bigger campaigns such as Abortion Rights are apparently not going to take this up and Sinn Fein and the DUP are both against it! Work will also continue to build a third conference early next year.

Alison Higgins

CLIMATE CHANGE

What future is there for the coal industry?

THIS YEAR'S Climate Camp was held on a hill in Kent, giving us a wonderful view of

the Kingsnorth power station. The site was chosen to highlight the disastrous direction that the

STATEMENT FOR THE FEBRUARY 2009 FEMINIST FIGHTBACK CONFERENCE

"We are feminists who have come together from a number of groups to organise an event on Saturday 14 February 2009. We are excited and energised by the current resurgence in feminist activism in the UK, but we think that the kind of feminist movement we build and the kind of politics it has, matter.

We are committed to an anti-capitalist feminism which sees the interconnections between all struggles against oppressions and against capitalism, and we want to build an event that creates an open space to discuss this and develop our ideas.

But we don't want to just talk about our politics - we want to fight to actually change the material conditions of women's lives, to fight misogyny and our own exploitation, and to involve as many women and men as

possible in the campaigns that will be at the centre of this event.

We want the joint event to provide us with a forum to come together, participate in open debate, develop strategies to work towards our common aims, network, make alliances and inspire each other to build a strong and active feminist movement. We need to unite to challenge women's oppression and exploitation. We want to fight for the rights of all women - and that includes the rights of sex workers and "illegal" migrants.

We organise using non-hierarchical, consensus-based decision making. We recognise the power structures that exist among us, based on the inequalities of our society, which amplify some voices and marginalise others, and we will actively work to confront them. Decisions are taken at

monthly meetings, which are open to feminists of all genders. There's also the option to work autonomously in self-defined groups (e.g. women-only). We respect the fact that women have a diversity of experience and we see this as positive in that it enables us to learn from each other.

Key issues on which we want to organise include:

- › Defending and extending reproductive freedom.
- › Opposing rape and sexual abuse.
- › Fighting racism and immigration controls.
- › Building solidarity between women workers.
- › Challenging all forms of heterosexism and increasing our freedom of sexual expression.
- › Struggles against capitalist exploitation.

www.feministfightback.org.uk

THE CAMPAIGN AGAINST CLIMATE CHANGE

National Climate March

Part of the Global Day of Climate Protest

London Saturday 6 December

See: www.campaigncc.org for details

government's energy policies are taking the UK.

E.ON's proposal to build a new coal-fired power station at Kingsnorth is the first such application for decades, but if successful will not be the last – at least five more are on hold pending the outcome. E.ON, backed in cabinet by business minister John Hutton and energy minister Malcolm Wicks, argues that the protest is unfounded since the new power station heralds a new age in clean coal which will become part of the solution rather than exacerbating the problem of climate change.

At the Climate Camp Dave Douglass, retired NUM official and NUM leader Arthur Scargill's right hand man, could be seen each day handing out copies of a special issue of *The Miner* making the case for expanding the UK coal industry. A well-attended debate took place at the camp, with Arthur Scargill arguing that "Britain needs an integrated energy policy that will produce 250m tonnes of indigenous deep-mine clean coal per year." He believes that all existing and new coal-fired stations can be fitted with clean coal technology that would "remove all CO₂".

But is he right? Will the climate change challenge actually lead to a revival for coal and reverse the 170,000 job losses and the closure of 192 pits seen since 1980? Is there a bright future for clean coal?

A month after the camp, a jury in Maidstone Crown Court came down squarely on the side of the anti-coal environmental campaigners. In October 2007, six Greenpeace protesters had scaled the tower at Kingsnorth and painted GORDON on the side. At the trial they were cleared of causing £35,000 worth of criminal damage, even though they admitted carrying out the action.

Their defence, accepted by the jury, was that they had "lawful excuse" since they were actually acting to protect property around the world that was in immediate need of protection from the impacts of climate change, caused in part by burning coal.

It was a remarkable decision. The

jury heard from leading climate change scientist Jim Hansen, who convinced them that the maximum safe level of CO₂ had already been reached, and that if we carry on as we are sea levels will rise at least two metres this century and one million species will be pushed into extinction (including 400 by

Key arguments on climate change appear to have been largely won, namely that the climate is changing and that this is primarily a man-made problem

Kingsnorth's CO₂ emissions alone).

He concluded that: "construction of new coal-fired power plants makes it unrealistic to hope for the prompt phase-out of coal emissions and thus makes it practically impossible to avert climate disasters for today's young people and future generations."

A second expert, Dr Geoff Meaden from Canterbury University, brought the argument closer to home for the Kent-based citizens of the jury. He explained that Kingsnorth power station itself would be "extremely vulnerable" to flooding through climate change, and that things were "so urgent that unless we act immediately to rapidly reduce greenhouse gas emissions, by the next century we may have to abandon up to 20% of Kent to the sea."

Key arguments on climate change appear to have been largely won, namely that the climate is changing, that this is due to the rising levels of greenhouse gases in the atmosphere, and that this is primarily a man-made problem. But the debate about what we do about it is only just really beginning, despite the urgency. This argument over coal, just like those over nuclear power and biofuels, is not as straightforward as some advocates, on both sides, would have us believe.

Scargill, E.ON and the government are all convinced that carbon capture and storage (CCS)

technology means that we can have our coal and burn it. Unfortunately, CCS is not that simple. Although some CCS is currently in use for oil and gas, it is not directly applicable to coal, and the optimism of governments and the EU, who concluded that "the possibility exists for a CO₂-free energy system

based on fossil fuels", is misplaced.

A German expert, Peter Viebahn of the German Aerospace Centre Institute of Technical Thermodynamics, carried out a systems analysis of CCS – looking at the overall impact, and concluded that "it is not justified to talk about 'CO₂-free' power plants or 'clean coal' concepts if only 70-80% global warming potential reductions are possible; electricity produced from renewables causes much lower CO₂ emissions and greenhouse gas emissions than CCS, and currently CO₂ storage can not be guaranteed for a long time – CCS shifts risks to future generations which requires safe and reliable monitoring." The *Future of Coal*, a report from the Massachusetts Institute of Technology last year, predicted that CCS wouldn't be in place for commercial use for another 20 years.

Also the preferred option for capturing carbon – in flues as the coal burned, then liquified, transported and stored – would cause more CO₂ emitting traffic than the present oil industry. While other less polluting options exist they are more expensive and hence not attractive to the private energy companies.

So to base an energy plan on the expansion of coal will increase CO₂ emissions in the short run and there is no guarantee that CCS will reduce it later. This is why we should oppose the expansion of coal

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and call for a moratorium on new plants, while supporting a major expansion of research into CCS.

Of course, the energy companies will not invest in the research unless they can start making money from coal now. That's why we need to have government funded investment in this kind of

More energy is needed to improve the living conditions of the two billion people who live in absolute poverty. So we need efficiency, redistribution and expansion

research, paid for not just through a windfall tax on the energy companies but through their nationalisation.

If the US government can carry out the biggest ever nationalisation in history to avert the meltdown of the financial system then it is surely reasonable to nationalise the energy industries to save the planet from meltdown. If the shareholders of Fannie Mae and Freddie Mac can be left holding worthless paper due to the mess they made of their business then we can take the same stance with the power monopolies.

But if we are opposed to the expansion of coal, and opposed to the expansion of nuclear, opposed to biofuels, then how are we to ensure that there is enough energy?

Can we reduce the amount of energy used? In a country like the UK the answer is almost certainly yes: through a programme of improved energy efficiency, ending wasteful consumption we could still meet the essential energy needs of all.

But at a global level it is not the case. There is massive inequality in energy use between rich and poor, and like it or not, more energy is needed to improve the living conditions of the two billion people of the world who live in absolute poverty. So we need efficiency, redistribution and expansion.

So how can there be a global expansion in energy production

without increasing CO₂ to the point where disastrous, irreversible climate change results? Renewable sources such as solar and wind power are not enough. It is therefore essential that other sources are thoroughly explored, including nuclear, carbon capture and storage and newer sources like

solar energy and second generation bio-fuels.

Bio-fuels have certainly been a disaster so far, but there are other potential methods that need investment and exploration, such as genetically engineered bacteria that could make ethanol efficiently from waste products of farming and forestry, a sort of oil produced through photosynthesis in algae, or "mining" the heat of the earth's core.

In the short term an emergency global plan needs to start with a massive investment in those things that are proven to be effective, safe and clean, namely energy efficiency and renewables, shifts in the way we produce and use energy, food and transport. At the same time the other options, including coal with

CCS, nuclear and new bio-energy must be explored and researched.

To ensure that this process does not further entrench inequalities it needs to be done in a framework of contraction and convergence. Once a safe limit of CO₂ emissions is agreed then big polluters like the US and UK must come down to that level, while allowing those, usually poor countries below it, to produce more.

But once again, the market will not be able to deliver this in an equitable way. Such a plan needs state direction, mobilising the mighty resources of many economies; it also needs the democratic input and creativity of masses of people to conserve energy. In fact it needs everything that runs completely counter to neoliberal free market capitalism espoused by Gordon Brown and his fellow G8 governments.

The urgency of a revolutionary change in the way we plan and run society has never been greater. There is a growing scientific consensus that eight years from now if we have not pushed emissions down to a safe limit then the feedback loops in place, whereby one aspect of global warming produces even more, will ensure that no matter what we do after that time we will not be able to avert a worldwide disaster of runaway climate change this century. That is just how much is at stake.

Helen Ward

CHILE

Chilean workers change the political map

TWO AND half years ago Michelle Bachelet won the presidential elections and promised to change Chile for the better. Many people embraced her, both for her novelty (the first elected woman president in Latin America) and for the fact that at

the same time she reminded people of a better past.

She was the daughter of a loyalist Air Force General who served under deposed Socialist President Allende and who was tortured to death by the dictatorship. She herself served

time in one of Pinochet's jails.

People were hopeful, optimistic even. She said her new government would break with the crude neoliberalism of the previous governments but without following the populist path of Morales and Chavez to the north.

Rather, policies "promoting economic growth and stability" must continue, but they should be complemented with measures designed to promote greater equality among Chileans through social and labour policies directed at the poorest sectors of society.

Above all, Bachelet promised a new style of "participatory government", divorced from the businessmen, military chiefs and priests who had long wielded de facto power in Chile. Her government would be "closer to the citizens" who had chosen her as their president.

Nothing of the sort has happened. President Bachelet has made only cosmetic changes in social, educational, economic and labour policies and she has remained firmly within the framework of the free-market model inherited from the military. Why?

She may have illustrious ancestors but she was a leader of the Socialist Party of Chile, which like sister bourgeois workers' parties in Europe, was happy to embrace neoliberal policies and globalisation. She may have tasted Pinochet's repressive whip when young, but Bachelet spent a year at Fort McNair in the US, where she took a course in "internal war" doctrine and counter-insurgency strategies.

Unlike her father who started out with the intention of radical reform even if it meant confronting US power, Bachelet followed, in her own words, a path of "convergence with the hegemonic power".

Before she became president, Bachelet served as Minister of Health for two years, overseeing no improvements in the decaying public health system, taking no significant measures for the 50% of the Chilean population who could

not afford private health insurance, and making no effort to improve the failed private pension system, once declared by Washington as the "model" for the world.

During Bachelet's time as Defence Minister, Chile's military spending reached new heights: per capita military spending easily exceeded that of every government in Latin America. By spending billions of dollars on a new fleet of fighter planes, helicopters, warships and a satellite spy system, Chile aimed at "converging" with the US in policing the turbulent Andean countries.

Bachelet was the US's most vocal supporter of sending a military expeditionary force to Haiti to relieve US military forces after they ousted President Aristide. Over 400 heavily armed Chilean soldiers patrolled the slum streets of Port-au-Prince in support of the US imposed puppet regime, and later as president she renewed her commitment to remain in Haiti. Bachelet has welcomed every chance to engage in military exercises with the US.

All the post-Pinochet "Concertación" governments since 1990 have maintained continuity with the state model inherited from the military regime, a model

During the period of transition from Pinochet in the early 1990s, the Chilean popular movement demobilised and moderated its goals and strategies

which meant subordinating social programmes to the imperatives of the market. These Concertación governments have been incapable of countering the widening chasm between rich and poor that the neoliberal economic model itself generates.

In this model, the state assumes responsibility for ensuring the subsistence of the poorest by providing them with some subsidies, but it renounces one of

the principal social functions of any decent socialist government, of eradicating or, at least, massively reducing poverty and inequality.

During the period of transition from Pinochet in the early 1990s, the Chilean popular movement demobilised and moderated its goals and strategies. The most important factors contributing to this process were the fear of a "return to 1973" and a military dictatorship.

There was a powerful urge towards reconciliation and the creation of a stable political order, and above all a desire to avoid a repetition of the events that led to the 1973 coup, an outlook that was instilled by the reformist leaders of the Concertación.

On coming to power, Bachelet gave the post of Minister of Economics to Andres Velasco, very well known for his links with US companies and entrepreneurs and the founder and leader of neoliberal think tank, Expansiva. She appointed Andres Zaldivar, one of the men who plotted Allende's fall, to the Ministry of the Interior.

Her government has continued to spend lavishly on the armed forces. She has boosted the personnel and equipment available to the police to repress the

struggles of workers, students and the Mapuche people. The turning point in popular feeling against the Bachelet government was when more than 600,000 secondary school students occupied their schools – the "Penguin" uprising of April-June 2006.

With this mobilisation, the political map of Chile changed. A new generation, the "sons of democracy" as they called themselves, came onto the political

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scene. At first lulled by promises, they have grown cynical of the Concertación's actions. No longer content with the odd concession, they attack the fundamental principles of neoliberal policies, and the invasion of education by profit-making businesses.

Following the example of the

More than the half of Chilean workers are working part-time, casual and often at weekends to make ends meet; to escape collective bargaining, companies have outsourced work to subcontractors or created phantom companies. People working alongside one another can find

copper industry have been on almost permanent mobilisation and strikes over the last two years.

The timber workers from Arauco, the miners, the agricultural and food processing workers, the bus drivers, the fishermen, teachers, civil servants, local government and health workers, bank employees, the Mapuche struggling to recuperate their ancestral lands that have been fraudulently seized from them – these are just some of those taking direct action in the last two years.

The uprising of the students, the reviving of the workers' movement and the effects of oil and food price rises on the popular mood, have brought tensions within and between the government parties to a head.

Today for the first time, Chile's powerful political coalition, Concertación de Partidos por la Democracia (Concertación), will submit two separate lists of candidates for the upcoming municipal elections to be held in October.

This decision follows an effort by Bachelet, along with former Presidents Patricio Aylwin, Ricardo Lagos, and Eduardo Frei, failed to convince two of the Concertación's main parties – the Partido Radical Social Demócrata (PRSD) and the

Neoliberal ideology has become so pervasive, even among part of the left, that major reforms to the free-market model are automatically rejected

students, increasing numbers of people in Chile are getting fed up with Bachelet. Life has not improved for the mass of workers and their families. Casual labour, mounting personal debt, low wages and now, rising inflation are making people angry.

Pro-big business commentators speak at length about economic growth while keeping quiet about environmental destruction, the growing gap between rich and poor (the top 20% of income earners control 60% of Chilean GDP), and the worsening quality of public services, education, healthcare and housing.

themselves technically employed by a different company. And of course, the Chilean labour code prohibits collective negotiations over working conditions relating to the workers of two or more different companies.

In these circumstances, having joint trade union negotiations or action by workers employed by a subcontractor is practically illegal. This leads to the situation where work colleagues employed by a subcontractor earn less and work in worse conditions than workers employed by the parent company. This is the reason why the subcontracted workers in the

HANDS OFF THE PEOPLE OF IRAN

Defend Iranian students!

IN EARLY September Anooshe Azadbar was brought before a court in Iran and charged with "plotting against the regime" and other offences. Anooshe is a student at Tehran University, and was recently elected Honorary Vice President of the National Union of Students in Britain.

Anooshe was one of many students arrested for peacefully demonstrating on National Students Day on 4 December 2007 against the threat of war against Iran and against the regimes

repression of students. Anousha, along with other students, now faces the threat of imprisonment.

The regime of Mahmoud Ahmadinejad is in trouble with the Iranian electorate as the economic situation goes from bad to worse, despite the increase in oil prices of the last period. As a result Ahmadinejad is hitting out at any source of opposition.

Four women's rights campaigners have recently been jailed for six months for organising a One Million

Signature campaign for equal rights for women in Iran.

Hands Off the People of Iran is campaigning against these attacks on students and women in Iran at the same time as campaigning against any attacks on Iran being planned by the US or Israel.

A model resolution to defend the students, already passed by Liverpool Trades Union Council, can be found on our website at: www.permanentrevolution.net/entry/2293

Further details about the repression and about HOPI events can be found on the campaign's website: www.hopoi.org

Partido por la Democracia (PPD), to maintain a unified list.

Hit with allegations of corruption and mismanagement of public funds, the Concertación – which has won every presidential election following Chile's return to democracy in 1990 – appears to be at its weakest in two decades.

Chile's incomparable recent economic performance, based as it is on labour flexibility and low wages, has produced an "if it ain't broke, don't fix it" complacency among most of Chile's political leaders. But now the workers and students rightly demand that the huge revenues pouring in from agriculture, timber, fish, wine, meat, poultry and mineral exports, should be invested in education, housing, health and social services.

But the government decides to invest the profits in US Treasury Bonds to keep US interest rates (and hence the US dollar) as high as possible. This keeps the value of the Chilean peso as low as possible and thus provides a massive boost to Chilean exports.

With such a recipe, it is unclear where Bachelet's proposed "Growth with Equity" is supposed to come from. As one Socialist Party economist recently put it:

"The intellectual who proposes redistributive policies is treated as if he were antiquated and obsessed, proposing policies that failed in the past. The idea now is we have to privatise everything, we have to stimulate private enterprise, and hopefully we will all be entrepreneurs!"

Neoliberal ideology has become so pervasive, even among part of the left, that major reforms to the free-market model are automatically rejected as "populist" and inflationary.

The mobilisations of the last two years show very clearly that a new generation is emerging that is not scarred by the historic defeat of 1973 when the Popular Unity government of Salvador Allende was bloodily overthrown. Today the workers, the youth, the women – all are on the move and rebuilding the trade union and

workers' organisations.

They are increasingly turning their back on the establishment parties and expressing distrust in the reformist political parties. As proof of this, 68% of people aged between 18 and 24-year-olds have refused even to sign up to the electoral register.

New perspectives have opened up. The last two years showed the potential for the building of militant, independent rank and

file trade union tendencies, and for the construction of a new Marxist workers' party with a socialist revolutionary programme. The labour movement and the poor people are learning in struggle that there are collective solutions based on the power from below that can and will put an end to the misery brought about by this neoliberal regime.

Diego Carmoni
Revolución Proletaria, Chile

BOLIVIA

Right wing plots coup against Evo Morales

IN EARLY September protestors from the so-called "civic movements" of the east of Bolivia launched violent attacks on government buildings. The offices of the state-run telecommunications company, the tax agency, the land reform institute and the local branch of the state television network in the city of Santa Cruz were raided, trashed and burned. Many of these attacks have been led by local government leaders with the support of the local governors.

There were also attacks on workers and peasant organisations. The Executive Secretary of the Departmental Workers' Union had his home burnt down, and indigenous rights groups and NGOs had their offices looted and set on fire.

Workers in a predominately pro-government quarter of Santa Cruz had to organise their own defence to fight off an attack by 400 armed right wingers on their local market.

Further unrest was reported in the other three provinces of the Media Luna, the eastern part of Bolivia, so named because it looks like a half-moon. Pro-government demonstrations were attacked and an attempt was made to storm and occupy a gas installation plant,

damaging a vital gas supply pipe to Brazil.

Reports suggest that several people have been killed and many injured in these attacks. Many supporters of President Evo Morales and his party, the Movement towards Socialism (MAS), have gone into hiding.

These provinces have witnessed the growth of a secessionist movement led by the racist elite and rich landowners. The leaders of this civic movement are demanding increased autonomy and a guarantee of more of the profits from the oil and gas revenues of the country. The central government has promised to use gas and oil income to alleviate poverty and modernise the country.

The protestors who stormed the government buildings were well organised and included armed fascist thugs of the Cruzeño Youth Union (UJC). They clashed with both the police and army. The Interior Minister Alfredo Rada said the attacks amounted to "a civic coup" and blamed the governor of Santa Cruz, Ruben Costas, and civic movement leader, Branko Marinkovic, for planning and carrying out the attacks.

This escalation of actions against the government has been led by the National Democratic Council

(Consejo Nacional Democrático - Conalce), and they have some very powerful allies. Morales has just expelled the US ambassador as a result of a series of meetings he held with these Conalce leaders in late August, shortly before the organised attacks. It seems this is a deliberate attempt by Washington

organisations of the Conalce.

Relying on Morales or the Bolivian state to do this would be foolish. While a few army and police officials might be loyal to the government, the majority of them are linked to the ruling class of Bolivia and the US military by a thousand ties.

literally, march on the Media Luna, and support their allies in the area to destroy the Conalce and the fascists of the UJC.

Efforts also need to be made to organise the rank and file soldiers within the army so they will be ready and willing to mutiny and side with the people if there is a coup attempt.

But even if the Conalce are defeated, the ruling class will still attempt to regroup and reorganise another violent opposition movement opposed to the aspirations of the majority of the Bolivian people.

The aim must be, not only to defeat the Conalce, but to finally take the wealth and power from the hands of the ruling class. This means the organisations of the workers and peasants must press forward with their demands from the uprisings of 2003 and 2005 - for the expropriation of major industries and natural resources, the confiscation of land and its redistribution, and for political power to reside in the hands of the indigenous, peasant and working class masses.

Dave Esterson

Efforts need to be made to organise the rank and file soldiers within the army so they will be ready and willing to mutiny and side with the people if there is a coup

to either bring down Morales, engineer a coup or, failing that, break up the country.

All of this follows a resounding success for Morales in a presidential recall referendum on 10 August. He won 67% of the vote, higher than his original vote when he won the presidency in 2005. Even in the heartland of the reactionary civic movement, Santa Cruz, Morales was able to secure 40% of the vote. In addition recall referendums defeated the right wing governor of Cochabamba, Manfred Reyes Villa, along with governor of La Paz, Jose Luis Paredes.

The response of the Morales government has been one of conciliation in the face of organised violence by the right. This policy is clearly not working: every show of weakness is followed by an offensive by Conalce, who are showing their contempt for the "democratic victory" of the president. Morales has refused to mobilise either the Bolivian state, the army or police or his own supporters in the MAS to deal with these attacks. Meanwhile, indigenous, peasant and workers' organisations remain isolated and face a highly organised and well-resourced enemy.

The working class, peasants and indigenous movements need to respond to these attacks and assist the resistance of their brothers and sisters in the Media Luna. Their aim must be to crush the reactionary

The most crucial step at the moment is for the mass organisations of the working class and peasants to organise self-defence. Organisations like the trade union federation, the COB, should demand that Morales arms them and gives them the resources they need. A united front of all the mass organisations should be organised to confront the Conalce leaders. An army of the working class and the oppressed could then,

IRELAND

The shining light dims, the Celtic tiger chokes

IN 1997 the Economist magazine announced that Ireland was "The Celtic Tiger: Europe's shining light". They were referring to a period of exceptionally fast growth through the 1990s, when the Irish economy was transformed from Britain's poor relation, into Europe's fastest growing economy.

An influx of multinational corporations, taking advantage of exceptionally low corporate tax rates of around 10% (compared to 35% in the UK, 40% in France and 60% in Germany), and huge transfer payments from the EU of around 4%

of GNP, led to a boom in industry.

Unemployment tumbled from 16% in 1993 to 5.5% in 1999, public debt as a proportion of GDP fell from 91% in 1993 to 39% in 1999 and emigration, the bane of Ireland, halted and even some immigration began.

After a pause following the bursting of the hi-tech bubble from 2003-04, growth resumed its strong upward path, and a construction and infrastructure boom developed, reaching 12% of GDP, compared to a peak of 6% in the US and 4.5% in the UK.

But that was then. The bursting

of the US property bubble in August 2007 and subsequent credit crunch has hit the Irish hard. Today the Economist tells a rather different story. In July the government cut its forecast for 2008 economic growth to just 0.5% from 2.8% at the time of the 2008 budget.

The virtual evaporation of economic growth this year is expected to cause tax revenues to fall short of budget targets by €5bn during 2008. (In the first six months of 2008 three areas, VAT, capital gains tax and stamp duties, accounted for 82% of total tax shortfall.) This statistic indicates both the steep decline in housing markets and slower consumer spending.

The steep decline in tax receipts this year will cause the government's overall budget deficit to swell to 3.3% of GDP compared to an anticipated 0.9%, breaching the 3% limit imposed by the European Growth and Stability Pact, which stipulated that deficits should be below 3% of GDP over the economic cycle. The current shortfall in tax revenue means that government borrowing to meet existing commitments would exceed that limit. Inevitably, therefore, those commitments will be trashed.

Building and construction has collapsed, subtracting 4% from GDP growth alone. Activity in the building sector fell by one-fifth in the first three months of the year. The main component in the reduced output was a 38% drop in residential house building, which was only marginally offset by a 9% increase in non-residential construction. Industrial production also registered a decline of 0.9% between the first quarter of 2007 and 2008. Industry including construction makes up almost one-third of GDP.

Last year the construction industry generated about €37bn, close to one-quarter of all wealth created in the Republic in 2007. The estimate of the number of new houses to be built this year is about 46,000 – about half the record 88,000 homes built in 2006. In comparison NHBC figures show that there were 186,505 new homes

completed by NHBC registered builders in the UK in 2007, 1% higher than in 2006 (184,959).

In 2006 Ireland completed half the number of homes built in the UK, but with a population 15 times smaller. Growth in mortgage lending is now below 10% – the lowest since 1989. The expectation is that property values will fall 25-45% from their peak.

The destruction of jobs and incomes in the construction sector and the erosion of confidence it has engendered is now affecting consumer spending, which is on the slide. Retail sales volumes in August 2008 were 5.2% lower than a year earlier, the biggest annual fall since 1987.

There has been a massive drop in the value of the four Irish-listed quoted banks. AIB, BOI, Anglo Irish and Irish Life and Permanent have shed two-thirds of their value since their share prices peaked 18 months ago. Despite this the banks have continued to report strong profits, although international investors believe the Irish economic downturn and property slump will hit them hard, pushing up bad debts.

The picture in industry is not so bleak. While there was a 3.3% drop in output in the manufacturing sector in the second quarter of this year, on an annual basis production

Irish exports are broadly flat, reflecting the impact of slower growth in Ireland's major foreign customers and the damaging rise in the value of the euro

in the manufacturing sector was up 6.6% to the end of June, mainly spurred by increased output in the chemicals sector. Irish exports are broadly flat, reflecting the impact of slower growth in Ireland's major foreign customers and the damaging rise in the value of the euro against sterling and the dollar.

The difficult situation for workers is compounded by the rise in the cost of living to 4.7% in May

over a year earlier, mainly driven upwards by the surge in global raw materials prices, particularly for energy and food. Accelerating job losses in industry and services has seen the unemployment rate rise to 6.1% in August, its highest rate in a decade, (although still below the EU average of 7%).

The government, alarmed by the rapid deterioration, has made an unprecedented move to bring forward the budget by seven weeks (to 14 October). Public finances have deteriorated sharply from a surplus in 2006 to deficit now. The public finance deficit tripled in the first eight months of 2008.

In July Brian Lenihan, the Fianna Fáil Minister for Finance, ruled out any large scale borrowing to deal with the shortfall in tax revenue. He planned to save €440m this year and a further €1bn next year, mainly from cutting the public service payroll bill by 3%, laying-off 5,000 public servants, part-time and temporary workers. The proposals contained in the proposed budget will not come into effect until the start of 2009.

In September the government will restart negotiations with the unions and business representatives on a new three-year national wage deal, the employers' body IBEC is pushing for a 12-month pay freeze, and an inability to pay clause. The

talks broke down in August. They want their so-called "social partners", especially the Irish Congress of Trade Unions (ICTU), to deliver a tightening of belts for their members. It is the beginning of massive cuts and austerity measures. They aim to break the linkage of pay increases to inflation and deliver wage cuts.

It is worth remembering that the current leader of ICTU, David Begg,

pioneered the introduction of the so-called social partnership process in 1987 with the Programme for National Recovery when industrial peace was traded for promises which were rarely kept.

Sacrifices were to be made by workers in wage restraint and productivity increases so that they would be rewarded in better times – at some time in the future. For over 20 years, they utter the same formula: bread today and jam tomorrow. Nowadays it appears that jam is still too expensive and the slice of bread too large.

Working people face the pressures of rising energy and food costs, house repossessions, unemployment and the threatened privatisation of the parts of the health service (at a time when over 50% of them fork out for private health insurance).

Yet, those who benefited most from the 10-year boom will not bear the burden. For example, the proposed co-location of private hospitals on public grounds will make a profit for the investors because they will be shielded by tax breaks and tax shelters. The construction industry is demanding the state provide incentives for buying their massively over-valued houses: all such incentives to be paid for by the tax-payer. Of course this will be branded as a major concession, permitting the least well off in society to buy a home.

And the response of the trade union leadership is nothing but a pip-squeak. Yes, there are some declarations that there will be no easy deals, no compromises etc. There will be the usual shadow-boxing by the parties involved. Public condemnations will issue forth. But practice reveals that principles are quickly ditched. Public sector pay and pensions have been under constant attack without a whimper of protest: special pay claims were jettisoned with the total connivance of ICTU.

Following the failure of breakthrough at national level, some unions have lodged pay claims but they intend to take no action whatsoever to achieve them. They will refuse to mobilise direct

action, strikes or sit-ins. They will avoid confrontation at all costs. Under pressure from the working class, some one-day stoppages may be tolerated to let off a bit of steam and offer some leverage to the highly paid trade union bureaucrats in the talks process. The union bosses, the brokers of industrial peace, will undoubtedly show considerable flexibility in arriving at solutions in the behind-the-scene sessions to secure a rotten compromise.

The Labour Party is only too eager to surrender the political independence of the working class via a desired coalition arrangement with Fine Gael, the conservative opposition party. Labour are currently hankering for a few

ministerial crumbs from the table if they come to power. There will be some huffing and puffing about the partnership deal process, nothing more and nothing less.

All this suggests that workers must act for themselves. Twenty years of social partnership has paralysed workers' activism. Many have no experience whatsoever of fighting for a pay claim.

There is a need to build from the grassroots, reaching out to the rank and file in the trade unions and broadening out the struggle to embrace the unemployed, agency workers, students and community groups to oppose cuts in health, education, welfare and local services.

Maureen Gallagher

USA

Rightward moving Obama in McCain's sights

SOME 3,000 delegates gathered in late August at the Democratic Party's nominating convention in Denver, Colorado, to anoint Barack Obama as their presidential candidate. The previous week Obama had announced his vice-presidential running mate, veteran member of the US Senate, Joe Biden, from Delaware.

Biden is a supposed blue collar Democrat, the "poorest" member of what is tantamount to an elected club of multi-millionaires, who they hope will be capable of addressing the white working class components of the Party's electoral base in a way that has eluded Obama. Most pundits consider him a wise choice, replete with the foreign policy experience (i.e. proven willingness to preside over US military ventures overseas) that Obama lacks. The convention itself went off without a major hitch, as Hillary Clinton dutifully played her part and made an unambiguous call to her disgruntled supporters to rally to Obama, while husband

Bill made no attempt to upstage the nominee.

Outside the convention centre there was a brief flurry of anxiety over an alleged plot to assassinate Obama involving a hapless looking crew of booze and drug-addled racists. There were anti-war and other protests amid tight security, but no violent images to detract from the triumph unfolding inside. The convention reached its climax on the final night as Obama delivered his acceptance speech.

Much of the mainstream media had concluded that "Team Obama" had staged an almost flawless performance, placing the Democratic candidate into pole position for the remaining two months of the presidential contest. But then with the Democrats on their way out of Denver, the John McCain campaign unleashed "Sarah Barracuda" – otherwise known as Sarah Palin, a little known politician from the sparsely populated state of Alaska, who had acquired the nickname for her

aggressive style on the basketball court.

Up to that point the Republicans had appeared in disarray, with their convention in St Paul, Minnesota curtailed in response to the threat posed by Hurricane Gustav. But then 72-year-old McCain pulled off a media coup with the selection of a woman, 28 years his junior, as his running mate.

In contrast to Biden, the image of Sarah Palin was suddenly plastered on papers and magazines sold at supermarket checkout counters across the US. Whether the choice of Palin proves such a populist masterstroke come November remains to be seen, but for the time being the nomination of a fundamentalist Christian, who has suddenly become the archetype of the "working mom", has helped propel McCain into a modest opinion poll lead, and energised the socially reactionary base of Republican activists.

Outside the Republican convention 10,000 anti-war demonstrators had gathered only to face brutal police repression. Hundreds of arrests took place during the convention itself, with hundreds more in its aftermath. Even the widely respected left-leaning journalist, Amy Goodman, was arrested.

The mainstream media barely mentioned the use of pepper gas, rubber bullets and stun grenades against unarmed, overwhelmingly non-violent demonstrators, so the spectacle of the McCain/Palin coronation was virtually untarnished.

There are good reasons to believe that Obama's setback is merely temporary and that he will still become the first African-American to capture the US presidency. But the fact that the Palin vice-presidential nomination has so altered the trajectory of the campaign speaks volumes about the marginalised role of real political issues in the contest.

Supporters of the supposedly "liberal" Hillary Clinton suddenly switched allegiance to the Republicans on the basis of John McCain selecting a woman, despite

the fact that she is a virulent opponent of abortion, champions the teaching of "creationism" in state schools and expressed an interest in banning certain books from her town's library.

Obama's skin colour is an undeniable factor in the campaign, and deeply ingrained racist attitudes may still cost the Democrats the White House come November. On the other hand, the Obama candidacy has spurred unprecedented levels of voter registration, not least among African Americans, who just might tip the balance in such "swing" states as Ohio and Pennsylvania. There is both anecdotal and statistical evidence to suggest that Obama's campaign has energised sections of the inner city black population, which have largely abstained from recent elections.

Leaving aside some important but still superficial differences between McCain and Obama, would an Obama victory really make a substantive difference to US workers and the poor, or to those who have been at the sharp end of the Bush administration's global "war on terror" since 2001?

As the campaign has progressed, Obama's talk of change has become

Obama's skin colour is an undeniable factor and ingrained racist attitudes may still cost the Democrats the White House come November.

all the more vacuous as he has moved ever rightwards over a wide range of issues, not least US imperialism's foreign policy. On the Iraq war there is still some semblance of a pledge to withdraw all US combat troops within 16 months of taking office - roughly by May 2010.

However, Obama has no intention of bringing tens of thousands of US soldiers "home". His clear pledge has been to increase troop numbers in Afghanistan and he has effectively

endorsed the sort of special forces operations which have already been authorised by George Bush in the border areas of Pakistan.

The Democrats under Obama are now committed to increasing US military spending still further, while candidate Obama joined candidate McCain on a Columbia University platform marking the anniversary of 9/11, to lament the college's current campus ban on the Reserve Officer Training Corps.

On Israel the Democrats have often been more unequivocally pro-Zionist than the Bush administration, but Obama was accused of being soft in his support for Israel while contesting the nomination against Hillary Clinton. In his speech to the American Israel Political Action Committee he went even further than either Clinton or Bush, pledging support for Jerusalem as the Israeli capital, and giving the green light to Israel to act against a perceived Iranian threat, though Obama has been less bellicose towards Iran than McCain.

As for domestic policies, his economic programme offers nothing for US workers who are facing rising unemployment and falling living standards. US leftist

Barry Sheppard recently wrote a damning critique:

"Obama referred to Franklin Delano Roosevelt in his [Democratic convention] speech. But he is staying clear of proposing any programs and reforms of the type FDR was compelled to implement during the 1930s Great Depression and labour radicalisation. Obama has no plan to help families facing home foreclosures. He is silent on the burning need to launch a massive public works program to rebuild

the nation's crumbling infrastructure and provide work for the unemployed. He is against raising the minimum wage to where it was in 1970 - \$10 an hour in today's dollars from the present \$6.25." (See http://directaction.org.au/issue4/obama_means_more_war)

For now, however, Obama remains the candidate with the backing of virtually the whole of the trade union bureaucracy. He is the candidate whom the mass of African Americans are likely to support in unprecedented numbers and he will almost certainly win a sizeable majority of the Latino vote across the country as a whole.

If only on the basis of "lesser evilism", he remains the choice of many who are adamantly against

both the Iraq and Afghan wars, and would desperately like to see a comprehensive programme of free healthcare for the whole population.

The votes for the likes of Cynthia McKinney and Ralph Nader are sure to be derisory. And so the long-standing US version of the crisis of political representation for the working class and oppressed goes on through 2008.

Whether an Obama victory, still anything but a foregone conclusion, and the subsequent disillusionment with the reality of his administration proves a catalyst to a much more profound radicalisation will prove a crucial challenge to the ranks of US leftists over the next four years.

George Binette

FRANCE

A new party but the same old problems

IN JANUARY this year, at its national congress, the Ligue Communiste Révolutionnaire (LCR) voted to launch a campaign for new anti-capitalist party, the Nouveau Parti Anticapitaliste (NPA). Since then, the activity of the LCR has been focused on building local committees which are to form the basis of the party. The founding conference is due to take place early next year, after which time the LCR will cease to exist.

Their bold decision to launch the NPA initiative is based on an analysis of the state of the French workers' movement and on the growth in support for the LCR in recent elections.

French workers have frequently shown themselves to be the most militant class fighters in Europe. Throughout the 1990s and over the last decade, France has been repeatedly rocked by intense class struggle. However, the outcome of these displays of workers' militancy has been mixed. Major victories,

such as the successful fight against plans to limit the wages and rights of young workers and the resounding rejection of the neo-liberal European constitution, have demonstrated the strength of the workers' movement.

On the other hand, there have been key areas of struggle (such as pensions) where, despite the militancy of the working class, major gains have been rolled back. Successive governments have been able to carry out a gradual privatisation of parts of the public sector, whilst regressive authoritarian attacks on immigrants have continued apace.

The electoral victory of President Sarkozy's right wing UMP last year signalled the chance for the bourgeoisie to change the balance of forces decisively in its favour by transforming the patchwork picture of defeats and victories into a decisive victory for the ruling class. For the LCR, the road to preventing the right from carrying

out their anti-worker and anti-immigrant attacks lies in the creation of the NPA.

Clearly, there is a space for an alternative to the reformist left in France. The Parti Socialiste (PS) and the Parti Communiste Français (PCF) both failed miserably in the 2007 elections, despite the widespread hostility of workers, youth and immigrant communities towards the UMP. The PCF in particular suffered, forced to confront the fact that it was no longer a national force, its ongoing decline brought sharply into relief by its abysmal election result that placed the PCF below the LCR.

The LCR is correct to place the fight for an alternative to the reformist left at the top of its agenda. The working class is facing a decisive struggle against the government, but whilst the willingness to fight the government is clearly there, French workers lack an organisational force to give their spontaneous outbreaks of struggle a concrete and coherent political form.

But what kind of party does the working class need? At first glance it seems that the LCR is advocating a very different kind of party from the traditional reformist parties, since it is calling for an anti-capitalist party. Already this has caused problems in the leadership of the LCR with the remaining minority faction, organised around Christian Piquet, arguing against an anti-capitalist party and in favour, instead, of an alliance with the left wing of the PS, the PCF and the Greens. The NPA, they claim, will be an obstruction to such alliance since most of these forces will run a mile from anti-capitalism.

So is the LCR bucking the recent trend amongst the European far left who have been promoting broad left reformist formations? Is the NPA going to be a revolutionary party? Certainly, the LCR claims that they want to mobilise the "tens of thousands" of men and women who want to "revolutionise society". But this does not mean they think that the way to do that is by building a revolutionary party. Their charismatic and affable

spokesperson, Olivier Besancenot, makes this clear in a response to the question of whether the NPA will be a revolutionary party:

"Probably not . . . Otherwise, we could merely continue – and continue the LCR! – as before, but better obviously! We need of course, a common foundation: the defence of radical proposals, opposition to the capitalist system, a strong commitment to mobilisations, political independence from the PS. This common platform will not answer a priori any questions, tactical or strategic. Some will remain open. But we believe that there are tens of thousands of men and women that are available to build a party for struggles and mobilisations." (International Viewpoint 398, March 2008)

Elsewhere Besancenot has argued that the NPA would be ecological, feminist, even Guevarist, but certainly not revolutionary.

So why the ambiguity? Why, if the LCR is convinced that a party organised on the basis of "opposition to capitalism" is a real possibility in France today, do they not draw the obvious programmatic conclusions and fight for the NPA to make a clear break with the discredited politics of reformism and declare itself a revolutionary party?

On paper, the LCR rejects this approach for two reasons. First the LCR argue that a Leninist or Trotskyist party would be unable to attract the new layers that are searching for an alternative. Secondly, the LCR argues that the programme of the party has to emerge organically from the committees that will form the NPA, rather than being imposed from above. This is in fact the old argument for a "half way house" party re-hashed. It is one we are very familiar with in Britain, it was the basis of the Scottish Socialist party, the Socialist Alliance, Respect etc. Workers aren't revolutionary enough, we have to create, militant but non-revolutionary parties to attract them. It is a dishonest and disastrous tactic. And where does the LCR think the programme is going to "emerge" from in the

committees, except from the most militant and politically experienced members? It is an excuse for the LCR to look for ways to blunt their own programme, because they have no confidence in its appeal to "broad forces".

Besancenot has correctly argued that top-down approaches to unity have failed (whilst failing to acknowledge the role of the LCR in pushing for these kind of unity initiatives with various forces, from the critical Stalinist Pierre Juquin to various dribs and drabs of the post-68 "alternative" movement). However, he then goes on to conclude that this means there is no place in the NPA to discuss the legacy of the past. In other words the NPA will not be the place to discuss that old chestnut, reform or revolution, since the new layers drawn to the NPA will not "identify" with this debate.

In fact, far from being a break from the politics of the past, this is in keeping with the "top-down" approaches to unity, only then the issue of reform or revolution was shoved under the carpet to keep the reformist leaders on board – today they have no faith either in their own conception of the revolutionary programme, or in the openness of the working class to different ideas.

What is positive, however, and a welcome break from the past, is that the NPA initiative is rooted in local communities and ongoing workers' struggles

What is positive, however, and a welcome break from the past, is that the NPA initiative is rooted in local communities and ongoing workers' struggles. The LCR has clearly recognised that in the absence of a left force or grouping capable of mobilising the most militant sections of the working class, it is possible to go directly to the workers in their localities and in their struggles. In this alone the NPA is to be welcomed.

Since the beginning of the year,

local committees have sprung up around the country. The national meeting of local committees held in June this summer brought together 800 delegates representing 300 committees, and demonstrated that the NPA was attracting layers beyond the LCR. In addition there are 50 youth committees.

The PCF and the PS are clearly rattled; the PS has even set up a special group to monitor the fortunes of the NPA. Lutte Ouvrière (LO), the other main Trotskyist organisation in France, living up to its infamous sectarianism, has refused to be involved in the NPA, preferring to cosy up to the PCF and even the PS. Last year LO stood on joint electoral platforms with the reformists and currently serves as a left cover for reformist local administrations.

The NPA has the potential to be a crucial tool for organising and uniting the various struggles that are taking place in France. But it also needs to be a forum for serious debate about what political programme is needed both in terms of fighting the immediate attacks launched by Sarkozy and his government, and in mapping out a strategy that can give concrete meaning to "anti-capitalism".

Revolutionaries must play a key

role in this discussion, and not shy away from the key questions of power, the need to smash the state etc. Yes, the programme of the NPA must be forged organically from the working class struggles on which the NPA wants to base itself, rather than being imposed by a bureaucratic elite with a prepared agenda, but leadership consists in saying what is needed if capitalism's iniquities are to be uprooted and not just ameliorated.

By Christina Purcell

The UK economy is poised for its first recession since the early 1990s. A perfect storm of rising inflation on the back of high commodity prices, a collapsing housing market and battered financial sector have combined to darken the skies. How bad will it get ask Bill Jefferies and

Keith Harvey

WHEN GORDON Brown had a reputation he was known as the Iron Chancellor. His boast was that under his stewardship (1997-2007) the UK economy had experienced its longest period of uninterrupted growth. In 2000, at the Labour Party Conference he declared that, as a result of his economic wisdom, Britain had seen the end of "boom and bust".¹

By then the UK had seen constant expansion since the last recession in 1991. All in all there were to be 63 successive quarters of expansion. But no more; in the second quarter of 2008 the UK economy came to a full stop.

This seemed to be the cue for the ex-chancellor's hubris to give way to the current chancellor Alistair Darling's hysteria about the state and fate of the UK and world economy. According to Darling, in his infamous Guardian interview, "The economic times we are facing are arguably the worst they've been in 60 years".²

So what is happening to UK PLC and what are its prospects? Is the hysteria as misplaced as the hubris?

The UK economy is currently suffering from a triple whammy. First, like the US, the UK's liberalised financial and mortgage markets have encouraged a major housing asset bubble by loose lending, added to by the government and private sector's failure to increase the housing stock in line with demand.

As a result household indebtedness has grown more than anywhere else in the G7 and is now unwinding painfully. House sales in August were the lowest for 30 years. The fall out in the construction sector and associated retail sector has been heavy.

Second, the explosion in prices for energy and foodstuffs in the last year (mainly prompted by exceptionally high levels of economic growth in Asia over the last five years) has hit households and businesses hard, eroding profits and wages and hence dampening retail spending and business investment, the motors of economic growth.

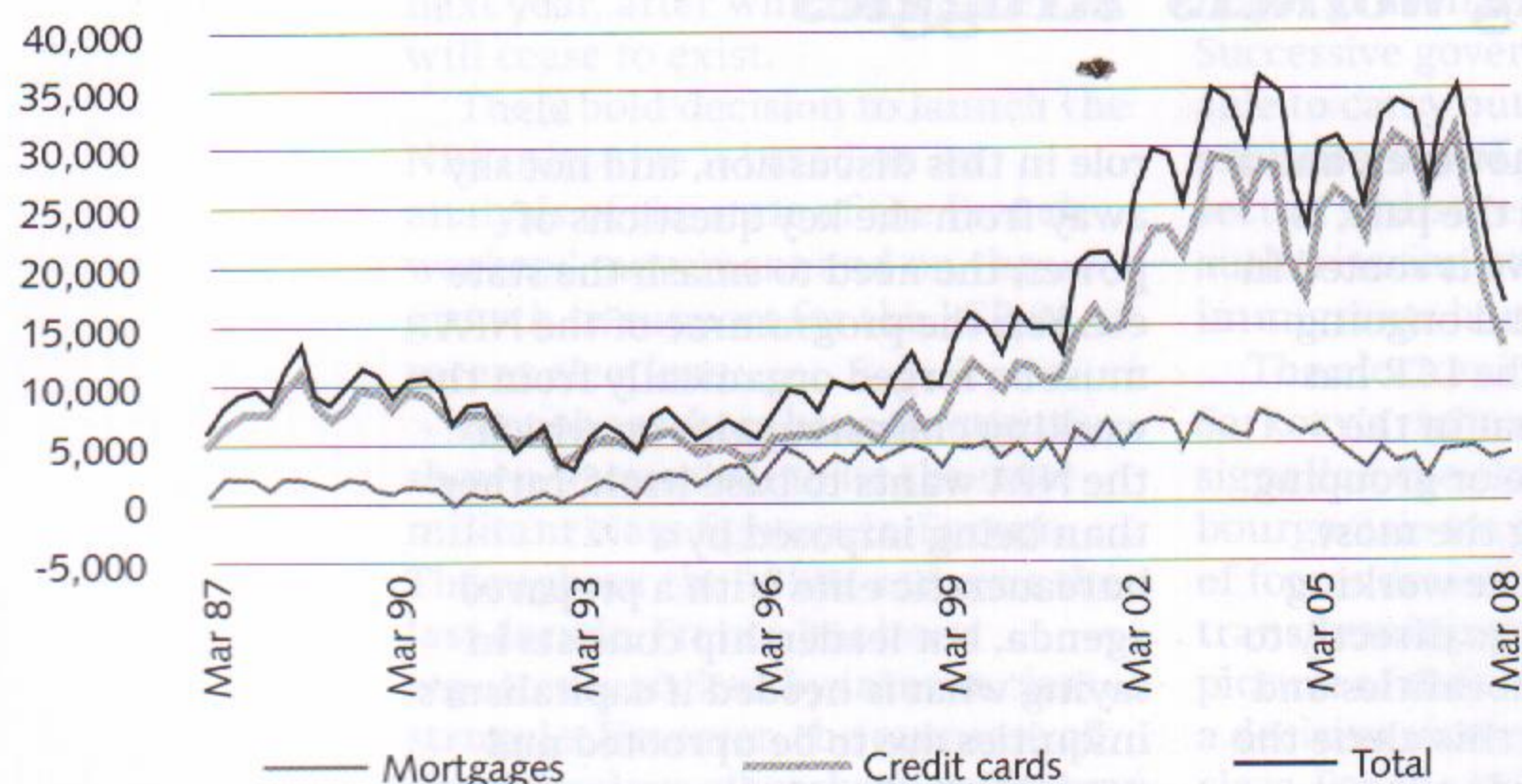
Third, the credit crunch, now more than one year old, has hit the UK financial sector hard, exposed more than anywhere else apart from the US to the losses from the sub-prime fiasco. Given the large relative weight of the financial sector in the UK economy, the rapid downturn in its fortunes was bound to take its toll on profits and employment. In addition it has made credit more expensive while the banks hold back on lending while they try to repair their balance sheets.

Housing price collapse

As in the US, the UK's housing sector has been the source of most of the present economic woes. Mortgage borrowing increased six-fold between 1999 and 2007, with quarterly increases rising from £5bn to £30bn - see fig 1.

Between 1997-2006 house prices soared threefold as cheaper and easier mortgages mushroomed while the housing stock grew at a snail's pace.

Fig1: UK lending quarterly change in £millions 1987 - June 2008



Source: Bank of England³

THE CREDIT CRUNCH AND BEYOND

From hubris to hysteria

House price changes

Year	Average price (£s)	% change
1997	68,504	6.3
1998	72,196	5.4
1999	77,405	7.2
2000	85,005	9.8
2001	92,256	8.5
2002	108,342	17.4
2003	132,589	22.4
2004	156,831	18.3
2005	165,807	5.7
2006	179,601	8.3
2007	196,478	9.4
2008 (July)	177,351	-9.7%

Source: HBOS August 2008⁴

At these prices, and given wages were not keeping pace, it was inevitable that mortgage payments as a percentage of take home pay for first time buyers, would rise dramatically – from 1996 at 46.2% to 2008 – 136.8%.⁵

The house price to earnings ratio rose from 2.1 in 1995 to 2.5 in 2000 before peaking at an astonishing 5.4 times in 2007.⁶ Total mortgage, loan and credit card debt rose to £1.44bn during the year to the end of June 2008, outpacing total UK output, which currently stands at £1,41bn.⁷

This scale of indebtedness would normally cramp consumers' ability to spend on other areas, but it was masked while the houses they were buying were going up in value and they could tap into that wealth for current spending purposes. Then came last year's credit crunch.

The credit crunch, which caused the collapse of Northern Rock a year ago and prompted a government bail-out, announced the start of a generalised crisis in the housing market because the scale of the banks' bad loans tied up in the housing market forced banks to restrict new mortgage lending.

The requirement for higher deposits and fewer low

fixed-rate deals have seen new loan approvals fall 77% in a year, knocking the floor from under housing market demand. As a result prices have dropped sharply – 11% in the last 12 months.

This has prevented homeowners releasing equity in their homes and spending it on consumer goods, so knocking a huge hole in high street spending, a large element of GDP growth. Household consumption fell by -0.1% in the second quarter of this year. To this has been added the effect of increased prices for food and energy over the last year which has forced many people to cut back on their spending on non-essential items since their wages have failed to keep pace with inflation.

The hike in global food and energy prices are due directly to the sharp capitalist expansion in Asia and

The credit crunch has hit the UK financial sector hard, exposed more than anywhere else apart from the US to the losses from the sub-prime fiasco

Russia since the millennium. The booming economies of Russia, China and east Asia grew at an unprecedented pace, so raw materials prices (oil, food, iron) that had collapsed when the ex-centrally planned economies of the USSR and eastern Europe crashed in the 1990s, rose very sharply. Oil hit \$147 a barrel in July – a rise of 90% in just 12 months – before falling back to \$105 as recession fears gripped the market.

But rising inflation meant that in 2008 UK real wages – after years of modest increases for many in the private sector at least – declined at their fastest rate in the last two decades.⁸

Business troubles

British business too has taken a hit. The UK has the most advanced financial sector in the world and accounts for a higher percentage of national economy than anywhere else. The credit crunch has naturally hit the sector badly, from banks exposed directly to sub-prime crisis, to the restrictions on lending which has affected fixed income businesses such as mergers' advice.

In early August 2008, the Royal Bank of Scotland posted a loss of £691m – its first in four decades – after writing off almost £6bn, while “HSBC reported a 29% drop in profits, a day before Northern Rock revealed a loss of almost £600m, and . . . Barclays said its profits were down by a third in the first half of this year. Last week saw Lloyds TSB and HBOS report 70% drops in profits.”⁹

UK banks credit crunch losses (\$billions)

Firm	Write down and loss	Capital raised
HSBC Holdings Plc	\$27.4	\$3.9
Royal Bank of Scotland Group Plc	\$14.3	\$23.4
Barclays Plc	\$9.9	\$18.1
Lloyds TSB Group Plc	\$4.8	\$4.8
Alliance & Leicester Plc	\$1.3	\$0.0

Source: Bloomberg August 27th¹⁰

Mergers and Acquisitions (M&As), a key source of banking profits, have declined sharply.

“The value of mergers and acquisitions in the first half sank by nearly a third from the same period last year to \$1,860bn as the collapse of the buy-out boom prompted a steep drop in the number of high-value deals.”¹¹ so that, “The amount of advisory revenue merger bankers generated during the first half sank 27%, illuminating the extent to which the deal making slump has affected banks’ businesses.” The global issue of bonds backed by mortgages has fallen from a peak of over 2006 \$2.5tn to \$500bn in January to August 2008.¹²

As bank and construction firms’ profits have fallen so has their net worth, and hence stock market valuation. The UK’s FTSE stock market index has fallen from a 12 month peak in October 2007 of 6,750, to a trough in July 2008 of 5,200,¹³ a decline of more than 20% – the definition of a bear market.

However, British capitalists entered the downturn with strong balance sheets. During the last two recessions UK non-financial companies were indebted to the tune of 1.5%-5.5% of GDP; this time they are in balance.¹⁴ Nor are they suffering from any lack of access to borrowing as a result of the credit crunch. Moreover, the overall profitability of UK private non-financial corporations in the first quarter of 2008 was 15.3%,¹⁵ marginally lower than the revised estimate of 15.4 % the previous quarter. The annual net rate of return for private non-financial corporations in 2007 was 15.1 %. The net rate of return for oil and gas extraction companies increased in the first quarter of 2008 to 57.6 %, compared to the revised estimate of 51.3 % recorded in the previous quarter. This is higher than the average of 35.2 % for 2007.¹⁶

These are historic highs, as is demonstrated in fig 2. During the 1960’s boom, the rate of return hovered around 10-11%, dropping to 5% in 1974 before recovering under the impact of Thatcherism in the 1980s and rising to 15% in 2007. Profitability and investment in British firms fell quite sharply in the year or so before the 1989 and 2000 financial shocks to the global economy. Not so this time.

By increasing the cost of borrowing, and especially the rise in raw material and energy costs over the last 12 months, the credit crunch has significantly dented not only the profits of the banks and mortgage companies but also industry. Manufacturing companies’ net rate of return was estimated at 4.9% in the first quarter. This is lower than the average of 6.6% for 2007 and is having a sharp impact on their investment plans, further aggravating the projected fall to GDP in the year ahead.

Although the European Union has not been badly hit by the credit crunch, and grew quite strongly in the first three months of this year, it has taken a beating over the spring and summer due to the soaring costs of food and energy, causing EU output to flatline. Since this is the UK’s biggest export market it is no surprise that, taken together with the fall in domestic demand, UK manufacturing output has declined during the first half of the year. The index of manufacturing output in the UK fell in the second quarter by 0.8%, and a further 0.3% in the second three months, but remains ahead of the trough of 2003, which it also sank to in 2005.

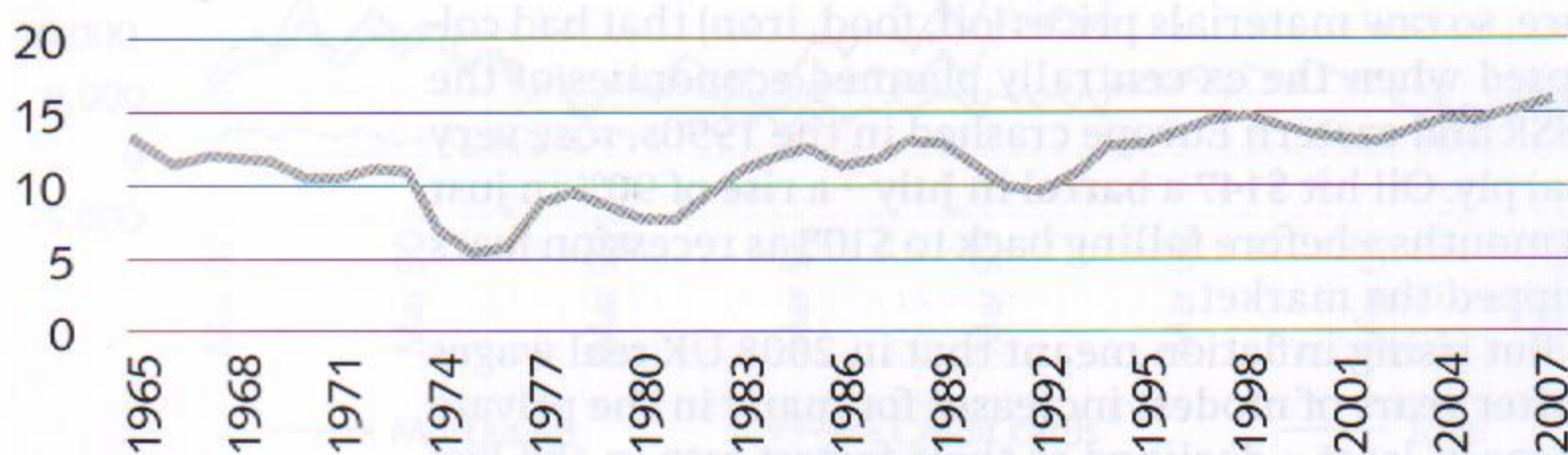
Recession?

The OECD’s interim report in September 2008 suggested that, out of the member countries in the G7, the UK will experience a decline in output during the whole of the second half of this year – a total of 0.6% – although the European Commission has suggested that Britain will be joined by Spain and Germany.

Is this the first step on the road back to a major recession in the UK? Does this herald a return to the loss of output, unemployment and inflation of 1980-82 or 1990-91? Or – as the optimists suggest – will inflation fall sharply next year after peaking at about 5%, with unemployment peaking by mid-2009 at around 6.5%, and output picking up thereafter?

Without a major systemic collapse in world financial markets or a collapse of the Asian growth engine, the UK

Fig 2: UK rate of return annual %



Source: ONS 2008¹⁷

economy looks set for a period of stagnation rather than a recession, even one on the scale of the early 1990s.

The recession of 1980 saw GDP fall 6% from peak to trough, the recession of the early 1990s showed a 2.5% decline. In addition the last three recessions in Britain (and globally) were triggered by significant interest rate rises, to stem rising inflation. In May 1980 the retail price index, less mortgage interest, rose to 20.8% and in October 1990 it hit 9%. This July this year, however, it was only 5.3%. In these circumstances the interest rate rise deemed necessary to break the back of inflation is certain to be much smaller. Remember that in 1979-81 Bank of England rates shot up from 6% to 17%.

In the run-up to the early 1990s recession, rates doubled from 7.5% to 15%. But this time around interest rates have already fallen from 5.75% to 5% - barely 0.5% higher than the 2005 trough in the last business cycle. Most money is on the next move in interest being down, sometime next year, as inflation begins to fall and growth falters.

This difference is important, since the interest rate shock on the last two occasions, in the 80s and 90s, put both businesses and households into trauma almost overnight. Profit margins were wiped out by the cost of borrowing and many homeowners were put into arrears as a result of the increase to their mortgage and credit card payments. In turn this depressed consumer spending sharply, as millions struggled to cover basic outgoings. In the two years from mid-1988 to mid-1990, the average interest rate on mortgages increased by about 5.5%. This time the jump is likely to be only 1%. Although arrears and repossessions are rising in 2008 and into 2009 they are nothing like the levels of the 1990s.¹⁸ Economists at Morgan Stanley suggest that even another 10% decline in house prices on top of the 11% so far would see consumption cut back by only 0.7%, spread over a year.

As to unemployment, in February 2008, unemployment fell to its lowest level in 30 years. Since then it has been rising, although unemployment still remains low in historic terms. The rate of 5.4% in June 2008 was up 0.2% over the previous quarter, but unchanged over the year. The number of unemployed people increased by 60,000 over the quarter and by 15,000 over the year, to reach 1.67 million.

Compared to the decades of the 1970s-90s this is very low. Following the collapse of the post war boom in 1973, unemployment steadily increased through the 1970s, before reaching 11.8% in 1984. It then fell marginally before rising again to 10.4% in 1993 following the recession of the early 1990s. Since the turn of the millennium, however, it has never exceeded 5.4%. Moreover, the size of the workforce is still growing. The number of people in employment for the three months to June 2008 was 29.56 million, up 20,000 over the quarter and up 384,000 over the year. In contrast during the 1991-93 recession the UK workforce fell by between 1% and 1.5% every quarter.¹⁹

Since 2000 the employment rate has exceeded 74% each year, compared with a nadir of 70% in 1993 and 68% in 1982. Many commentators suggest that while unemployment will almost certainly rise to 6.5% by this time next year and the employment rate fall a percentage point or two, the impact will be mitigated by (mainly older) people

leaving the labour market altogether, if and when they lose their job, and through the reverse flow in migration.

In the last four years the number of migrants, mainly from the new EU states such as Poland, has expanded the workforce greatly. Between May 2004 and June 2006 427,000 workers from eight EU accession states successfully applied for work in UK. Over half (62%) were Polish, 82%

Prospects of the government winning an election in 18 months time depend in large measure on just how bad the economy gets in the year ahead

are aged 18-34, 56% working in factories. Since then the figure has edged nearer the million mark.²⁰ But reports suggest that a mixture of rising wages in booming eastern Europe states and a downturn in the British economy is leading to many thousands of immigrants returning home, which will dampen the official unemployment statistics in the year ahead.²¹

It is likely that UK unemployment will increase to or above the two million mark by the end of 2008 or early 2009. While this is domestic misery and poverty for those that experience it, it does not automatically mean that unemployment will become a convulsive social and political issue as it did in the 1980s, with urban riots and devastation of whole communities blighted by factory closures or the decimation of whole industries.

Countering the recession

Gordon Brown's personal fate as leader of the Labour Party and the prospects of the government winning an election in 18 months time depend in large measure on just how bad the economy gets in the year ahead, what measures are taken to offset any recession and to protect its electoral base from its worst effects.

However, Brown's fate and that of the government is not entirely in his hands. The depth and scope of the downturn depends on the health of British capitalist business as it enters a recession, the shape of company balance sheets, and whether the international economy offers any sort of lifeline for flagging domestic sales.

As is well known, UK manufacturing has declined in relative terms over the last 30 years and accounts for only about 14% of GDP. As domestic production was replaced with imports from abroad the effect on the UK's balance of payments was dramatic. From the turn of the millennium onwards, as the emerging markets of China, Russia and east Asia reached critical mass, so the UK balance of payments deficit increased to around -2% to -3% a year. This was sustainable up to about 2006 as the cost of many imported goods fell due to the deflationary impact of China's exports. However, as raw materials prices increased from around 2005 onwards, the balance of payments deficit accelerated sharply to -5% in 2005 and then to -6% in 2006-07.

This deterioration has had the effect of lowering the value of sterling,²² making imports dearer and exports cheaper, thus boosting inflation, but making UK firms more competitive abroad. This should help reduce the balance of payments deficit. And indeed the balance of payments deficit did improve to -2.5% in the first quarter of 2008.²³ However, unlike in the US, UK manufacturers have used the fall in sterling to boost prices rather than volumes of production.²⁴ This means that while the balance of payments has benefited from the higher prices paid to UK exporters, the export sector has not increased production, investment or employment.²⁵

Consequently, while the UK export sector has grown, and the proportion of manufactured goods exported at the

start of this year was the highest since the first opening months of 2001,²⁶ UK manufacturing output decreased by 0.8% during April-June 2008 compared with the first quarter. In other words, the growth of the export sector has not offset the scale of the slow down, to the same degree as in the US.

The government's counter-crisis intervention

The collapse of Northern Rock in September 2007 led to its nationalisation and the injection of £25bn government money.²⁷ The Bank of England has cut interest rates from a July 2007 peak of 5.75% to 5% in April 2008. It also

EMERGING MARKETS

Profiting from expansion

BROWN WOULD have us believe that astute policy decisions lay behind the boom and stability of the UK economy under New Labour: independence of the Bank of England, keeping to Tory spending limits in Labour's first term of office, light touch regulation of business (and lack of employment safeguards for the workforce). But the truth is that the UK was in a good position to profit from changes in the global economy after the collapse of Stalinist economies in the early 1990s.

Their vigorous expansion from later 1990s meant for example that the hi-tech bust of 2001-2003 produced the shallowest recession since the 1960s, while it passed Britain by completely. Emerging markets in the former Stalinist centrally planned economies grew very rapidly and British financiers, saw the earnings of their foreign direct investments soar. The destruction of the Stalinist

centrally planned economies between 1989-1991 and their transformation into capitalist ones utterly changed the basis of the world economy.

The 1990s were a period of looting and collapse, perfectly suited to the parasitical exploitation of British finance capital. And at the same time new emerging powers like China and powerful semi-colonies like Brazil and India, were opened up to unlimited exploitation. Nationalised industries were sold off for a song, tariff barriers ripped down, UNCTAD noted Over the period 1991-1999, 94 % of the 1,035 changes worldwide in the laws governing foreign direct investment (FDI) created a more favourable framework for FDI.¹

UK capitalism, with its network of former colonial outposts like Hong Kong, with a working class quiescent following the defeats of the 1970s/80s and with its investments guaranteed by its

larger American godfather, went on a buying spree the like of which the world has never seen. In the period from 1997-2000 the UK had the largest outward flows of foreign direct investment in the world, surpassing even those of the USA. Reaching 19% of the world's total in 2000.²

Earnings from British foreign investments grew by 197% between 1997-2006 from £28,470 million to £84,649 million.

So that even though the scale of investments slowed very rapidly during 2001 as the dot.com crash took its effect on mergers and acquisitions, by -73% and a further -18%⁴ in 2002, the rising profitability of the emerging markets ensured that returns increased throughout this period. When recovery set in after 2003 it was to usher five years of the fastest period of world capitalist growth since the 1960s.

NOTES

1. UNCTAD World Investment Report 2000 Overview
2. UNCTAD Handbook of Statistics 2008
3. http://www.statistics.gov.uk/downloads/theme_economy/MA4_2006data.xls
4. 2.1 Net foreign direct investment flows abroad analysed by area and main country, 1997 to 2006 (1) (2) http://www.statistics.gov.uk/downloads/theme_economy/MA4_2006data.xls

UK Outward FDI proportion world outward FDI

1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
12.7%	17.6%	18.2%	18.8%	7.9%	9.3%	11.1%	10.4%	10.0%	6.5%

Source: Unctad handbook of statistics 2008

Net earnings from foreign direct investment abroad analysed by area and main country, 1997 to 2006 £ million

1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
28,470	29,652	32,496	44,237	46,103	51,379	54,531	62,476	78,667	84,649

Source: www.statistics.gov.uk

made finance available to the banks by allowing them to swap mortgage-based assets for bank bonds at the price of a significant "haircut" from the value of these assets in return for access to this facility.

Meanwhile the government announced a reflationary package of tax cuts – the compensation for the abolition of the 10p band and a delay in the fuel tax rise – amounting to the equivalent of around 0.25% of GDP or £3bn. In September 2008 Brown outlined a series of minor measures worth about £1.6bn in all, aimed at first time buyers and those facing repossession to try to stabilise the house market, the economic effect of which was generally held to be very small.²⁸

JP Morgan has noted that "the size of discretionary easing is still likely to be relatively small in comparison to both the UK's history and the recent measures in the US... Discretionary easing of around 0.5% of GDP would be less than half the 1.3% package of measures seen in the US to date." Indeed, the government is constrained politically from doing much more to offset recession, by its commitment to keep public borrowing below 40% of GDP – public sector net debt was 37.3% of GDP at the end of July 2008, compared with 36.1% a year earlier.²⁹

How much larger it gets depends upon the decline in government tax revenues. Alistair Darling forecast that government borrowing for 2008 would be £43bn but most analysts consider it will be in the £50-£60bn range.³⁰ Government borrowing in the first three months of this year was the highest since the Second World War ended and the situation would be worse but for the boost to tax revenues from the high oil price in the first half of the year, forming fully half of all corporation tax receipts in the first three months of this year. As the oil price falls again this boost will diminish.

Politically, Labour could ride a horse and carriage through its golden rule on spending and debt and bust the 40% limit to spend its way out of a downturn. After all, debt peaked at 43.8% of GDP in 1997, and it was due to Brown's "prudence" as chancellor in Labour's first term that this came down to a low of 29.8% in March 2002. Allowing debt to rise to 1997 levels would mean a £72bn increase in spending. If Labour wasn't so in hock to the City and the international bankers, it could go on a Keynesian spending splurge, pleasing its supporters and the

trade unions – and if all went wrong, leaving the Tories to pick up the pieces after the election.

But given the nature of the Brown government, far more likely is a balancing the books by cuts in public spending, with all that this implies for services and jobs in the public sector. Even without the latest blows to the economy Labour was already committed to an end to the levels of real increases in the budgets of education and health that have been forthcoming between 2001 and 2007, with freezes in real terms in the NHS budgets for 2009-12.

Conclusion

The UK credit crunch has exposed the weak side of the pre-eminence of finance capital in the UK economy. As world financial profits have been hit by the losses of the credit crunch and the opportunities for UK financiers to make deals has slowed alongside it, so banking profits have been hit. This has been exacerbated by the collapse of mortgage lending and resultant very sharp falls in house prices. Manufacturing, while enjoying high levels of profitability and productivity in recent years, does not look well-placed to fill the gap given its declining proportion and inability to boost exports significantly, at least while Europe remains near or in recession.

The last time – in 2005 – that manufacturing flirted with recession, the booming financial sector and housing bubble powered the economy along. Now the credit crunch has caused a severe contraction in both banking and construction and impacted upon retail spending – the engine of the domestic economy. A period of rising unemployment and high prices looks set to prevail for the year ahead while real wages will fall unless the trade unions force employers and government to concede major increases.

Whether the stagnation turns into something much deeper or turns out to be a short and shallow downturn depends on how quickly the banks recover from the credit crunch, when the housing market bottoms out and whether the still booming Asian capitalist markets continue to offer a lifeline for the mature, but sickly, developed economies of the west.

ENDNOTES

1. www.guardian.co.uk/politics/2000/sep/25/labourconference.labour6
2. www.guardian.co.uk/politics/2008/aug/30/alistairdarling.economy
3. LPQVTVG, LPQVZQC, LPQVTUQ, www.bankofengland.co.uk/mfsd/iadb/NewIntermed.asp
4. www.hbosplc.com/economy/HousingResearch.asp The drop is in fact 11.2% from the peak in August 2007.
5. www.hbosplc.com/economy/HistoricalDataSpreadsheet.asp
6. With the recent fall in house prices the ratio has returned to five times, still far above its historic norms.
7. www.guardian.co.uk/money/2008/aug/22/debt.consumeraffairs
8. According to the Consumer Prices Index (CPI) annual inflation was 4.4 % in July 2008, up from 3.8 % in June. The Retail Prices Index (RPI) rose to 5.0 % in July 2008.

9. www.guardian.co.uk/business/2008/aug/08/royalbankofscotland-group.creditcrunch <http://www.guardian.co.uk/business/2008/aug/08/royalbankofscotlandgroup.creditcrunch>
10. www.bloomberg.com/apps/news?pid=newsarchive&sid=aDmQ66OoJbFw
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12. news.bbc.co.uk/1/hi/business/7302341.stm
13. With repossessions rising in the first half of 2008 to 18,900, from a low of 3,900 in the first half of 2004. The previous peak was in the first six months of 1991 at 38,900. newsvote.bbc.co.uk/1/shared/fds/hi/business/market_data/stockmarket/3/twelve_month.stm
14. JP Morgan Global Data watch 5/9/08 p58.
15. www.statistics.gov.uk/cci/nugget.asp?id=196
16. The profitability of service companies in the first quarter of 2008 was 21.1 %, which was slightly lower than the revised estimate



of 21.2 % recorded in the previous quarter and the average for 2007 of 21.4 %.

17. ONS LRWW Gross Rates of return % of all Private Non-Financial Corporations.

18. Council of Mortgages Lenders Research August 2008 www.cml.org.uk/cml/statistics

19. ONS July 2008 Annual Business Inquiry. Redundancies for the three months to June 2008 was 126,000, up 14,000 over the quarter and up 6,000 over the year.

20. This certainly understates the figure, as it excludes unregistered workers, according to the BBC; Mark Boleat from the Association of Labour Providers, suggested another 100,000, workers or possibly a lot more, had arrived without registering. The role of these workers in providing a super exploited, low paid workforce was explicit, the BBC added: The government says the migrant workers are helping to fill gaps in the UK's labour market, especially in administration, business and management, hospitality and catering & It is believed low salaries in Poland, sometimes around £200 a month, is one reason the country's citizens are attracted to working the UK.

21. See Immigration and the labour market, Goldman Sachs, UK Economics Analyst 29 August 2008.

22. The trade-weighted currency has fallen over 11% since July 2007. On 5 August 2008 the bank announced that it had made a loss of £585.4m for the first six months of the year and that £9.4bn of a loan from the Bank of England had been paid back, reducing the amount owed to £17.5bn.

23. AA6H

24. JP Morgan Research Economic Research United Kingdom August 22, 2008.

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26. www.statistics.gov.uk/cci/nugget.asp?id=198

27. news.bbc.co.uk/1/hi/business/7542251.stm

28. see Economist 4 September www.economist.com/world/britain/displaystory.cfm?story_id=12072983

29. www.statistics.gov.uk/cci/nugget.asp?id=206

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The last workers' state?

Cuba may have a new leader but the policies of developing the market sector and using wage incentives in the workplace continue apace. Stuart King asks, will Cuba follow the Chinese road to the restoration of capitalism?

LAST FEBRUARY Fidel Castro, the longest serving world leader – in power since 1959 – relinquished his role as Cuban head of state. Much to the chagrin of George Bush the handover to his brother Raul, the head of the armed forces and vice-president, went smoothly, thwarting Washington's hope for a mass revolt following Castro's departure.

Fidel Castro has been a hero to both the Latin American and world left ever since the 26 July Movement overthrew the hated US-backed Batista dictatorship in a revolution. Since 1960 Cuba has suffered a crippling economic blockade imposed by the US, a US-inspired invasion in 1961, a CIA-sponsored campaign of sabotage of the Cuban economy and innumerable attempts to assassinate Castro himself.

Not surprisingly, there has been an enormous well of sympathy throughout the world for this small island of 11 million people in its attempts to determine its own future. It has redistributed land and wealth to the population, introduced a comprehensive free health and education service that are second to none in Latin America, and it has achieved the loyalty and praise of whole sections of the left far beyond the normal Stalinist "fellow travellers".

Yet Cuba today exists in a very different world to the 1960s and 1970s. Its main sponsor and source of sup-

port, the USSR, disappeared in 1991, taking along with it "actually existing socialism" throughout Europe and Asia. These regimes had little in common with socialism, since workers were deprived of any power or control over society or the economy. Despite the fact that they had expropriated the capitalists, they were dictatorships established over the proletariat, not dictatorships of the proletariat.

But Cuba, it was argued by many, was an exception. Unlike Czechoslovakia or East Germany for example, where "socialism" was imposed by the bayonets of the Soviet Armed Forces, the 1959 Cuban revolution had been indigenous and popular. Cuba was "different"; in its internationalist foreign policies represented by Che Guevara, in its mass organisations of women and youth, in its "democratic" organs of popular power – all these features, it was said, set it apart from the Stalinist prison houses.

The policies that had delivered its working class from hunger, illiteracy and insecurity made it a beacon of hope for the "Third World" and in particular for the poverty-ridden Latin American and Caribbean region.

Is this still true today? Should Cuba remain a model for the workers of countries like Venezuela to aspire to? Was it ever a state where the workers had genuine control and democracy? What are the revolutionary lessons

of Cuba for a new left today? Now, with the regime in transition under Raul Castro, is a good time to revisit these questions.

From US semi-colony to integration into Soviet bloc

The economy that Castro and the July 26th Movement (J26M) inherited at the time of the 1959 revolution [See The Cuban Revolution, below] was a deeply problematic one. The Cuban economy had been developed to serve the US consumer, primarily as a sugar exporter. In 1958 Cuba exported five million tons of sugar and the US bought 60% of it at protected prices. Yet productivity in sugar

had been declining – only one new sugar mill had been built between 1926 and 1959. Agriculture was stagnating and failing to diversify, partly as a result of US domination: for example US rice growers used pressure to prevent Cuban farmers expanding this crop, pushing up imports of food.

Virtually all manufactured imports came from the US, which built and owned most of the factories, mills and utilities. Cuba was by no means a backward country compared to the rest of Latin America – its per capita income ranked fourth after Venezuela, Uruguay and Argentina and its literacy rates were also high by Latin American standards.

But these figures hid an enormous inequality between

1959-1961 The Cuban Revolution

CUBA WAS an important colony in the Spanish empire from the 15th Century onwards. Even after Spain was swept out of the rest of Latin America in the early 19th century, it clung on to Cuba despite a series of revolts. Attempts by a 200,000 strong Spanish army to crush a guerrilla campaign inspired by the nationalist Jose Marti led to US intervention and the defeat of the Spanish in 1898. The US then occupied Cuba.

US troops only left Cuba when the infamous "Platt Amendment" was incorporated into the Cuban constitution. This enshrined Cuba's status as a semi colony of the US – it barred the country from making treaties with other powers, gave the US ultimate control over its finances, and enshrined the US's right to defend its interests in Cuba with a permanent military base at Guantanamo. US marines landed and intervened in Cuba in 1906-09, in 1912 and again between 1917-23.

Cuba became the major supplier of sugar to the US – US corporations owned the plantations, sugar mills, cattle farms, banks and utilities throughout the islands. When their interests were threatened, as they were briefly in 1933 when a general

strike brought the nationalist government of Grau San Martin to power, the Cuban army was cajoled and bribed into seizing power. Fulgencia Batista, who led the army to crush the nationalist and workers' movement in 1935, was to dominate Cuban politics for 25 years, until his ousting by Fidel Castro in 1959.

Castro, a lawyer and the son of a small plantation owner, was a nationalist and a member the radical Ortodoxo Party, a party loyal to the ideals of Jose Marti. He and his comrades were steeped in the tradition of the guerrilla struggle and military seizure of power. Indeed he came to national prominence in 1953 as the leader of an attempt to seize the military barracks at Moncada.

Released from prison after two years in an amnesty along with his brother Raul, Castro proceeded to organise another guerrilla campaign from exile in Mexico. In 1956, 82 guerrillas including the Castro brothers and Che Guevara, landed from the boat Granma only to be ambushed onshore. A handful of guerrillas managed to make it to the mountains of the Sierra Maestra.

The July 26th Movement (J26M), as Castro's movement was called,

also had cells in the cities, especially Havana, led by Frank Pais. It was a nationalist movement, not a socialist one. It was committed to overthrowing the Batista dictatorship and freeing the country from US domination in order to develop an independent Cuban capitalism. This, in Castro's words, was an Olive Green revolution not a red one.

The J26M had very poor relations with the pro-Moscow Cuban Stalinists, the PSP. The PSP had denounced Moncada as "putschist" and "adventurist" and its central leadership took the same attitude to the J26M in 1956, despite the PSP being made illegal by Batista.

By 1958 the Batista dictatorship was deeply unpopular and corrupt, largely propped up by US aid and arms. The J26M by contrast was seen as honest and nationalist – and it recruited heavily from the deeply exploited rural workers. When Batista ordered a full-scale offensive against the guerrillas in the mountains his army suffered a major defeat and, demoralised, started falling apart.

On New Year's Day 1959, with Castro's military column closing in on Havana and the city in the grip of a general strike, Batista and his

town and country – 43% of the rural population could not read, 44% never went to school, only 8% had access to any free medical care – there was widespread disease and under-employment in the countryside. By contrast 80% of hospital beds and 60% of doctors were to be found in the capital, Havana, along with 50% of all the light industry.

This explains the enormous support the Castroite movement drew from the agricultural proletariat and why land redistribution was a first priority of the new government after 1959. The J26M had promised to address the stagnation of the rural economy and end the total dependence on sugar.

The moderate land reform of 1959 gave way to a much

more radical one – US and foreign owned plantations, farms and mills were occupied and expropriated as relations with the US deteriorated. By 1965 redistribution of land had increased the number of small farmers from 45,000 to 160,000. They controlled 20% of arable land and were grouped together in the Association of Small Producers (ANAP).

Most of these small farmers were organised into co-operatives receiving state inputs – equipment, fertiliser – in return for producing for the state. Both co-operatives and family-run farms owned their own land, but with restrictions on its sale. The large sugar plantations and cattle ranches became state farms, taking 63% of all the land. Insecurity of employment for the plantation workers

entourage fled in a private plane to Florida. The government that came to power was an impeccably nationalist and bourgeois one – the President, Urrutia, was a judge, the Prime Minister, Cordona, Dean of the College of Lawyers. While the J26M took some ministries, real power, as the bourgeoisie was soon to discover, lay with the guerrilla army and its close-knit leadership group around Castro.

A “duality of power” ran not only through the government but through the J26M itself. The J26M was a loose coalition, with a left wing around Che Guevara and Raul Castro and a nationalist anti-communist wing around figures like Faustino Perez. Fidel balanced between these two, as leader and “Bonaparte”. The J26M was no democratic organisation; its one and only national meeting early in 1959 ended in a furious argument between left and right, with even the Castro brothers pitted against one another – it never met again.

The event that blew up the J26M, and with it the governing coalition, was the land reform proposed in the summer of 1959. Inequality on the land had been a driving force of the Cuban revolution: 40% of the workforce in Cuba in 1958 were unemployed or under-employed, with sugar cane workers working on average only four months of the year. Massive ranches and plantations existed alongside peasants trying to scratch a living on tiny plots. The proposed land reform was initially quite moderate, allowing estates of up to

1,000 acres and even exempting many “efficient” rice and sugar plantations and cattle ranches from this limit.

But provisions for Cuban ownership of land, which threatened companies like United Fruit and Cuban American Sugar, and more importantly the revolutionary context in which the reform would be introduced, petrified the US. They decided to draw a line in the sand, whipping up a campaign against it and demanding prompt compensation instead of the 4% long-term government bonds offered. The National Security Council in Washington started to prepare a plan to get rid of Castro.

Confrontation quickly escalated, bourgeois government ministers resigned or were sacked, air force officers spoke out against “communism” and were purged. Raul Castro was put in charge of the Defence Ministry, re-named the Revolutionary Armed Forces, where he conducted a further purge of unreliable elements and organised a supplementary militia.

The US replied to the land reform by cutting the sugar quota – it took almost the entire Cuban sugar crop at a set price, the mainstay of the economy. The Soviet Union stepped in and offered oil in exchange for the sugar; the US ordered Texaco, Standard Oil and Shell not to refine it; Castro nationalised them. The summer of 1960 saw a wave of nationalisations; of sugar mills, factories, utilities, banks, hotels. By the end of it the great majority of

industry and agriculture was in state hands.

Castro faced with having to bow to Washington, as the right argued, or fight, as the left of the J26M wanted, sided decisively with the left. Even disagreements with the PSP had to be put aside, and by 1961 an “Integrated Revolutionary Organisation” was formed. It was just two days before the US instigated invasion at the Bay of Pigs, on April 17 1961, that Castro declared that the character of the revolution was now “socialist”. The capitalists had indeed been expropriated, but in no sense had the capitalist state been smashed and replaced by a new workers’ state, the “commune state” that Lenin argued for in *State and Revolution*.

Having destroyed the bourgeoisie’s most important means of defence, the army and police, in the 1959 revolution, Castro’s government was able to adapt the existing state machine through a series of purges and restructurings to run a post-capitalist Cuba. The Cuban state of the 1960s was a highly centralised and “top-down” state, with little democracy. It was run as the guerrilla army had been, and by virtually the same tightly knit group who had led the struggle in the Sierra Maestra.

And it had traded subordination to the US for economic dependence on the USSR, a dependence that was to shape its development for the next three decades.

was ended; sick pay, medical services and pensions were now provided for workers.

Over the next decades state resources were directed into education and medicine in the rural areas. Campaigns reduced illiteracy from 23% to less than 4%, free education was provided through a school and university building programme, and universal free health care became the norm.

These were all real gains for the workers of Cuba; the glaring inequalities of wealth, between town and city and

In common with Yugoslavia and China, Castro had come to power at the head of a popular mass movement which gave it an influence in the masses

within society generally, were dramatically reduced. But because of the US economic blockade this redistribution took place in the context of scarcity and rationing – despite the enormous subsidies given to the Cuban economy by the Soviet bloc.

King Sugar

As early as 1963, after Castro's return from a trip to the USSR, it was announced the Cuban economy would continue to rely on sugar production. Early ideas, influenced by the UN's Economic Commission for Latin America, of economic diversification through "import-substitution industrialisation" were put on hold. In the early 1960s the whole economy had to be redirected away from the US and towards the USSR and Eastern Europe, which previously had taken 0.3% of Cuba's trade!

By 1972, having adopted Soviet-style planning methods, Cuba was considered ready to be admitted into the Council of Mutual Economic Assistance (CMEA), a body that integrated the economies of the USSR and Eastern Europe. Cuba was allocated to produce sugar and nickel at preferential prices (much of it paid for with subsidised Soviet oil), credits were extended interest free and Cuba's debt to the USSR, which was now considerable, was deferred for 13 years.

It is estimated that Cuba benefited from these preferential prices and aid to the tune of several billion dollars annually, and indeed the first half of the 1970s were almost a golden era in Cuba with double-digit annual growth rates.¹ Historically high prices for sugar on the world markets helped, as did the coming on stream of a new generation of university graduates and technicians who had come up through the Cuban education system.

As a result Cuba avoided the fate of most of the "Third World" countries in this period, which suffered dramatically from the world recession of the mid-1970s. It did not however avoid indebtedness. Taking advantage of the cheap recycled petrol dollars, Cuba borrowed from the west in the late 1970s. But as sugar prices declined by the early

1980s it was having difficulty servicing its borrowings and in 1986 it defaulted on its \$4bn debt, making it even more dependent on its trade with the Soviet Bloc.

While Cuba's receipt of aid and subsidies from the Soviet Union allowed it to not only survive the blockade but develop its health, education and social programmes, it had negative consequences as well. The economy remained largely dependent on sugar for export income; its production was highly mechanised – dependent on Soviet equipment and subsidised oil.

Outside of this protected market Cuban sugar increasingly failed to compete on the world market. Just as Cuba's factories and mills had been dependent on US technology, now they were dependent on less efficient and less advanced Soviet machinery. This dependence was to lead to disastrous consequences with the collapse of the Soviet Union and the Stalinist states in Europe in the late 1980s.

Cuba: a degenerate workers' state

Cuba certainly was not identical to the regimes in the USSR and central Europe. In common with Yugoslavia and China, Castro had come to power at the head of a popular mass movement which gave it an influence in the masses and a popularity never achieved in say East Germany or Czechoslovakia.

But unlike the Chinese or Yugoslav communist parties, the J26M was not Stalinist, although it had leaders in it like Che Guevara, who considered himself socialist, and Raul Castro who had been a member of the Cuban Stalinist youth movement at university.

In the 1960s a purged J26M became Stalinist. Under pressure from imperialism they had expropriated the capitalists and nationalised virtually all land, industry and services. They now had to run it. The bureaucratic planning models of the Stalinist states, and "top down" controls of the economy appealed to the guerrilla leaders used to issuing orders from the top and having them obeyed.

Not only did trade link these states, but thousands of technicians and economists from Czechoslovakia and the USSR arrived to teach them their planning methods – based on centralised targets and management without any organs of workers' control or democracy.

The fusion with the Stalinist PSP went less smoothly. The first unified organisation the ORI was closed down in 1962 when the J26M proved itself no match for the 18,000 strong PSP, who proceeded to take over most of the key positions. The second attempt, which led to the formation of the Cuban Communist Party (PCC) in 1965, was more successful but changed little in terms of who ran the country at the top; power remained firmly in the hands of Fidel Castro and the small group of guerrilla leaders who had led the anti-Batista struggle; Fidel and Raul were appointed first and second secretaries of the party. Indeed, party leaders were not elected by the PCC until 1975 when the first congress took place, 10 years after its foundation!

The brief period of democracy and the explosion of political and cultural discussion that followed the overthrow of Battista was gradually closed down, starting in

the early 1960s. This was the result of growing imperialist pressure and internal disaffection. There was a mass exodus of people opposed to the direction of the revolution – not only landowners, farmers and business owners but doctors, engineers and skilled technicians – 211,000 emigrants left up to 1965 out a population of 6.5 million. The J26M fragmented, with some of its right wing seeking aid from Washington and starting a guerrilla campaign in the mountains. The CIA-financed invasion at the Bay of Pigs in April 1961 was the culmination of a campaign of sabotage and bombings.

At this time there were mass arrests of tens of thousands of suspected counter-revolutionaries, and while many were quickly released, 20,000 remained in jail in the early 1960s. In every town and city, Committees for the Defence of the Revolution (CDRs) were set up, which served a dual purpose of performing militia and guard duties and being the eyes and ears of the party in every district and street.

By 1965 when Cuba had effectively become a one party state. The army started to draft those considered “socially deviant” into prison-like camps called Military Units to Aid Production (UMAPS). Homosexuals, Jehovahs Witnesses, prostitutes, and by 1967, dissident artists and intellectuals, were being sent to these camps to be “re-educated” through unpaid labour. Growing protests by Party-affiliated writers and university professors finally pushed the regime to close these camps after two years of operation.

While censorship and restrictions on debate in Cuba in the 1960s and 1970s never reached the dictatorial levels that existed in the USSR or Eastern Europe, virtually all organs or centres of independent politics and organisation had been closed down by the end of the 1960s. All discussion had to be conducted within the framework set by the PCC and led by the Party or its carefully controlled “mass organisations”.²

A special period in time of peace

The coming to power of Mikhail Gorbachev in the USSR in 1985 threw Cuba into turmoil. While some in the Cuban leadership initially took a sympathetic stance to Gorbachev’s policies of glasnost (openness) and perestroika (restructuring), Fidel Castro wanted nothing to do with these proposed reforms.

While Gorbachev proposed some market mechanisms to dynamise the stagnating planned economies, Castro’s diagnosis of Cuba’s problems of the 1980s (falling living standards, debt and growing corruption) focused on the failure of material incentives.

The short-lived campaign for “the rectification of errors and negative tendencies” launched at the PCC’s Third Congress in 1986 focused on re-centralising the economy, cutting back on material incentives that aimed at increasing production, and restricting the use of market mechanisms.

The first casualty was the highly popular “farmers markets” where small farmers could sell produce over and above what they produced for the state. Ideological commitment and voluntary labour was to be emphasised as an alternative to material incentives to increase productivity.

OBITUARY

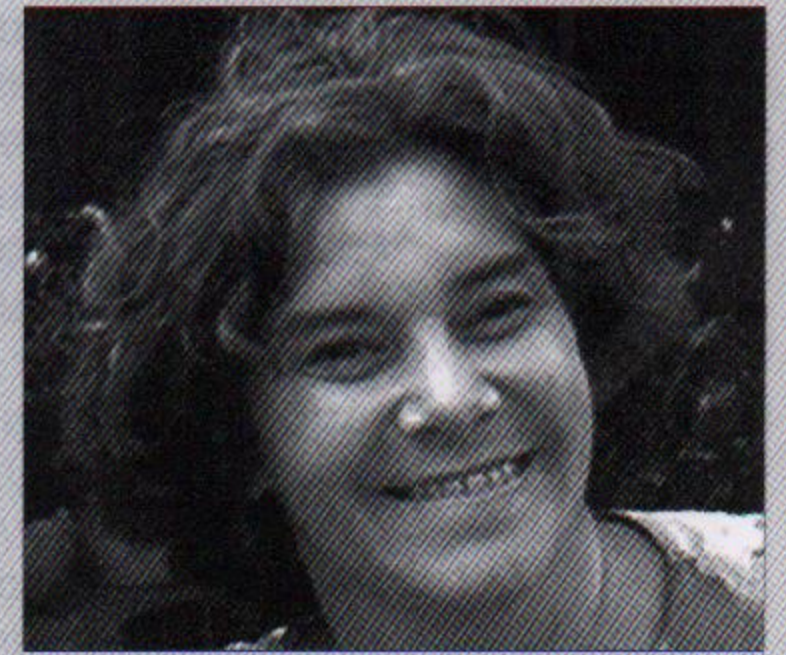
Celia Hart Santamaría 1962–2008

CELIA HART, along with her brother, was killed in a traffic accident in Cuba in early September. She was known on the European and international left as a critical thinker and sympathiser of Trotsky – a rarity on the Cuban left.

Her parents were long time supporters of the Cuban revolution. Her mother took part with Fidel Castro in the attempt to seize the Moncada Barracks in 1953 in the struggle against the Batista dictatorship and her father Amando Hart was Minister for Education and then Minister of Culture in the Cuban government.

Indeed it was through her father that she came to sympathise with Trotsky and Trotskyism. A physicist who studied in East Germany in the mid-1980s, she returned deeply disillusioned with Stalinism. Her father, as a result of her worries, lent her copies of *Revolution Betrayed* and Deutscher’s three volume biography of Trotsky. It was from reading these she became convinced that the Russian revolution had been betrayed by Stalinism.

Celia was a regular speaker on



platforms of the far left in Europe and internationally, and was instrumental in the launching of a new Spanish version of Trotsky’s *Revolution Betrayed* last February at the Havana Bookfair.

Celia was well aware of the dangers of the marketisation process going on apace in Cuba and talked of “the nightmare” possibility that Cuba would follow the Chinese road of restoration of capitalism. Her death is a sad political loss in Cuba at a time when critical voices who support genuine socialism are few and far between.

Tributes, reminiscences and obituaries can be found at liammacuaid.wordpress.com and at www.marxist.com

The campaign was short-lived because by 1989 Gorbachev, on a visit to Cuba, made clear to Castro that the old subsidised trading relationships were coming to an end. By 1991, with the collapse of the Soviet Union, Cuba was virtually cut off from the countries that accounted for 85% of its trade – it was now able to buy imports only with scarce dollars. The economy spiralled into an abyss.

Between 1989 and 1993 oil imports dropped 70%, having a devastating impact on a highly mechanised and fuel-dependent agricultural sector – oxen had to be used to replace idle tractors in some areas. In the cities, as buses lay idle, millions walked to work or if they were lucky were allocated one of the one million bicycles, or “Flying Pigeons”, imported from China.

Cuba’s Gross Domestic Product (GDP) declined 30% between 1990 and 1993 and living standards plummeted. Even the famed Cuban health system could not overcome the results of growing malnutrition. The average Cuban lost between 20 and 25 pounds in weight in 1992/93. An

estimated 50,000 Cubans suffered temporary blindness as a result of dietary deficiencies.

In the face of growing economic disaster the "Special Period" abandoned the policies of "rectification" and introduced a series of market reforms. The economy was refocused, with tourism taking pride of place to bring in foreign capital and much needed dollars. The constitution was changed in 1992 to enshrine protection for foreign-owned property, and allow joint ventures with foreign companies, which were allowed a 49% share (in 1995 new laws were passed allowing foreign companies to own 100% of a business). Major foreign investors poured into the new tourism industry – by 2005 the top three were Spain, Canada and Italy.

Nickel mining was another important area targeted for foreign investment – the Canadian company, Sherritt International Corporation, is now a major investor not only in nickel production but in Cuban oil as well. Nickel is now Cuba's number one export, and oil production has expanded dramatically. Between 1995 and 2005 foreign investment increased at a rate of 8.2% a year and is now estimated to be worth \$30bn.

Agriculture

Agriculture was subject to a radical change. The state farms had long been recognised as bureaucratic and inefficiently run, something made worse by the fuel shortages – Raul Castro reported that the ANAP co-ops were on average six times more productive. As a result state farms were

broken up and converted into Basic Units of Co-operative Production (UBPCs). These are co-operatives where the state retains land ownership but rents it out free.

Buildings and equipment were bought at a discount with low interest loans and the co-ops sell a set proportion of produce to the state while selling extra produce to the re-opened agricultural markets. While the state sets basic quotas of what should be grown, the UBPCs have an incentive to produce extra and experiment with new crops. Within the UBPCs individuals and families are often rewarded for work on particular plots, using an individual financial incentive to increase productivity.

The break up of state farms also released land that was rented free to the ANAP co-operatives if they could make productive use of them. ANAP membership has increased by 35,000 in the last few years as many families took up farming as a means of making a living. Finally the army itself continues to run large numbers of farms as part of the military "self-sufficiency" drive introduced during the Special Period.

One casualty in the drive for productivity and profitability on world markets has been the sugar industry. Once completely dominant in the Cuban economy, the collapse of the Soviet Union and sugar's protected market in the CMEA states meant a dramatic curtailment of this crop. In April 2002 an executive order was issued to cut cane production and milling capacity by half – nearly 1.4 million hectares were to be converted to other crops, leaving only 827 hectares. The 2007/08 harvest produced only 1.4 million tonnes compared to more than 8 million tonnes

AUSTERITY AND EMIGRATION

Exporting discontent

THE AUSTERITY, shortages and growing inequality of the early 1990s led to growing discontent in sections of Cuban society. As in the 1960s and the early 1980s, one result was a growing number of rafters – people trying to escape by sea across the 90-mile channel to Florida. Both Cuba and the US have an ambiguous policy towards such people. The US uses it as propaganda to show how unpopular the Cuban regime is and how people risk their lives to get out, but on the other hand baulks at tens of thousands of largely economic migrants suddenly arriving on their shores.

Up to the mid-1990s it was extremely difficult for Cubans to get visas from the US embassy. Cuba also has a restrictive policy on issuing visas to travel, with only

those considered "reliable" getting the requisite white card. On the other hand, in times of stress the government often opens the gates, using emigration as a kind of political safety valve to let out thousands of the discontented.

In 1981, as a result of an occupation of the Peruvian embassy by hundreds of would-be emigrants, Castro allowed open emigration for a short period and 125,000 left for the US on the so-called Mariel boatlift.

In the early 1990s the pressure built up again and in August 1994 a riot erupted in the heart of Havana after a ferry hijack was foiled. Hundreds of Cubans threw rocks at police and a tourist hotel on the Malecon boulevard. Rapid response units quickly swamped the demonstration. As a result of this protest Castro lifted all

controls for migrants and thousands left.

US President Clinton quickly revoked the rule giving Cubans the right of asylum, and 20,000 rafters ended up in camps in Guantanamo, alongside thousands of Haitian refugees. The crisis was resolved when an agreement was reached between the two governments that the US would give 20,000 exit visas a year to Cubans and would give asylum to any Cuban reaching dry land in the US. Even today several thousand Cubans take the risk every year to reach Florida in flimsy boats or rafts.

NOTES

1. It says something about the nature of the Cuban regime that amongst the several thousand party members and police mobilised to suppress this demonstration was Fidel Castro himself, who plunged into the crowd to argue with the protesters, something one could hardly have imagined a Brezhnev or a Honecker doing.

in 1989. Seventy-one out of a total of 156 mills were shut, making an estimated 213,000 workers "idle".³

The unemployment that came with the collapse of the economy meant a massive expansion of the informal sector. This led to a law in 1993 making self-employment legal; by 1996 more than 200,000 people were licensed to operate as small businesses: plumbers, decorators, pedicab drivers, truckers, private renters of rooms, restaurants, were just some of the many self-employed occupations that sprang up.

But the government took a much less tolerant attitude to these sort of businesses and the growth of a "petit bourgeoisie" than it did to large-scale foreign capital, which was welcomed. Foreign capital, they believe, can be controlled within a predominantly stratified economy. The growth of a large petit bourgeois class, sections of which will want to expand and employ labour, becoming a nascent bourgeoisie, poses a real threat to the post-capitalist state and the social basis of the PCC bureaucracy.

The small businesses were often linked to the black market and to wide-scale pilfering from state enterprises for their "inputs" such as food and fuel. In 2005 there was a crackdown against the "new rich", inaugurated with a six-hour speech by Fidel Castro to the no doubt engrossed university students of Havana. 28,000 young communists and students were drafted in to take over the petrol pumps in Havana, discovering that a good half of the city's petrol disappeared to the black market.

Restaurants and renters were a particular target and were hit by a wave of new regulations, one of which limited the number of covers allowed in restaurants to only 12 – a measure that led to one restaurant in Havana to mockingly rename itself Paladar Las Doce Sillas (The Twelve Chairs Restaurant). The number of licensed businesses has been reduced by half.

Dollarisation of the economy and its impact

In 1995 the Cuban government legalised possession of US dollars and allowed their use in special shops to buy some food and imported goods. One purpose of this was to encourage an increase in remittances from abroad, particularly from family members who had emigrated to the US. This had a dramatic effect on the economy – remittances did increase, to more than \$1bn a year, and became a vital prop to the economy.

By 1997 two-thirds of the state's hard currency income came from these shops (where imported goods are marked up by 240%). This compared to 11% of hard currency coming from exports and 22% from sales to the tourist industry.⁴

Dollars did not just come from remittances but from workers in the tourism and related industries on the island. This included prostitution, which grew dramatically in the early years of the Special Period. Equally important were the earnings of Cuban doctors and technicians working abroad – this "export of human capital" was and remains very important to the Cuban economy.

By 2006, 25,000 of Cuba's 70,000 doctors were working abroad, over 15,000 in Venezuela alone. This increased wait-

ing times and caused labour shortages in the Cuban health service itself. These personnel are paid in hard currency and the Cuban state is paid as well in subsidised oil.

The dollarisation of the Cuban economy in the Special Period dramatically increased inequality across Cuba. Those who worked in the tourist industry, received remittances from abroad or were involved in the burgeoning black market were much better off than the majority of the population who didn't.

Old inequalities re-asserted themselves, with Havana receiving 60% of all remittances while workers in the countryside had little access to dollars. There is evidence as well that it increased the divide between black and white, with blacks having less access to the tourist industry and remittances, losing out.⁵ Inequality doubled between 1986 and 1999.

The average Cuban wage in non-convertible pesos is \$20 a month and it is only possible to live on this by buying subsidised food. But there are only sufficient rations to supply food for 10-14 days a month, so access to money from abroad, home grown food or barter exchange based on pilfering, is essential in Cuban society.

The dramatic changes in the economy introduced in the Special Period and the influx of foreign investment pulled Cuba out of the worst of recession by the new century. Between 2003-07 Cuba registered growth rates that averaged at 6.3% a year, riding on the back of rising prices for commodities like nickel and benefiting from its trading relations with oil rich Venezuela.

The Special Period, the Party and democracy

The "Special Period in Time of Peace" declared by the Party in 1990 not only changed the Cuban economy but had a considerable impact on the PCC itself. The army mothballed most of its heavy equipment, reduced its ranks from 200,000 to about 60,000 and was required to generate much of its revenue itself.

The "Special Period in Time of Peace" declared by the Party in 1990 not only changed the Cuban economy but had a considerable impact on the PCC itself

In fact the Revolutionary Armed Forces (FAR) under Raul Castro took the lead in "marketising" techniques – not only in farming but with its involvement in the tourist industry. Rest-and-recreation facilities built for Soviet advisors were revamped and turned into international tourist facilities. Gaviota, the FAR's tourist business, is still one of the largest in the country. Raul Castro was a leading proponent of market reforms in the early 1990s despite Fidel's opposition.

The bloated party bureaucracy suffered deep cuts as there were no longer the funds to support it; two-thirds

of the paid positions in the PCC were abolished without noticeable loss of efficiency.

The shock of the sudden collapse of the Soviet Union led to a debate in the higher echelons of the party, both about the lessons to be drawn and the policies to be adopted in Cuba. These debates took place at the Fourth Congress in 1990. Reformers' attempts to allow presentation of policy differences and even campaigning in Municipal and National Assembly elections were firmly rejected; as was a proposal to re-open the free farmers' markets

In 2007 Cuba only had an estimated 18,000 mobile phones and 120,000 internet connections. To own a car would take a lifetime of earning a peso wage

(although this was done later in response to the growing crisis). The legalisation of self-employment and liberalisation of foreign investment were however approved.

What democracy means for Cuba has been much debated on the international left. Uncritical sympathisers of the Castro regime regularly laud the degree of participation, discussion and regular elections that take place in Cuba. They also argue that participation in the mass organisations and by workers in the factories and farming co-operatives show that Cuba is a model of democracy. Unfortunately they confuse the forms of democracy with the content.⁷

There is no shortage of "formal elections" in Cuba, of "participatory" meetings, and formal rights of report and recall. What there is a complete lack of is any political argument, presentation of competing political programmes or rights to organise for them. Also there is a complete lack of workers' control in the workplaces. In sum, the mass of people, the working class in whose name the regime rules, cannot control its political destiny – a complete negation of socialism.

Municipal elections, for example, reputedly have a very high turnout, with the neighbourhood assemblies that choose candidates officially having 70-80% participation rates. The elections themselves have turnouts reportedly running in the high 90% range. But the multi-candidates chosen (between two and eight is the norm for one post) only put forward biographies, not what they stand for.

No one is allowed to campaign, not even the PCC, so not surprisingly independent surveys show people vote on moral criteria, on whether someone is "honest", whether he or she shows "solidarity with neighbours". Surveys show that a large proportion of the voters do not even know which candidates were members of the PCC or Union of Communist Youth but surprise, surprise 70% of those elected turn out to be Party members! What this encourages is in fact apolitical voting, and a feeling that important political decisions and arguments are for others "at the top". It encourages political passivity.

It is little different with the much-trumpeted democ-

racy in the co-operatives and workplaces. Ron Ridenour, a Cuban sympathiser and regular visitor to the country, gives a flavour of a UBPC cooperative he knows well in a recent pamphlet.⁸ He describes a general assembly that decides on work priorities, chaired by the Director, Matias, who is appointed (not elected) by the regional UBPC.

After a long report there is one question and no discussion or comments. Ridenour says: "After the rather dry assembly, I milled about outside with some long-faced members. People were unhappy with the constant turnover of members, with the fines imposed for untidiness, and Matias' manner of addressing them as underlings. Mirta and her crew said they did not speak up because 'it would not change anything'."

This does not mean that the Cuban government does not have a base of popular support. This is a party that had 780,000 members at its last congress in 1997; the Union of Communist Youth has another 600,000 members while various mass organisations linked to the party, like the Federation of Cuban Women and the CDRs, bring another layer of the population into a loose supportive network.⁹

Its support is further enhanced by national pride at having stood up and survived the constant blockade and attacks from Washington. But this does not mean there is no criticism and everyday annoyance at the inefficiencies and authoritarianism of the regime. There is a desire amongst significant sections of the population for change; it is a desire that could well be turned in the direction of capitalism in the face of a dictatorial one-party state that insists "it knows best".

An independent CID-Gallup poll that was allowed by the government in 1994, asked Cubans what was the "major achievement" of the revolution. Top of the list were education and health. When asked about achievements versus failures, 58% said there had been more achievements than failures while 31% said there had been more failures. Of course, this was in the midst of the economic crisis, but it shows that the impression that some uncritical Castro supporters give of a country four square behind "Cuban socialism" is far from the truth.

Criticism of the regime from the public often revolves around its inability to deliver modern consumer goods or to maintain and repair housing and apartments. In 2007, Cuba, with a population the size of Greece, only had an estimated 18,000 mobile phones and 120,000 internet connections. To own a car would take a lifetime of earning a peso wage. Supporters of the regime will quickly point to the excellent health service and free education to university level etc, but this is no compensation for an ordinary worker who cannot get their shower repaired or get hold of a decent washing machine.

The tendency of both the regime and its supporters abroad is to dismiss these desires as an obsession with "materialism", as an unhealthy tendency to want to imitate the flesh pots of US capitalism. It is an attitude that at best leads to a lack of trust in the working class. It informs the idea that the Party's role is to steer the workers down the correct road and stifle these "unworthy ideas" – along with any organisations that might encourage them. At worst, it leads in periods of crisis and revolt, to a history

SOLIDARITY

Free the Cuban Five!

▶ WHEN CUBA started developing its tourism industry in the 1990s, exiles in Miami started a sabotage and bombing campaign against it. Tourist buses and hotels were attacked and an Italian tourist died in an explosion in Havana's Copacabana Hotel. Cuban protests to the US to crackdown on this terrorism fell on deaf ears.

A team of Cuban security operatives penetrated the right wing exile movement in Florida and collected important evidence of planned attacks. Hoping to thwart these, Cuban officials met with the FBI and handed over information and phone transcripts, locating individuals and organisations planning such attacks from Florida.

The results should have been predictable. The FBI used this information not to track down the terrorists but to track down the Cubans working under cover. They were arrested, thrown into solitary confinement for 18 months, and then sentenced to maximum prison terms varying from 15 years to double life sentences. They remain incarcerated in separate maximum security jails across the US despite international

campaigns calling for their release.

This is only one incident in the long campaign of US destabilisation and sabotage against Cuba. The current Bush presidency lists Cuba as an "enemy state" and "outpost of tyranny" and therefore anything goes in its campaign against it. The Cuba America National Foundation (CANF), an exile Cuban lobbying group with powerful links to Congress, holds an arm-lock on US foreign policy towards Cuba. Bush and his brother Jeb Bush, former Governor of Florida, were deeply dependent on this lobby group and its support for their campaigns. In 2003 Bush set up the Commission for Assistance to a Free Cuba (CAFC). The purpose of this commission is to hasten and plan for the "transition to democracy" in Cuba following Castro's demise.

Its reports included plans for US intervention if the post-Castro transition was "attended by violence" – they involved detailed plans for re-organising the economy and education and the holding of "multi-party elections". Eighty million dollars were allocated initially to "promote democracy in Cuba", i.e. to finance pro-US dissidents, and money

poured into anti-Castro radio and TV stations beamed at Cuba.

Washington's approach to the "war on terror" can be judged by two notorious individuals freely residing today in the US. Orlando Bosch and Louis Posada Carriles have been implicated in the destruction in mid-air of a civilian Cuban airliner in 1976–73 people were killed as a result of a bomb on the plane, including all the Cuban youth fencing team. When Bosch applied for legal residence in the US in 1990 George Bush senior overruled objections by the US State department that he had a terrorist history and rewarded him with residence.

Posada was charged in Venezuela in 1976 with involvement in the bombing of the plane, but "escaped" from prison while awaiting trial. In 2000 he was convicted in a Panama, having been found with large quantities of C-5 explosives – Fidel Castro was speaking at the time at the Panamanian University. Convicted, this time he was "pardoned" by the Panamanian President.

He now lives in Miami having been bailed from illegally entered the US. Currently George Bush is blocking his extradition to Venezuela for the airplane bombing on the grounds that he would not get a fair trial!

of Stalinist parties crushing critical movements, cheered on by their supporters abroad.

Cuba after Fidel

Raul Castro's few months in charge have not seen major policy changes but rather a continuation of the policies of the last few years. Raul Castro has always been on the wing of the party that favoured more material incentives and market reforms as a way of increasing productivity. But he has also been a fierce defender of the PCCs monopoly of power.

The question is whether Raul will turn out to be Cuba's Deng Xiaoping, the man who presides over the start of the restoration of capitalism in Cuba while keeping the PCC in power, or whether, as he has said, he will keep his reforms "within socialism".¹⁰

His recent changes have included allowing more private farming on state land, lifting the restrictions on

ownership of mobile phones and personal computers for those who can afford them, and allowing Cubans to stay in tourist hotels. He has also declared his intention to revalue the peso, gradually moving it to par with the convertible peso.

This would mean a move away from the rationing system and subsidised food and is linked to recent changes in remuneration of workers in state concerns. In June vice-minister for Labour Carlos Mateu made a speech against "egalitarianism" in the wages system, and announced an end to any limits on wages along with differential bonuses for managers and workers. He argued the salary system should be used as tool to increase productivity, that "generally there has been a tendency for people to earn the same, and that egalitarianism is not helpful".

The Cuba that Raul Castro has taken over has a very different economy from that which existed in the first three decades of the revolution, yet it suffers from many of the same problems. Now large parts of the economy,

often the most dynamic sectors, rely on foreign capital, expertise and international markets.

Yet Cuba remains a post-capitalist economy with 75% of its economy in state hands – a sector not functioning according to market dictates. The state still sets production targets on the land and in the state run factories. The state – not the market – sets the price of goods sold at peso values.

The Cuban revolution could only have developed in a revolutionary direction if it had made it Cuba's first priority to spread its revolution beyond its shores

While this section of the economy is for the moment “sealed off” from market competition, the economy as a whole only works because of the supplementary marketised and dollarised sector. It is clear the Cuban government sees the future firstly in the expansion of this sector and, secondly, in driving up productivity in the state sector by incentives and market reforms.

In doing this the PCC faces major problems. Even though Cuba has had success in attracting capital from Europe and Canada and developing important trading and development ties with Venezuela and more recently Brazil, the US blockade cuts it off from a natural export market and from a major source of foreign capital. Getting this blockade lifted has been an important foreign policy goal of the Cuban government – if it were to happen it would undoubtedly lead to a new inflow of foreign capital from the US.

Transforming the state sector and moving to a convertible currency will mean attacks on the living standards of the working class. As with China's dismantling of the “iron rice bowl”, it will mean the end of rationing and subsidies, rising prices in transport and growing inequalities between those who work in “productive” industries and those who don't.

The reforms introduced into the agricultural sector, which makes the cooperatives increasingly orient towards the market sector of the economy, makes this sector ripe for conversion into a private sector if the state so decides. Indeed many of the reforms pushed through in the Special Period, taken together, suggest that the long term strategy of the leadership of the PCC is based on following the “Chinese road to capitalism”.

So what would you have done then?

At this point in the story, Cuba's supporters will rightly say: so what would you Trotskyists do then? One is tempted to reply: well we wouldn't start from here! One difference between the Trotskyists and Stalinists going back 80 years is over the international character of the socialist revolution.

Trotsky argued that socialism in one country, even a

country the size of the Soviet Union, was impossible. A major cause of the degeneration of the USSR into a caricature of socialism was the subordination of the struggle for international revolution to the goal of Russian development. If this was the case in a huge country like the USSR how much more is it the case in a medium-sized island in the Caribbean?

The Cuban revolution of 1959-60 could only have developed in a revolutionary direction if its leadership had made it Cuba's first priority to spread its revolution beyond its shores, primarily into Latin America and the Caribbean. There was some recognition of this in the Cuban leadership in the 1960s, especially by Che Guevara. But it was based on a fundamentally flawed political strategy of a guerrilla insurgency of the peasantry, whereas the crucial task was supporting and building revolutionary parties amongst the working class, the only class that could lead a socialist revolution on the continent.¹¹

After the death of Guevara in 1967, with this strategy in tatters, the PCC turned to a reformist strategy of cultivating allies amongst the Latin American states, for example praising the strategy of the Popular Unity and Salvador Allende in Chile and urging moderation on the impatient revolutionaries there.

Many of the problems that exist in Cuba today have their origins in the political model of Stalinism that the Cuban leadership adopted in the early 1960s. The monolithic regime which banned all other workers' parties, guaranteed that creative political discussion and argument within the revolution would be stifled.

The news media in Cuba today, with its one dimensional presentations, its diet of exhortation and keeping to the party line, is held in contempt by most Cubans outside the party; they regularly decry it as boring and monotonous. The adoption of a Soviet-style bureaucratic planning system, based on direction from above, completely fails to harness the creativity of the workers that only democratic planning built from below could achieve. The result is low productivity, inefficiency and passivity on the part of the workers.

The solution to these problems is not more incentives and market mechanisms, but a revolutionary shake-up of the planning system from top to bottom, one that puts the workers in charge of production. But to do this means breaking the monolithic control of political power exercised by the PCC.

It means introducing workers' democracy, that is, real soviet power, as opposed to the fake organs of peoples' power that currently exist in Cuba. None of this would immediately solve the problems that Cuba faces. It would still remain a small country surrounded by a hostile sea of capitalism. But such a revolution – and it would need a political revolution in the country against its rulers – would inspire the workers in the rest of Latin America, in Venezuela, Bolivia, Brazil, to also take their destiny into their own hands.

The alternative scenario now beginning to be played out on the island, is a gradual return to capitalism Chinese style. Cuba has come through an economic crisis that would have caused mass uprisings and general strikes in most capitalist countries. To date, however, the PCC has

been able to mobilise support from the population.

As we have seen in China this same monopoly of power and support can be used to dismantle the social gains of the workers and introduce capitalism red in tooth and claw. There is no doubt that the leadership of the PCC in Cuba would like to follow a different transition, one

that preserves the social welfare provisions, health and education, while adapting the economy to the demands of capitalism.

The problem is that, in the era of globalisation and neo-liberalism, the idea of creating a Sweden of the Caribbean is a mirage, as the Cuban workers will soon discover.

ENDNOTES

1. The Socialist Workers Party, which characterises Cuba as state capitalist, took this division of labour within the CMEA as an example of Soviet Imperialism, which according to them dominated not only Eastern Europe but Cuba as well up until 1989. It is a strange kind of imperialism which instead seeking super-profits poured billions and billions of dollars into Cuba's development for more than two decades, with no strategic return either after the withdrawal of Soviet missiles in 1962.

2. The Cuban Trotskyists of the POR(T) operated publicly from the revolution in 1959. They were one of the first opposition parties to suffer repression. In April 1961 their offices were raided and the paper seized along with plates for a Cuban printing of Trotsky's Permanent Revolution. After the imprisoning of many of their members and leaders in the early 1960s the POR(T) was forcibly dissolved in 1965 (see Revolutionary History Vol 7, No 3, Trotskyism in Cuba).

Organised opposition to the Castro leadership within the PCC was also harshly dealt with. In 1968, at the end of a period of tense political relations with the USSR, a supposedly pro-Soviet micro-faction led by Anibal Escalante, a leader of the old PSP, was not only expelled from the party for trying to undermine the Castro leadership but given heavy prison sentences. Escalante was given 15 years hard labour. KS Karol's Guerrillas in Power, 1971, gives a good account of the early years of the revolution and the tensions between the J26M and the PSP, and between Cuba and the USSR in this period.

3. Quoted in Cutting losses: Cuba downsizes its sugar industry, in A Contemporary Cuba Reader, Philip Brenner Ed, 2008. Many of the statistics on agriculture in this article are taken from this book's useful collection of essays on the Cuban economy.

4. In 2004 the government de-dollarised the economy introducing a convertible peso (cucs) at fixed exchange rate of one to one. Dollars now have to be exchanged for these, with the government charging a tax. These cucs circulate alongside the non-convertible

peso and are used in the special valuta shops.

5. See Dollarisation and its Discontents in the Post soviet Era, Susan Eckstein in A Contemporary Cuban Reader op cit

6. The Gini Coefficient, a standard measure of inequality in society, rose from 0.22 to 0.41.

7. Thus Dr Diana Raby, author of Democracy and Revolution: Latin America and Socialism Today, recently declared in a debate on the subject on the Red Pepper website. Many Western socialists and progressive activists argue that Cuba needs to democratise, but they fail to appreciate both the realities of the US blockade and the characteristics of Cuba's own socialist democracy. Unlike in the Soviet Union or China, in Cuba local delegates of popular power are elected in multi-candidate polls in which the Communist Party is legally prohibited from intervening, and have to report back every six months to open meetings of their electors who have the power of recall. Municipal assemblies and People's Councils function as real instances of direct democracy in which local people intervene actively in running their own affairs."

8. R Ridenour, Cuba: beyond the crossroads, London 2007

9. These mass organisations which can be directed by the state give Cuba some advantages over other states. For example as part of an energy saving measure all Cuban households were issued with energy saving light bulbs in 2005, with students and UJC members going door to door to 5 million households. The recent ability of Cuba to avoid significant loss of life in a series of hurricanes that killed hundreds in Haiti is another example of how state organised evacuation and shelter directed by mass organisations can be vital in protecting society.

10. Of course this phrase "within socialism" does not settle the question as the Chinese Communist Party, masters in doublespeak, still talk about China as a communist state even when it is one of the largest and most dynamic capitalist powers in the world!

11. See Che Guevara: the man, his struggle and his ideas by Keith Harvey at www.permanentrevolution.net/entry/511

The pension funds, insurance companies, money trusts, investment funds, the institutions that hoard the idle monies that the whole of society generates

rentier today can only relate to sums mobilised from the savings of ordinary people on an unprecedented scale. This did not happen 100 years ago.

The pension funds, insurance companies, money trusts, investment funds, the so-called institutional investors, basically command the idle monies that the whole of society generates. The rentier class, that is, not by lending it, because it is not the rentier's job but by managing it. The idle monies that the whole of society generates are not the savings of ordinary people, but the surplus value that they make available to the rentier class.

INTERVIEW: COSTAS LAPAVITSAS

Finance and the credit crisis

Costas Lapavitsas is a leading Marxist economist specialising in capitalist finance and banking, who teaches at the School of Oriental and African Studies, London. He spoke to Keith Harvey in mid-July about the course of the credit crunch and the changes it has revealed in the structure of finance capital.

The sub-prime crisis has revealed enormous instability built into the financial system. By 2006 financial assets had grown to around 350% of global GDP, compared to 1980 when it was 100% and 200% in 1990. In your opinion how destabilising is this gap?

I'd like to answer on two levels. First, we need to put our finger on exactly what financialisation means for the long term secular development of capitalism and for class relations and the extraction of profits in key capitalist countries. Secondly, we need to work out what it means for instability and the forms of crisis.

In the first case I would say financialisation represents a substantial transformation of the structure of contemporary capitalism. It has to do with the asymmetric response of finance and real accumulation to the social and technological changes that took place since the mid-1970s.

These have favoured finance far more than real accumulation, and as a consequence have also favoured the creation of financial profit over profit that comes from real accumulation – productive capital. The question is where does this financial profit come from, particularly since it has grown so enormously during the last three decades?

Clearly, much of it comes from the same sources it has always come from, which is the surplus value created in production through the exploitation of workers. However, I would also argue much of it comes from a direct squeezing of money out of the wages of ordinary working people.

Financial profit originates increasingly from the financial exploitation of peoples' money income, as well as established flows of value and money, new flows of surplus value created in production. Instability is related to these mechanisms of extracting these profits.

There are many aspects to this instability. At root, instability has to do with the fact that the financial system extracts these profits out of money income while money income has not been growing or not growing particularly strongly during the last three decades.

The mechanisms through which that has been done have become increasingly precarious and the underlying capacity to create these profits has not been expanding anywhere as strongly as those who make them would like them to become.

This idea of double exploitation of the worker, once in production, once as a consumer – it sounds to me like one of the aspects of Lenin's theory of imperialism set out 100 years ago – the concept of parasitism, involving the enormous expansion of speculative capital.

This is exactly the issue we have to confront as Marxists and political economists. What does it mean for the class stratification of developed capitalist societies? What does it mean for the layers who appropriate these extra values? Are we witnessing the creation of a rentier layer, parasitical rentiers who are taking advantage of all these extra profits, creating this space. We clearly have to learn from the classical Marxist debates, but we need to be aware of how things have changed and are different now.

Let us take the rentiers for example. Many people talk about the rentier coming back, that this is the capitalism we are living in. I am a bit more sceptical about this. The rentier, in most formulations, is a person who owns idle money, money available for lending. She or he has property in money and makes this money available to others. He or she lends it and gets a return through clipping the coupons – “Mr Moneybags”.

Of course, to an extent that is true. There are people of that type and there are rich people who benefit from the changes in that way. But I don't think this characterises the class changes we've seen in the last 20-30 years. I don't think there is a particularly visible section of the classical class of this type that sets the terms and dictates economic policy.

I think the rentier today, insofar as we can call him or her a rentier, the person who appropriates this financial profit, does so partly through property but mostly through the position they occupy in the financial system. If you look at the people making these incredible personal profits who are they? They are people who run hedge funds, people who run huge industrial and commercial enterprises. Both of these types pay themselves in stock options, they benefit through capital gains (which are very often not taxed) or they pay themselves huge salaries and bonuses for the services they give.

We know this is a façade. There are no services that are worth \$1bn a year, but that's how it appears. They don't pay themselves these returns for the property they own and the capital they have lent but because of tasks they have carried out in relation to the financial system or real accumulation which allow them to appropriate this value.

These people are not rentiers in the same way that we used to think of in the past. More probably rents accrue to other layers as well, not only the hugely rich I've just mentioned. There are also significant layers of people who are basically technical adjutants of finance: lawyers, technical analysts for example. There are significant sections of people who are associated with the financial system who pay themselves enormous salaries or substantial fees

annually which, if you multiply the numbers, result in a very significant total sum of value, which doesn't accrue because of property directly but because of position and function within the financial system or mediating between production and finance.

Sure, a lot of them, once they've earned these returns, would invest them in housing and other assets, and make sure this keeps generating extra returns. But my sense is not at the moment that this is the main source of their earnings.

For Marx, moving from free competition capitalism of the 19th century into the epoch of monopoly capital, there is a shift from a capitalist's financial claim over a direct piece of property, (e.g. ownership of a particular factory) towards joint stock capital. With the latter you're talking about a general claim to a part share of total surplus value. That claim takes the form of equities, bonds etc. Surely, what you describe is adding another layer on top of that. But you're still talking of finance capital i.e. what marks imperialism out as a stage of capitalism, you're still working within that concept and not a higher form of capitalist exploitation?

It's hard to tell. We're all struggling to put our finger on developments which are new and evidently very important. We can think of a period around the turn of the 20th century as the first part of financialisation, where joint stock capital predominated, big business took over small capital, big banks took over small banks and big business and big banks started relating to each other and generating returns for each other in ways that were unseen in the middle of the 19th century.

In a sense what we are witnessing now is a second bout of financialisation but this second bout is not a repetition of the first bout. It's not what happened 100 years ago, only more so. The rentier today extracts revenue as well from the incomes of ordinary people, not simply from the incomes from surplus value created in production. The

The pension funds, insurance companies, money trusts, investment funds, the institutional investors, command the idle monies that the whole of society generates

rentier today can command or relate to sums mobilised from the savings of ordinary people on an unprecedented scale. This did not happen 100 years ago.

The pension funds, insurance companies, money trusts, investment funds, the so-called institutional investors, basically command the idle monies that the whole of society generates. The rentier relates to that, not by lending it, because it's not the rentier's to lend but by managing it and earns income from fees associated with that and squeezes ordinary people who, on average, make very little out of this money that they make available for their pensions. Often they get defrauded out of it.

It's a new phenomenon, certainly on the scale that we're observing them. If you look at the liabilities of ordinary people, not their assets, you can see a growth of individual indebtedness which is unprecedented. People borrow to buy houses, consume, to send their children to school. People borrow to meet future needs. Many of these things used to be met in different ways. Now it becomes the

The crisis in the US is very serious. Its now clear with the events of Fanny Mae in July and Indie Mac, that things are not getting better

rentier's enlarged field for extracting fees for managing these flows.

Clearly these "new rentiers" such as hedge funds are destabilising, but how essential are they to the process of production and circulation of capital in spreading risk through the system? Can they be reigned in and curtailed without major dislocation?

The first part of the question is not necessarily exclusive of the second. What we're witnessing I think, is a necessary outgrowth of the developments of the last 30 years. In that sense it is essential. It follows from all the changes that have taken place in the institutions and regulations. Can it be changed? Yes. It can be controlled, regulated far more easily than productive capital can be placed under regulatory pressure by the state or other authorities. It can be regulated because finance is a peculiar capitalist activity. It's not connected to production, it's not bound by technology, real wages, turnover in the same material way that productive capital is and therefore admits of regulation and influence much more readily than other forms of capital. Yes it can be changed. We know this. If we look back at the history of capitalism, we will see the financial capital has gone through periods of tremendous growth and expansion which frequently ended up in disaster; then it was reigned in through regulation and legal change. That option is always available to the capitalist class.

But it is part of the credit system and capitalism cannot function without a generalised credit system, certainly the proponents of capitalism and financialisation point to the virtues of the system which is spreading risk and making a larger pool of capital available for expansion. That's the historic role the credit system plays in capitalism. Is there a cut off point? A point where it can be reigned into?

Financialisation is a tremendous explosion of finance but it is not the result of meeting the greater circulation needs of productive capital. Of course, the credit system is necessary in any developed capitalist economy to deliver precisely these services that have to do with turnover of capital, accelerating productivity, the profitability of

capital and making sure that capital is efficiently used among different sectors of the economy.

But what we witnessed over the last two or three decades is not that. It's a growth far beyond that which has to do with generating profits and returns in ways that are not directly associated with this. If you look at what productive capital has been doing the picture is very interesting. You will see it is more strongly implicated in the circuits of finance than before, both on the asset side and on the liability side.

It borrows heavily and it holds financial assets heavily. It's become financialised in that way. It engages in financial activities and transactions itself. If you balance it all out you will see that as far as net reliance is concerned productive capital can do very well, industrial capital can rely on retained profits or if it needs external funds, which it still does, it produces its own paper which it pushes in the open markets.

The open markets have become huge and you get these cheaply and efficiently; it doesn't need the banks. I don't see any mechanisms or pressures at the moment that will make this change in the near future. These circulation needs of capital you pointed out appear to be reasonably well met at present. It's the other things that have come on top of that that have created the current, unbelievable situation. These have to do with the choices the financial institutions made as a result of the more limited opportunities they had to lend to productive capital. They decided to turn towards personal debt, to and open markets where they can make profits out of mediating transactions. They began to operate as brokers and speculators to a large extent.

I want to turn to the credit crunch. Do you think the scale of the credit crunch could overwhelm the resources the Federal Reserve and other central banks can call upon to deal with it?

The crisis in the US is very serious. There was a time during this last year in which people have tried to say the worst is over and it's been dealt with. It's now clear with the events of Fanny Mae in July and Indie Mac this company that went bust in the US, that things are not getting better. Things are very serious primarily because banks are holding in their hands vast amounts of worthless assets. It's very hard to put your finger on how big the sum is, but it's in the trillions of dollars; if you marketed them openly today their value would be pretty close to zero.

The problem starts from that. As a result of this banks are reluctant to lend to each other and they cannot obtain funds easily to continue with their other business. The problem will not be resolved until and unless the banks manage to shift these problematic securities off their balance sheets.

Have they stopped growing? No. I don't think they have stopped growing because the housing market continues to produce more of them. Even the total size of the problem assets they hold is not final yet.

It will continue to grow I suspect into 2009 because sub-prime mortgages which are the root of the problem typically extend to two to three years. The last period of extending these was 2006, so the end of 2008 or begin-

ning of 2009 is when the last batch of toxic assets will be revealed.

On top of that the problem is spreading into other non sub-prime mortgages and it appears the problem is increasingly spreading into other non-housing securitised debt – auto loans for example. The suggestion is that car loans are worse than housing loans. These large car companies extended car loans with no collateral, no examination of the borrower's credit worthiness. Nothing. The fault appears to be growing there to.

Leveraged buy out loans are also beginning to look very bad. These are huge loans extended to private equity firms and others to finance takeovers.

The housing market will continue to create bad debt for at least another six months, possibly another year, and other parts of the financial sector are also creating bad debt and all that is on the books of banks. These trillions of dollars have to be shifted off the balance sheets. How will that be done?

One thing is sure, the Federal Reserve cannot acquire all these bad debts because it will go bust itself or make its own balance sheet very weak and any ruling class would not be able to contemplate that because its central bank, is the institution that produces its money, the ultimate legal tender means of payment.

So the Fed can intervene, it can lend, as it has just recently leant enormous amounts of money, opened the line of credit to Fanny Mae (i.e. mortgage association). It can do that but it cannot acquire all the bad debts. That's just not possible. The HBIC, which is the other regularity authority in the US also has significant reserves, and it can also intervene and deal with some of these problem debts as they arise but the collapse of Indie Mac last week took away 10% of its reserve. And Indie Mac wasn't particularly large.

Can the banks obtain fresh capital in the open market to make good these losses as they write off these problematic debts? Can they replenish their capital from the open market and find a market solution? Not possible at all. This is the least possible of them all. We've seen during the last few months, apart from everything else the stock market is collapsing, they have fallen dramatically so banks have enormous difficulty obtaining fresh funds. That will continue to be the case for the foreseeable future. It's just not possible to get the sums from the open market.

What prevents the sovereign wealth funds with their \$12-15 trillion of reserves, recycling their petrodollars and huge savings to recapitalise these institutions?

Capital losses. Those who bought US stocks in December 2007 have lost a lot of money considering what shares have done. It is possible for sovereign wealth funds and other non-US holders of capital to intervene and acquire parts of the US financial system and we will probably see some of that. That will be judiciously done and done as and when it suits these buyers.

This is not going to be a lever to rescue the US financial system en masse. Those who hold the money are not prepared to contemplate it. That's not their job. That's not what they are out to do. That is not really a viable solution.

Where does that leave them? The only final option is central government which has two levers, the first directly, the second indirectly.

The first is tax revenue. My suspicion is this is what they will be forced to do. The Japanese monetary authorities who have been through a disaster on this scale, in the 1990s, were among the first to say you will need public funds to deal with this. They said that because they knew the extent of the problem they faced.

Obviously, if the US government decides to mobilise hundreds of billions or trillions of dollars out of tax revenue to rescue the banks they will have to confront the political fall out. There will be a lot of people in the US opposed to such a course of action, home owners who have lost their homes, others who are close to losing their homes and also people who have some sense of how public money should be used. That opposition will not be easy to deal with politically. It's not an easy thing for them to do. I think increasingly this is the way it's going though.

The second option they have is not directly in their hands: to print money. That is a very dangerous option for any ruling class. I don't think this is what they will do.

This solution suggests that on top of the double exploitation the worker suffers there will be a third layer. First as worker, second as consumer, third as taxpayer?

Exactly right. At the end of the day if they rescue the situation and unless there is political opposition they will do so on the backs of working people. Not only will working people have provided the profits in the boom, they will also provide through being squeezed from tax the money necessary to rescue those thoughtless and speculating financiers.

Not only will working people have provided the profits in the boom, they will also provide the tax money necessary to rescue those thoughtless speculating financiers

The Financial Times recently suggested that the assets of the mortgage companies are very good quality relative to the toxic loans of the sub primes and having opened up the credit lines to them they stabilised the debt situation. Also only seven regional banks have gone bust so far. It's nothing compared to the danger of the savings and loans crisis of the late 1980s?

Every time there is a bout of intervention you get all these articles and people saying "that's it". Then it turns out that this wasn't quite "it". I don't know if it's going to be "it" or not this time. I would take what the commentators say with a large pinch of salt. At the turn of the year the Fed thought people were not buying mortgage backed securities. They needed someone to start buying

them so the market can keep going. Yes Fannie May can do that, they said, and encouraged them to buy. But coming on top of an already weak balance sheet it nearly finished them off.

As for other banks . . . it depend son how you see it. Some of the stuff I see even mentions two thirds of such enterprises being effectively bankrupt. The worst, alarmist scenarios that one sees being bandied about mentioned

don't see any serious opposition from within the ruling class to that. How do we interpret this? On the one hand it shows that even if they deal with the problem right now they are only sowing the seeds of another crisis further down the line. These people have created a crisis every four to five years.

The other thing it shows more profoundly is something seems to have gone deeply wrong with the ruling classes in this country and the UK too because they seem to have lost their capacity to produce new ideas and new ways of dealing with economic problems even when the old ones are obviously malfunctioning from their own perspective.

This gigantic crisis has been created by private finance, not by state imposition, not by war, or unions demanding high wages. They've done it themselves. Yet it is quite remarkable how in the midst of this all the talk you hear is about defending the market, protecting competition, giving people incentive to innovate.

They haven't got any decent new ideas. When they want to appear as if they're going to seriously regulate and control, what do they come up with? They're going to demand higher capital requirements; they will turn the 8% into 9%. Big deal. Is that all they can come up with in the face of this major disaster that's led to millions of people losing their homes, to bankruptcies to unemployment?

The 1907 banking crisis in the USA gave rise to the Federal Reserve. The 1929 Wall St crash gave rise to the New Deal. Is That scale of shift likely to appear in their outlook?

They're not capable of doing it. The power that finance, as it is constituted at the moment, possesses or has available to it right at the heart of government must not be underestimated. They are very influential in dictating policy. The other thing that's very important is the ideological dominance of all this neo-liberal talk of the last decades. It has worked as a kind of censorship in public debate where voices that would be prepared to say something different have been ignored and not given a tribune at all.

The third thing that's important is of course universities. Universities are not to be underestimated. A lot of these people who are in the upper echelons of finance are university trained people, not all of them economists, but the ones that make decisions are economists or trained in economics and what kind of training do they get in economics? It's the same standard market, new liberal type of stuff which doesn't give you the mental and other equipment to think of the world otherwise.

In my judgment the ruling class in the US and this country too has a problem in coming up with new ideas and new perceptions and formulations of the world that would allow you to come up with alternative policies. That is a sign of bankruptcy, intellectual bankruptcy.

The power that finance possesses or has available to it right at the heart of government must not be underestimated. They are very influential in dictating policy

that half the US banking system might disappear. I'm not saying this is going to happen.

Looking at the debate in the financial press about regulation in the future, if the crisis is retained within certain manageable limits, there will be calls for banning or restricting types of products for sale, capital adequacy ratios of the banks being increased, new regulatory bodies with more powers, ratings agencies being more rigorous etc. do you think there is any real likelihood of a significant increase in the central core regulation of the financial services?

Not at the moment. I see no real evidence that the significant section of the ruling class, people with power and theoretical and ideological understanding of what needs doing are planning to bring significant changes about. Most of the discussion that one sees about changes and regulatory rearrangement are much in line with what we've witnessed many times before. I would say there's a game being played here.

The financial sector which has very good placement in policy-making and power circles of Washington has learned how to play this game very well. They're masters at it. Their own people sit right at the top of the US government. By now we've seen the game many times. As soon as a crisis arrives they know they will need money and some kind of public credit or public money and they start playing a game that says yes, we've done things to excess but we've learned our lesson.

Yes, we need some regulation but this regulation must be brought about in consultation with us and yes, we would accept and tolerate some external impositions on us but by and large we would like to create our own regulation from within because that is the best way to ensure the efficiency, competitiveness and all the other great things we produce in the economy. If you shackle us we're going to lose our ability to innovate and all these marvellous things we've done for the economy in the last 30 years will be lost.

They have tried this a number of times in the last two decades and every time they have won. All the signs I see are that they are playing exactly the same game again. I

The new working class in China

On a recent visit to China, Greg Evans met several labour activists. He reports on his impressions of the transformation of the Chinese workforce under the impact of rapid capitalist development over the last 20 years

IN 1989 China's leader Deng Xiaoping watched the fall of the Berlin Wall. His government had, from 1978 onwards, ushered in the first pro-market reforms in agriculture. As he witnessed the collapse of the Soviet Union over the next few years, the reform process accelerated, transforming Chinese society into a major capitalist power. The China of today and its burgeoning working class is very far from the grey, atomised mass of the old Stalinist states.

The city of Shenzhen and its migrant workers

Thirty years ago Shenzhen – a city just across the border from Hong Kong – was a small fishing village; today it is an urban monster of 30 million people, one of the country's biggest concentrations of workers and living proof of the effect of Deng Xiaoping's reforms.

Shenzhen is no spontaneous creation. The government's policy is to create a new working class, a new urban population at a rate of 10 million a year. It aims to sustain China's economic development by creating 10 million consumers a year, adding a workforce the size of the whole of Western Europe every 15 years.

For 60 miles on both sides of the motorway from Shenzhen to Guangdong in Canton, there are small factories with dorms divided up by partitions. On the outside there is often a row of overalls drying and people cooking and eating on their balconies. There are no other buildings; everything is a factory for 60 miles.

This working class comes into being through internal migration. Migrant workers are the number one social phenomenon of China – all 170 million of them. How do

they live? The going rate is 1,000 Yuan a month, which is about US\$120 or £60-70 – a rise from around 700-800 Yuan over five years ago. Of that 1,000 Yuan, 150-200 a month is deducted for food and accommodation.

In the first period when migrants came to the towns in China they looked like the migrants who had just arrived in London in the 19th century, wearing second hand clothes, dowdy, lost in a big city. Migrants go back, at best, once a year to their village. Some people have only been back once in three years. Their kids live with their grandmother. They don't go out because every penny they earn they send back to the village.

In one of these migrant shanty towns I met a woman from Inner Mongolia who was earning 1,000 Yuan a month. She said "this was all I could earn in a year in subsistence farming back in Mongolia", adding, "when I say 1,000 that's a nominal figure. We don't live in a money economy." That's why they want to be migrants. They support themselves. They are exhilarated by being in a town that is constantly changing – where you can make your fortune or break your fortune.

The workers live in dormitories in which there are often 40 people (young and mixed sex) stacked up in bunks in an area 60 feet square. They don't have the same rights as "settled workers"; as there is no welfare state, all health care is paid for in cash if you need medical treatment. It is the same for migrants' education, which is why they don't bring their kids to the cities. If you have the right to live in an area your kid can go to school free, but migrant workers have to pay.

The factories range from the good to the bad to the downright ugly. In the good ones it's very orderly. One

SECOND WAVE OF MIGRANTS

Feisty and fashionable

IN RECENT years a second wave of migrants has come to the cities – migrants who have grown up during the period of rising wealth and seen their parents or elder brothers become rich in the cities, sending money back. They expect when they go to the city they will be working in a “good” factory, even though there are four bad factories to every good one.

But they are much less tolerant of the bad conditions and, due to improvements in the Chinese education system over this period, better educated. They are no longer shabby. It’s noticeable how in the last five years migrants have begun to look really feisty, and very fashionable. The men gel their hair and the women dress in western fashions. Any Chinese high street has shops like Dolcis, Bata and H&M, all full of ripped off Chinese brands.

In the migrant districts of Shenzhen there is an internet café on every street corner, with the ubiquitous government sign saying “Subversion is a crime against the state”. The Chinese state has 30,000 full-time officials monitoring the internet, but its popularity is not to do with political subversion; it’s the discovery of individuality and

the world outside China. Migrants may come from a village where they can run round barefoot and where people have never seen an airplane fly over – then suddenly they are on the internet. It’s an amazing thing for them. Sociologically, they have changed.

There has been a change in living conditions as well; there are now migrant communities in flats. As time has gone on and as the social pressure on local government has increased, the authorities have started to build social housing for migrants.

I was in Russia at the very end of the Stalinist period and saw the atomisation of the Russian people and above all the working class. It was like a fascist country. Nobody wanted to go out. You didn’t want to be seen to be doing anything.

By contrast, Chinese people live on the street, like they do in Mumbai. They’re out there. It’s impossible to repress people at that same level, therefore there is a new society. Within 20 years of the migrant phenomenon beginning there are now whole migrant communities.

You can have secret policemen on every corner but it is impossible to completely repress individual freedom of expression.

worker at a modern factory told me that after all the bad ones he’d been to, this was great because it “had gardens”. The management drive round on golf buggies and everyone wears a clean uniform; they sleep two to a room and they don’t have to march in ranks to get their food. The bad ones are sweatshops. In the dorms there is no electricity. Rats run around. The workers suffer sexual harassment, bullying, violence. In the ugly ones the whistle blows at mealtimes and you march in step to get your food; it’s ladled into a mess tin and you march on.

In one such factory, BYD, I saw 17,000 women stop work and go to lunch. With its 25,000 workers, it’s like the Putilov Factory in 1917 in Petrograd, Russia. BYD is just one of several hundred factories of that size in one Special Economic Zone (SEZ) in Shenzhen. And there are many SEZs.

Workers’ struggles

Until around the turn of the millennium, the workers’ struggles were mainly carried out by the steel workers, dockers and others in traditional heavy industries who enjoyed security of employment – the “iron rice bowl”. The enterprise supplied you with everything: cinema, education, healthcare, a pension. But marketisation blew all this away; most of these places were semi-privatised, handed over to their management at a ludicrously low price and with all the workers’ benefits torn up, given away by the “trade union”, which was completely complicit in the process.

A whole series of strikes broke out between 1999 and 2004-05 trying to defend the old system. They were all defeated and with serious consequences. Human Rights Watch lists about 23 recognised trade union militants who are in jail at present for defying the official union and going on strike. Nearly all of them come from the rust belt of China in the north east and Manchuria. Nearly all of them are steel workers.

Now a new generation of workers (see box) are flexing their muscles; there is a strike of more than 1,000 workers every day in south China (the government only report strikes of more than 1,000 workers). That makes China the centre of the world for strikes – yet strikes are illegal.

How did this come about and how have they begun to fight? The first level of struggle is to change jobs. One young woman, 24 and a workers’ organiser, told me “I came to the city as a teenager”. She left school before university and she’s taught herself. “What’s the process I’ve gone through? I went to one factory – it was rubbish. I stayed there a month and moved to another factory. After a while you work out for yourself that moving all the time is not going to solve the problem – they’re all shit. Then when you settle yourself down in a decent workplace a lot of the problems are individual problems. You respond by working slowly, then when you get really pissed off, somebody passes round a tiny piece of paper from one person to another just saying ‘strike’ on it.”

The first strike she experienced, they all marched out. The manager was very wily and the next day when he turned the lights on in the factory at 5am, he said that “everybody is working, you should go back in.” When they went in they realised it was a trick. So the next day they went to work and just didn’t start. She had gone from moving job, to a strike, to an occupation in just a few weeks.

The main grievances concern unpaid wages . . .

The foreign-owned companies like Alcatel, Dell and Apple have highly humane “show factories” where their workforce is treated well and paid as much as the Chinese government will allow them. But their suppliers are very different, consisting of mainly Hong Kong, Macao and Taiwanese-owned factories. Conditions are poor and the employers regularly fail to pay wages, provoking the workers, individually or en masse, to fight. Over the last five

years, Chinese workers have won US\$6bn in unpaid wages through the courts. Yet one sociologist has estimated that 95% of these cases never even come to court.

... and compulsory overtime.

Alco is a big factory, with 8,000 workers (all under 25 and 60% women) occupying a huge site. It makes components for LG headphones. It is highly mechanised and modern. The strike's roots lay in the effects of rising inflation on the workers. Pork prices are up 60% and rice prices up 30% over the last year. From a take home pay of 1,000 to 1,200 Yuan, Alco management deducted 150 Yuan for food and accommodation. Then as food prices doubled, Alco management proposed an increase to 300 Yuan.

Immediately, all 8,000 people walked out of the factory. They set up a picket line and blocked the road. The riot police moved in with water cannon, but crucially the strikers did not give up at the first sign of police - they didn't scatter. They were not frightened that they were going to be put in the gulag. In the end the cops baton-charged the strikers and arrested a few people, but by fighting, the workers forced the management to withdraw the increased deduction - for now.

Economic factors

There are some very acute economic factors creating and sustaining this militancy. The first one is the labour shortage. After the New Year break, hiring fairs are held everywhere in China. As migrants get off the train from the countryside, they find the hiring fair. On every street corner migrants can get a job anywhere in China. The big hiring fairs are like university careers fairs, except in a big hall and the employers can more or less take workers straight from it and put them in a factory.

This year, for every seven jobs there were four workers. In Shenzhen as many as three in ten migrants who went home for the New Year break did not return to their jobs. People move to better jobs with better conditions and pay. In the absence of collective bargaining and a functioning labour market, that is all they can do.

Rising food prices and heavy government investment in pig farming and rural infrastructure, intended to overcome the shortages in pork production, have moreover encouraged migrants to return to the countryside. Migrant workers say: "you know that farm we used to work on that was rubbish and didn't have internet and paid poor wages? The wages have doubled, the services are better because the government wants to produce pork. Here the bosses are trying to cut our wages. Let's go back."

Hu Jintao's Contract Labour Law

President Hu Jintao's new Contract Labour Law, introduced on 1 January 2008, was a significant sign of change. The Hu Jintao regime is very different from its predecessor, the avowed neo-liberal Jiang Zemin. Hu Jintao wants to build and maintain "social harmony" while embedding capitalism. The Contract Labour Law was a sign of that new orientation, as well as a response to this rising

militancy.

The labour law is very basic, in that it gives workers the right to consultation over their terms and conditions. It does not give negotiation rights or collective bargaining but it does give workers redundancy pay and the right to sick pay after 90 days of employment. The longer workers have been in employment, the more they are entitled to.

During the debate over the labour law, the American Chamber of Commerce in Shanghai wrote a document, which it has since taken down from its website, saying

As migrants get off the train from the countryside, they find the hiring fair. On every street corner migrants can get a job anywhere in China

that the law would mean US businessmen will disinvest in China. The response of GAP and Nike was revealing. They were furious, saying "we've spent five years trying to overcome the image that we are ripping off the Chinese worker and the American Chamber of Commerce is threatening to disinvest if Chinese workers get rights." Such things are done not said. The very same companies, GAP, Nike and Alcatel, quietly pressured the Chinese government to water down the rights in the draft contract labour law, but behind closed doors.

But the law is nonetheless national, and where certain localities have tried to pass local laws exempting themselves from it, the bureaucracy has stepped in to stop them. Employers have found other ways to dodge the provisions of the new law. As it took effect all sorts of companies from Macao-owned sweatshops through to big, mainly Korean and Japanese companies, like Olympus, said: "we want you to resign en masse because this law is going to damage you and if you resign now, we'll hire you on 1 January anew but you won't get any of these rights because you have to have been here for so long."

I talked to a couple of workers who had worked 10 years as migrants earning 2,000 Yuan a month between them. The employer told them that unless they resigned he would cut their hours to the minimum eight hours a day, so reducing their joint earnings to 850 Yuan a month. It's only by working 70 hours a week that they are able to earn a decent wage. As a result a lot of the old workers did leave, but in some cases rather than being rehired they've been replaced by school leavers on temporary contracts.

Other owners responded to the new law by closing down. Within three weeks of that law being passed, 10,000 factories closed in Shenzhen alone. Nearly 95% of them were Hong Kong, Macau or Taiwanese-owned.

Organising migrant workers

As migrant workers are outside the framework of the official unions they have traditionally turned to lawyers for help. In China the constitution contains enough clauses

setting out workers' rights in general that it provides the basis for seeking redress for unpaid wages, sexual harassment etc. If you can find a lawyer with courage and skill, you can win quite a lot in the courts.

But now migrant workers are turning to more collective forms of organisation. The Shenzhen migrant workers' centre is interesting from this point of view. It was set up by a worker called Wang with compensation money he received after a fire disfigured and disabled him. Migrant workers flock to it. On Saturday morning it's open to the front street, a shop front. People come in all the time. It has a library of faded paperback nov-

"China's trade unions have the world's best organisational framework and largest membership roster, but their real status is an embarrassing joke"

els and they pay 1 Yuan, get the novel, sit at a table and sleep. When they wake up they'll say "I haven't been paid, what shall I do?"

It's a very basic form of workers' organisation but it's there and it is independent. Wang has banned lawyers since he believes that even people who left school at 14 can win by studying the law, and that's what he teaches them.

While I was there, young women who do individual case-work on a voluntary basis, were arranging to leaflet hospital casualty wards to find workers hurt in accidents and inform them of their rights. Industrial accidents happen all the time. One leaflet explains: "What a contract should include in a clothing factory"; another, "Domestic violence, what you can do if you're a victim"; yet another, "Sexual harassment in the workplace, what to do if you're a victim."

But being active has its costs. Wang has been attacked when doing individual casework. He was stabbed, beaten up, nearly killed, and the Centre smashed up with iron bars, twice. The police have now trained a CCTV camera on the Centre to protect it – the state was very embarrassed by the attacks – but now everything that goes on in the Centre is seen by the police.

The All China Federation of Trade Unions (ACTFU) wants to take over the reins. Deputy Chair of the Shenzhen ACFTU arranged a meeting of lawyers to have a workshop with the official trade unions and the migrant centre. The gist of his talk was this:

"You civil society rights activists are people with the understanding, who have done a lot of work that should be the government's responsibility. You have used different means, some of them cause harm, some of them are unconventional, but overall your work has taken effect. It has resulted in pushing forward the work of the government and in that sense the para-legal agents in Shenzhen have played a positive role. So we're going to set up 60 centres like this, except the trade unions, not you, are going to

run them. But there is just one thing, because we've never done it before, would you please explain how?"

The ACTFU tries to reform itself

The ACTFU has 170 million members; the combined membership of all the unions in the International Confederation of Trade Unions (ICTU) comes to about the same, so the Chinese union federation is as big as all the other unions in the world. It is a government-run union, part of the state – the general secretary is a member of the Politburo of the Chinese Communist Party. Most of the workers in jail for offences related to trade unions are there for defying it or trying to form an independent union. Yet in 2006 it started trying to become a real union.

The Chinese bureaucracy has realised that if you have a capitalist market with foreign firms then you need something that represents the Chinese workers and it cannot be the foreign owners. So the ACFTU has taken upon itself the task of trying to win labour contracts with every foreign company. This is an easy win. A lot of those companies, like Alcatel, Apple and Dell, are more than willing: they wanted to pay workers more to reduce staff turnover. Paradoxically, in the past the ACFTU has prevented them from doing this by stopping them paying more than the national average wage.

But there are exceptions among the multinational corporations. When the ACFTU approached Wal-Mart, the US firm told them they would not allow the trade union to represent their staff, so incredibly the union officials organised a campaign from below. They got out of their limos, went round the outside back entrance of Wal-Mart and handed out leaflets.

The workers they talked to said "Who are you? I've never heard of the All China Federation of Trade Unions. Can I be arrested?". "No", they replied "We're the government!" After two years Wal-Mart caved in and signed. But of course this victory has not led to the election of workplace representatives and the union is still invisible on the ground.

But an article by Chen Yu, the leader of the Shenzhen Federation of Trade Unions, indicates that this partial breakdown of the government/union monolith may lead to further reforms in the future. Chen Yu writes: "China's trade unions have the world's best organisational framework and largest membership roster, but their real status is an embarrassing joke. Political meddling throughout the system has prevented genuine and effective union organisation therefore, when the government takes its responsibilities seriously trade unions need to do so too."

Chen Yu then explains that the new Contract Labour Law effectively removes the strike ban. The draft regulation does not go so far as to call a strike a strike (it continues to refer to work stoppages, slowdowns and lockouts) but it no longer insists that when such incidents occur, trade unions have to help enterprises resume production as quickly as possible. This may give trade unions more room for manoeuvre. This Communist Party trade union bureaucrat concludes: "We are one step away from the right to strike. This paper thin barrier can be breached."

US workers: different from all the rest?

As Tweedledum and Tweedledee fight it out for the presidency of the United States, why is there still no independent political voice of US labor? Mark Hoskisson reviews a book that attempts an answer

Subterranean Fire: A history of working class radicalism in the United States

Sharon Smith / Haymarket Books / 2006 / £9.99

IF YOU count yourself as any sort of socialist you cannot fail to have had at least one steamy love affair with the US working class. Its history has furnished us with some of the most memorable movements and moments in the class struggle.

From the Knights of Labor to the Dodge Revolutionary Union Movement, from the Factory Occupation at Flint Michigan to the Battle of Seattle, the US workers have shown a repeated willingness to carry the fight to the most powerful capitalist class in the world. They tend to use every weapon to hand and have won on more than one occasion.

What's not to love?

Throughout that illustrious history this self-same movement has failed to take the elementary step of creating a mass working class political alternative, a party, even a reformist one, capable of breaking the big business ruling duopoly of the Democrats and the Republicans. Industrial militancy has thus far failed to generate political independence.

Nor has that militancy always been enough to defeat the deep-rooted racism in the US. Trade unions have, at times, been complicit in maintaining the oppression of blacks. Even during the post-war heyday of trade unionism, when levels of membership eventually edged up to a third of the working class, it was the Civil Rights

movement, not the unions, who led the charge against the US's vicious apartheid system in the South and racist exclusionism in the North.

Sharon Smith's book examines this contradiction: breathtaking militancy combined with political backwardness. She asks why this has been the case and whether the answer means the US working class are somehow "different".

It is an ambitious book, rattling through almost 150 years of history in 320 pages. By and large it fulfils its ambition. Of course some aspects of the working class' struggles get only a cursory mention. The author has to be selective. But she doesn't leave out any of the key episodes.

For anyone new to the subject there is more than enough detail about the US movement. Smith tells the story of the Haymarket Martyrs, the Chicago anarchists framed and executed in 1886 by the state. They had led a strike by the Chicago Labor Union for the Eight Hour Day. The strike was successful and the bosses provoked violence at the demonstrations organised by the union. The union's anarchist leaders were then charged with carrying out bombings they didn't commit.

It was the Haymarket executions that led to Mayday becoming the international day of workers' protest. Their case was also a prototype "red scare", a tactic that the US bosses perfected over the years at great cost to the workers' movement. Haymarket prefigured the extreme violence that working class activists faced from the bosses and the state every time they tried to organise and defend the working class.

The first major national organisation of the US working class was The Knights of Labor. The Knights laid the



basis of industrial unionism in the US during the 1880s and the best activists were to be found in its ranks agitating and leading strikes. It opened its ranks to blacks, women and most immigrants.

But the Knights of Labor was a quirky organisation – and not in a good way. Smith points to its terrible racism towards Chinese workers. Its leader, Terence Powderly, regarded strikes as “relics of barbarism” but his views were often voted down and the Knights took part in strikes.

The struggles the IWW led during its colourful history are the stuff of legend. It organised the first ever factory occupation. It brought rodeo workers out on strike

But these errors cost the Knights dearly in terms of being able to make headway amongst the rapidly growing industrial working class.

It was the American Federation of Labor (AFL), based on the craft unions and led by Samuel Gompers, which grew in influence at the expense of the Knights in the 1890s. The AFL, under Gompers, was the antithesis of a militant industrial union. And, despite briefly suffering defeat at the hands of the left, by 1895 Gompers and the right were in complete control of the federation. They fashioned it as a craftist business union, ever ready to strike rotten deals with the bosses in the factories and the Democratic Party in the town halls and Congress.

Gompers didn't oppose the idea of strikes outright and occasionally sanctioned them. But he always ensured they failed if they looked as though they threatened his class collaborationist strategy and bureaucratic stranglehold.

The AFL leader was racist as well as a business unionist. Blacks were excluded from the AFL and Smith quotes liberally from Gompers' repeated outbursts about waging a “race war” on the “darkies”.

Gompers also excluded the great mass of the working class from his federation. It was reserved for skilled workers, labour aristocrats. At the first whiff of industrial unionism gaining ground Gompers moved quickly to crush it – Smith recounts his role in isolating the embattled American Rail Union (ARU) in the 1894 Pullman Strike to demonstrate this.

The ARU smelled far too much like an industrial union to Gompers and in Eugene Debs (later the Socialist Party's most successful Presidential candidate) it had far too radical a leader. Despite the fact that thousands of workers, especially in Chicago, expressed a willingness to come out in solidarity, general strike action when the state attacked the Pullman workers with injunctions and troops, Gompers flatly refused to call out other unions. Gompers declared, “a general strike at this time is inexpedient, unwise, and contrary to the best interests of working people.” He might have added “at this, or any time, as long as I lead the AFL.” His inaction caused an unnecessary defeat on the railways and indicated to the state

that the AFL would bend its knee to the law whenever it was invoked against strikers.

Smith demonstrates that while the AFL sustained itself as a major union federation it produced two major counter-movements that ensured that class heroism rather than class subservience became the abiding memories of the US union movement in the first half of the twentieth century.

The first of those movements was the Industrial Workers of the World (IWW), the Wobblies as they came to be known. Founded in 1905 by committed industrial syndicalists like Big Bill Haywood, alongside socialists like Debs and Daniel De Leon and anarchists like Joe Ettor, the IWW espoused the doctrine of class war. Its doors were open to everyone, black, Chinese, Latino. It espoused women's equality and in Mother Jones, Elizabeth Gurley Flynn and Lucy Parsons (widow of Albert Parsons one of the Haymarket Martyrs) elevated women cadre into national leaders.

The struggles the IWW led during its colourful history are the stuff of legend. It organised the first ever factory occupation. It brought rodeo workers out on strike. It led the 1912 mass struggle in Lawrence, Massachusetts amongst immigrant textile workers. This strike became famous, not just because of the violence meted out to strikers by company goons, but because the IWW countered that violence by rallying nationwide support for the strike and eventually won a startling victory.

The IWW at various times became a serious contender for national leadership of the US workers' movement, outwitting, outflanking and out-organising the AFL. But by 1920 it had become a victim of its own political limitations. It collapsed into a rump organisation, ravaged by the effects of the First World War and the repression that came during and after it, but also by its own political inability to cope with the new questions the war posed to the working class.

The IWW's syndicalism was both a cause of its success in particular battles and its downfall in the general battle between capital and labour. The industrial unionists underestimated the importance of politics to the economic struggle. They did not understand the relationship between the two. But then again, nor did the Socialist Party, which grew alongside the IWW but whose leaders – except for Debs – shifted sharply to the right and interpreted politics in a narrow parliamentary sense. Out of the crisis of both organisations the Communist Party, after protracted birth pangs, was born in the early 1920s in the wake of the Russian Revolution.

Smith charts the positive role the Communist Party played in carrying on the drive to organise the US working class – its opposition to the AFL's leadership's collaborationism but its willingness to play a part in building up AFL unions on a militant and industrial basis. The result of its work, together with the work of Trotsky's followers in the Left Opposition expelled from the US Communist Party, was the role the Congress of Industrial Organisations (CIO) played in the great battle of the 1930s.

The CIO was initially a coalition of bureaucrats within the AFL but ones who led mainly industrial organisations. They grew impatient of the AFL's failures to take

on members in the burgeoning mass production industries, especially in the auto, rubber and related sectors. The split between the AFL and CIO, in 1935 (although the AFL didn't finally expel the CIO until 1938 but by then they were two separate federations in effect) was inevitable. And in true US style it was symbolised by a brawl when the miners' leader, John L Lewis, scrambled over a row of chairs to chin the right wing carpenter's leader, Bill Hutcheson who had just called him a "bastard" at a session of the AFL congress.

The impact of the CIO was immediate and dramatic. As Smith notes "When the CIO formally opened its doors as a section of the AFL in 1935 industrial workers flooded in. Auto and rubber workers, already at the forefront of the class struggle, quickly affiliated their unions with the CIO." (p116) While the CIO leaders tried to rein things in, and maintained an alliance, along with the AFL, with Roosevelt's "New Deal" Democrat administration, its members declared open season on the bosses. In 1936 a wave of factory occupations occurred in the rubber, engineering and car industries. The occupation of the General Motors plant, at Flint Michigan, was the most well-known and militant example of this strike wave. And it was victorious. It humbled the giant corporation and let the world know that the United Auto Workers union was a force to be reckoned with.

This huge step made by the unions in the 1930s had an impact for decades to come in the US. The unions became, at long last, a national force, with a mass membership and the clout to make things happen. Through the post-war decades, right through to the 1970s, the unions grew. They seemed to prosper as well. Though their enhanced status in US society owed more to the favourable circumstances that US imperialism had won for itself in World War Two than to a continuation of the spirit of Flint. The AFL and CIO re-united in 1955 to become the AFL-CIO. And the new organisation was rancid - it was more bureaucratic than ever before.

Constituent organisations were riddled with mob influence and tied to the Democratic Party's patronage system. Rank and file democracy and militancy was crushed by the union tops. They re-fashioned business unionism for the post-war boom. Smith quotes the AFL-CIO leader, George Meany, from a speech he made to the US bosses: "I never went on strike in my life, never ran a strike in my life, never had anything to do with a picket line . . . I stand for the profit system; I believe in the profit system. I believe it's a wonderful incentive. I believe in the free enterprise system completely."

Meany served as AFL-CIO boss from 1955 until 1976. His brand of business unionism shaped the post-war working class movement in the US. In doing so he prepared it for disaster. For when the long boom ended and the US bosses decided that the time for sharing the spoils of world supremacy with the unions were over, the unions' business strategy left it wide open to attack. And the attacks came thick and fast, especially during the 1980s following the right wing President Reagan's all-out onslaught - legal and otherwise - on the air traffic controllers' union, PATCO.

The union organisations that fought the bosses to a standstill in the 1930s became integrated by the bosses in

the 1950s and were then dispensed with by those bosses in the 1980s. The result is that the US working class movement has been thrown back decades, with levels of organisation across industry back to those of the early twentieth century. And it is no nearer taking its first step to political independence as Obama canvasses the working class vote than it was when the Knights of Labor staged their early jousts with the employers.

No party it can call its own

Sharon Smith tries to come up with an answer to why this is the case. What she adamantly rejects is the idea that the US workers are in some way qualitatively different to those in the rest of the world. She argues: "There is nothing fundamentally different about the American working class that makes it incapable of acting as a class, or which can explain why workers in the United States have not yet developed an independent political tradition." (p12)

But she recognises that peculiarities of US development have had a profound impact on the working class and those developments have at various times both hindered and accelerated the tendency of the class to act as a class. First among those differences is racism. Smith is not just talking about the everyday racism that permeates and poisons capitalist society. She is far more specific, focusing on the very real and significant elements of racism that flowed from the legacy of slavery in the country. They led to a form of racism which was far more endemic, far more barbarous and far more divisive than everyday racism.

Its practical results were "Jim Crow" apartheid in the southern states - the legal segregation of blacks from white society and the institution of legal discrimination against them in just about every field of social and political life. These laws were imposed by a regime of terror in many states, carried out either by the authorities or by the lynch mob, usually with the blessing of the authorities.

The impact of such racism was to create a physical divide between workers, not only where Jim Crow laws

The black ghetto wasn't a legal entity in the north but its very existence was the result of legalised racism that was tolerated as part of the USA's system

prevailed in the south but in the north where the systemic racism was simply transplanted following the various migrations of black workers. The black ghetto wasn't a legal entity in the north but its very existence was the result of the effect of legalised racism that was tolerated as part of the USA's system until the Civil Rights struggles of the 1960s.

As Smith notes: "This extreme level of racism left a permanent stamp on the labor movement. The South remains

a non-union stronghold today, largely because the legacy of white supremacy has not yet been destroyed.”

And the legacy was upheld by generations of racist union bureaucrats who were happy to see black and white workers at each other's throats because it undermined the threat of a united rank and file challenge to their own power in the labour movement.

Racism has set back the US workers' movement by decades. And Smith is spot on to highlight it as one answer to why the US movement remains so politically backward. In an aside she echoes the Socialist Workers Party

Violence is a way of doing business with the labour movement and always has been, to a far greater extent than in Britain or France for example

line (Smith's International Socialist Organisation used to be a sister organisation of the British SWP before it was expelled from the IST) that this is all a product of false consciousness since white workers “do not benefit” from racism, ignoring her own evidence of the petty privileges, differential wage levels and unequal access to social benefits between white and blacks that are still a feature of US society.

Her failure to accept a materialist explanation of why white workers continue to be taken in by racism is a serious weakness, but she sounds less convinced of her own argument in this book than many of the SWP tracts that deal with the same issue. And her emphasis on the centrality of racism as a factor suggests that whatever her theoretical shortcomings she recognises that the black question in the US is of primary importance in determining the fate of the entire movement.

A second difference that Smith notes is the legacy of what she does not call – but which we will – “wild west capitalism”: the imposition of capitalist order by the bosses themselves, through their private armies and goons rather than through the state apparatus.

The centralised state – as Marx and Engels noted – did not, in the US, develop out of absolutism and revolutions against it in the way it did in Europe. Even the civil war – fought in the first instance against the notion of “states' rights” and not against slavery (whatever the history books try to tell you) – failed to fashion the centralised state into the sort of all embracing interventionist force typical of the western European major powers. To be sure, where it did exist it backed the bosses, but those bosses frequently relied on their own private armed forces in their battles with the working class. This led to the industrial magnate Cornelius Vanderbilt commenting, “Law? What do I care for the law? H'aint I got the power.”

Smith gives many examples of the brutality of the US ruling class, not least Reagan's leg chaining of Patco strikers and (father of Dubya) George Bush's suppression of the Los Angeles uprising in 1992. But her quote from Mike

Davis' (excellent) *Prisoners of the American Dream*, sums up her point well: “American labor may never have had to face the carnage of a Paris Commune or a defeated revolution, but it has been bled in countless ‘Pinkerloos’ at the hands of the Pinkertons or the militia.”

The US bosses, faced even with a modest strike by a moderate union, are capable of unleashing a ruthless level of brutality that is only equalled by the actions of some of the globe's more unsavoury dictators. Violence is a way of doing business with the labour movement and always has been, to a far greater extent than in Britain or France for example. And its impact has been to deter countless workers from risking collective action for fear of their lives and limbs.

And the state has backed the bosses – from its use of troops against miners at Ludlow in 1914, its support for Rockefeller's private army which was butchering strikers, through the terror against immigrants that culminated in the legal lynching of Sacco and Vanzetti in the 1920s to the execution of Ethel and Julius Rosenberg in 1953 during the McCarthyite witch-hunt.

Even violence and racism were unable to stop the workers' movement taking their “giant step” in the 1930s under the banner of the CIO. Indeed anti-racism and well-organised counter-violence were hallmarks of many of the most famous struggles of the 1930s. As early as 1934 Trotskyist-led picket defence teams fought and won the Battle of Deputies Run in Minneapolis during a strike by Teamsters. The deputies who ran were right wing civilians drafted in by the trucking bosses as well as cops.

It was another factor that led to a different outcome for these struggles – the New Deal. Roosevelt re-fashioned the old racist, southern based Democratic Party in the 1930s into a version of what Trotsky called “the popular front” – an alliance of the bosses and workers but with the workers as junior partners. Minor labour reforms, including the right to recognition, proved enough to win the bureaucrats over to Roosevelt. Stalin's decision to embrace the Popular Front ensured that the rank and file leaders of the US unions, many of whom were Communist Party members, also tied the knot with Roosevelt. This meant there was no resistance to the bureaucrats before or during the war.

The authority of the Communists amongst the rank and file was decisive. They were the organising cadre for the CIO. They were associated with previous militant battles. What they said carried weight. As a result their campaign against militancy in 1937, because it threatened the popular front, was crucial in disarming the working class at a key point in its historical development.

As Smith argues: “Communist Party leaders bent over backwards to make clear that their allegiance was to the New Deal coalition, not to rank and file workers outside their control. The Daily Worker ran a statement by William Weinstone, the party's Michigan State Secretary, declaring [that wild cat strikes by workers] would be ‘gravely injurious to the cause of co-operative action between labor and middle class groups.’” (p144)

Despite the occasional zig-zag, this political loyalty to the Democrats prevailed up to and beyond the cold war – and by then the Communists' sudden recognition that

the Democrats were not their friends after all was too late. The damage had been done. The most powerful radical organisation in the unions – the Communist Party – played a key role in alliance with the future business union bureaucrats in blocking any independent political development in the US workers' movement by tying it to the Democratic Party.

The final element of Smith's answer to why the US working class has not developed any political independence and has suffered gravely as a consequence was the impact of Cold War anti-communism. This was when the state did take over from the bosses' private armies in order to terrorise the class. It succeeded in this repression because of its timing. It occurred during a period of growing prosperity, the late 1940 and 50s, when class collaboration by the business union leaders seemed to bring the realisation of the American Dream closer to a whole generation of workers. The gains of the workers were never universal, nor were they institutionalised. Health care, for example, was part of a contract with an employer, not a right won from the state.

But the long boom blinded many to this real flaw in the American Dream – axed, like every other benefit and wage increase, when the bosses decided they could no longer afford it. And it led many to accept the gains made as the product of the American way rather than as a result of the preceding decades of union struggle.

The scale of the repression during the Cold War was staggering. McCarthyism tends to be remembered as being a witch-hunt targeted at Hollywood writers and actors. It was far more than that. It was a war against all forms of radicalism – an attempt to wipe it out. And while Hollywood suffered, the main targets were in the factories and working class communities. Driven by the need to weld the US nation together against the USSR, the better to prosecute its quest for domination of the world's markets and wealth, the US ruling class sanctioned a state orchestrated witch-hunt that was, in the words of the National Industrial Conference Board (a top bosses' organisation), designed to "rid your plant of agitators who create labor unrest . . . The spies, traitors and misguided fools who promote Communism constitute our number one industrial security problem today." (p181)

Tragically the purges succeeded and militants were driven from their jobs, homes and communities in droves. The toll on the movement was massive and it left the field free for the bureaucrats to promote a regime of industrial harmony. It maintained the duopoly of the two party system free from any radical challenge. And, despite the rise of a new left during the 1960s and 1970s, its legacy was to dramatically undermine the strength of radicalism in the labour movement.

The practical legacy of this was to become apparent in the way in which the ruling class, during the late 1970s

and 1980s, were able to launch attack after attack on the wages and working conditions of the workers. The labour movement went into decline and the rot is only just being stopped. The McCarthy witch-hunts were a sustained and successful means of further retarding the political development of the US workers' movement.

Taken together Smith's explanation of the political backwardness of the US working class – racism, repression, New Dealism and the impact of McCarthyism – is a convincing one. However she does not offer a convincing solution. She is hampered by the legacy of the ideas she

The South remains a non-union stronghold today, largely because the legacy of white supremacy has not yet been destroyed

has inherited from the British SWP.

As we have seen this manifests itself in her wrong belief that racism does not benefit white workers and is simply a question of consciousness. This is a position that cannot begin to develop a class programme capable of defeating racism, but rather that sees it as something that will evaporate in the economic struggle.

It also manifests itself in her perspectives for change in the labour movement. She concludes "Today . . . nothing short of mass struggle will reverse the balance of class forces. The opportunities for such a level of struggle, however, are self evident." (p319)

Such a conclusion does not do justice to the book that precedes it. She has furnished plenty of evidence that mass struggles – in themselves – were not sufficient to change the fate of US history. Other factors needed to come into play – not least the political outcome of such struggles, outcomes shaped in the interests of the working class by militants capable of seeing what those interests really are. Militant workers grouped together in a revolutionary party that is able to link these every day battles to the struggle against capitalism.

How can this be achieved? What obstacles stand in the way of victory for the mass struggle? And what weapons – political and otherwise – will the US ruling class deploy to maintain their rule? What openings exist within the union movement that the left can use to begin to rebuild fighting organisations? Sharon Smith brushes all these issues under the table with the broad brush of impending mass struggle, some time, sooner or later. Which is a pity because it is a conclusion that does not match the value of so much of what she has written.



JOHN NICHOLSON

How do we get unity on the left?

In Permanent Revolution 9 Mark Hoskisson called for a radical reappraisal of where the left is and where it is going. John Nicholson, Convenor of the Convention of the Left Organising Committee, here puts forward his own views.

Dear Comrades

Blair's New Labour is allegedly finished. Brown's Neo (?) Labour is hurtling towards a precipice. The longest soundbite in history is nearly over. But their bloody legacy, of warmongering, privatisation and environmental destruction continues vampire-like to offer succour to the undead - and the Tories will give us more of the same if elected next time.

The danger is that this creates a vacuum, one that the far right rushes into, assisted in their legitimisation by both main parties. That's why the challenge needs to come from the left, the only ones who can offer the ideological basis for an alternative. We have to make, and win, the arguments that peace is better than war, that public is better than private, that sharing, co-operating and recycling are better than shopping, conspicuous consumption and debt. It is capitalism that is to blame not its scapegoats - the migrants, refugees, the fat, the young and the poor.

But the left is weak. We may never have been so fractured as we are today. It will take time and hard work - patience and honesty on all sides - to heal the recent rifts. That does not mean we should not try. Achieving socialism will not come without the maximum unity of socialists.

So, for example, future organisation of the left should be by consensus. We need to develop pluralist, inclusive, tolerant and democratic ways of working. We cannot just put a flag in the sand

and say "join us, we're the party": that has been tried and failed. But we should be willing to think long-term. If we can work together in practical ways, making demands and campaigning in unity, we could all come together in a few years time, perhaps under the umbrella of the left.

To do so, we cannot let elections get in the way. The bourgeois parliamentary electoral system is not of our choosing, but that means we must find ways to avoid it causing us conflict. Inevitably the two main parties will be electioneering from now on, on the single campaign slogan of "vote for us because we're not them", and there will be pressure for all of us to conform to voting Labour just because they are not the Tories.

But we could try to come to electoral pacts, or at least non-aggression agreements, in order to maximise support for the left. And

The Convention will be both a protest at Labour's war and privatisation, racism and pollution, authoritarianism and inequality

we should fight the fascists anyway, by campaigning in the communities where they seek to gain a foothold, not necessarily by standing in every seat or saying "vote Labour because they are not the fascists". Our challenge is essentially to Labour for paving the way for the right; our tactic should be principle not populism.

Most of all we should be seeking agreement to common demands, actions and campaigns. The Communist Party of Britain has put together its Left Wing

Programme, the Labour Representation Committee has launched its recent 10 point petition, the SWP and ISG have raised Charters. There is much in common in all these. We should work together in practical ways to debate and agree these demands and take them out in campaigns in the communities - regardless of which organisations we all belong to.

Convention of the Left

Most immediately, the Convention of the Left aims to assist the latter. The Convention is both a protest at Labour's Conference in Manchester this September and a chance to develop a positive alternative. The initial Protest against the Cost of the War will be followed by four days of debate and discussion - based loosely on Politics, Planet, Public Services and Peace.

The Convention will be both a protest at Labour's war and privatisation, racism and pollution, authoritarianism and inequality, and a practical demonstration that there is an alternative. The Convention will be about an entirely different world, one that

can be built by working people, for working people. The Convention will be united in our determination to combine our strengths and develop through open and participatory debates the rebuilding of the left today.

Of course there will be doubts. "It's been done before", "it's the same old people (emphasis old!) who are not going anywhere", "it's a sinking ship". For an idea that's only just been floated, this particular metaphor perhaps doesn't hold water. People are not deserting this

ship. More and more are signing up (including those who haven't been involved in left politics before and don't define themselves as such). Just maybe this enterprise will boldly go where others have not succeeded.

After all, supporters include Tony Benn, John McDonnell, Jeremy Corbyn, Mark Serwotka, Jeremy Dear, Matt Wrack, Rahila Gupta, Tariq Ali, John Lister, Jonathan Neale, Kate Hudson, Andrew Murray, Hilary Wainwright, Colin Fox, Pam Currie, Bill Greenshields, George Galloway, Abjol Miah, Ken Loach, Lindsey German and Derek Wall. Sponsoring organisations include the Labour Representation Committee, the Left Women's

Network and Left Economics Advisory Panel; Scottish Socialist Party; Communist Party of Britain; Green Left; Red Pepper; Permanent Revolution; Respect; Socialist Workers Party; Greater Manchester Association of Trades Union Councils, Manchester Trades Council, Liverpool Trades Council, Morning Star, Education for Tomorrow, A World to Win and many others.

Where do we go?

We are not saying that this means the construction of another political party. But we do think we should find ways in which the left as a whole can co-ordinate action both nationally and locally

wherever we can. We are not aiming to displace existing united campaigns, but to strengthen these and to encourage working together across the widest range of organisations and individuals.

We want to encourage the development of local left forums, where appropriate, and to support those already in existence, in order to promote discussion and co-ordinate united action across the left, in an inclusive, participatory, pluralist, tolerant and democratic way.

CONVENTION OF THE LEFT

Convention opening statement

WE EXPLICITLY challenge Labour's programme of warmongering, neo-liberal privatisation and failure to tackle environmental destruction.

We believe that there is an alternative. The wealth exists in the world to abolish famine and poverty and to pay for our essential needs; the debt-fuelled culture of conspicuous consumption does not produce a fairer or happier society – and is anyway unsustainable; and peaceful collective public enterprise is preferable to the private profit-making of the unregulated market and its escalating competition for scarce resources.

The problem is capitalism, which produces only for profit not need, which destroys the environment and carries out endless warfare in pursuit of market domination.

But we also believe that we must win these arguments. The left is weak and has been repeatedly forced on the defensive. We must find ways to develop and promote alternative positive policies and demands – of peace, social and

environmental justice, public ownership, workers' rights, civil liberties and equality.

We must join together with all those seeking a better society, as an anti-capitalist left fighting for an alternative socialist society.

Question time for the left

The Convention of the Left therefore aims to debate alternative strategies that are critical of capitalism – environmentally and socially just, inclusive and peaceful, pluralist, tolerant – in pursuit of a greater common objective that benefits the many and not the few. We aim to ask ourselves the essential questions – the whole Convention is a kind of "Question Time for the left" – and we hope to arrive at some of the answers.

We also aim to encourage participation from below, not top-down platforms. We want to start defining new ways of working – so that we can join together in making policies, putting forward demands and campaigning in practice – regardless of the

organisations (or none) that we may belong to or support.

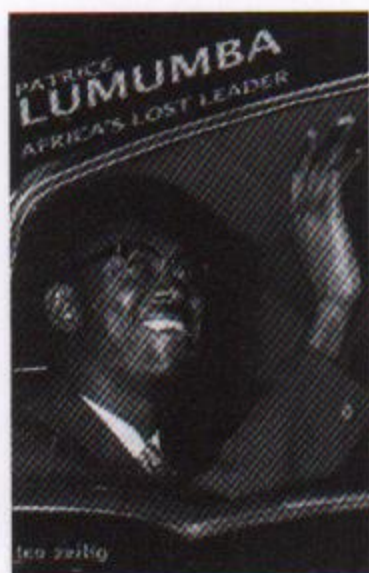
Participation in debate – unity in action

We are not saying that this means the construction of another political party. But we do resolve to find ways that the left as a whole can co-ordinate action both nationally and locally wherever we can. We are not aiming to displace existing united campaigns, but to strengthen these and to encourage working together across the widest range of organisations and individuals.

We therefore resolve to encourage the development of local left forums, where appropriate, and to support those already in existence, in order to promote discussion and co-ordinate united action across the left, in an inclusive, participatory, pluralist, tolerant and democratic way.

We also resolve to hold a "Recall Event" on Saturday 29 November at which we will seek agreement to ideas and demands emerging from the Convention.





Casting a critical light on Lumumba's legacy

PATRICE LUMUMBA: AFRICA'S LOST LEADER

Leo Zeilig

Haus Publishing/2008/£9.99

THIS IS an excellent book by Leo Zeilig who co-ordinated the Independent Media Centre in Zimbabwe during the presidential elections of 2002. It is full of useful information showing why Patrice Lumumba has become such an important figure on the African left. Crucially, it does not join in the myth-making or gloss over Lumumba's faults.

Lumumba, the first and only democratically elected Prime Minister of the newly independent Congo, has assumed an almost mythical status due to his early death, almost certainly at the hands of, or with the connivance of the CIA. Lumumba was deposed as Prime Minister in 1960 and was executed by firing squad at the age of 36.

The murder of an African leader in the early years of decolonisation sent a warning to others who might have been inclined to uproot neo-colonial power in Africa.

Unfortunately, his early death has also resulted in hagiography preventing a critical analysis of the man's politics and its limitations.

Lumumba's first public speech as Prime Minister accused the Belgians of having subjected the Congo to "humiliating slavery imposed upon us by force". This was no exaggeration. From the late 1890s, along with ivory and minerals, millions of tonnes of rubber and millions of francs of profit were extracted from the country by forcing the population into slavery.

Workers who didn't meet quotas had their hands amputated. Rebellion was mercilessly crushed: forced labour, famine and systematic violence killed over

10 million people in the 20-year period between 1891 and 1911. By the 1930s diamonds had joined this bloody trade and workers were also beginning to get organised.

In 1941, about the time Lumumba was becoming politically active, miners and factory workers went on strike, winning 30% wage increases. By 1944 an insurrection was organised which marked the beginning of the end for Belgian colonial rule.

In the 1950s Lumumba was a talented journalist but "far from a radical voice". (p49) His earlier writings advocated co-operation between the small minority of educated Congolese – the évolués, of whom he was one – and the colonial rulers. He reasoned with the authorities to advocate a more benevolent form of rule. He was entirely uninterested in communism or Marxism.

Eventually, his appeals to the Belgian rulers rebuffed, Lumumba advocated independence. However, his Congo Nationalist Movement (MNC) offered no solutions to workers' or small farmers' grievances: Lumumba dismissed "class struggle" as a foreign idea.

With the economy still dominated by foreign-owned capitalist enterprises, a socialist solution to the Congo's problems would have been to attempt to unite the workers' movement to implement land reform. Granting the right of different nations and ethnic groups to autonomy – and even secession – would have drawn these forces to the side of the independence struggle. Whilst Zeilig's book does not endorse ideas such as these it is sharply critical of Lumumba's political limitations.

Lumumba's ineptitude led on 11 July 1960 to the Belgium-sponsored independence of Katanga, a region comprising 12% of the population but with 60% of the mineral wealth,

just 12 days into Congo's independent existence. Lumumba fatally asked for UN intervention, giving the green light to US and other troops to enter the country. By August 1960, with Lumumba seeking Soviet support and military hardware, a CIA-backed coup by the military led by Mobutu took place on 5 September. Lumumba was put under house arrest and subsequently murdered.

Zeilig argues that Lumumba was a naive nationalist, genuine in his fight for meaningful independence and decolonisation, but with no coherent political strategy to challenge imperialism.

Yet he was disposed of because he was not a safe pair of hands to administer a post-colonial Congo, because he still opposed US and European hegemony, however incoherently and ineptly. He concludes that US imperialism could not tolerate an independent Congo becoming important as a source of uranium as well as diamonds and other mineral wealth.

Zeilig shows orders for Lumumba's assassination came straight from the White House, though he somewhat controversially concludes that the Belgians beat them to it.

The Mobutu dictatorship that followed in the Congo from 1965 was one of the most corrupt and subservient governments in Africa. This legacy and the civil war that followed his overthrow in 1997 has led to more than 5 million Congolese dying in the last 10 years. It is the direct result of the west and their multinationals destabilising the state, ensuring that the country is prey to private militias that can plunder the country's mineral wealth. Every time you make a mobile phone call, watch a DVD or use a computer it uses probably illegally mined coltan from the Congo.

A useful and clearly written book, this is a valuable resource for any socialist wanting to learn more about the Congo's bloody past and present. Its extensive references list sources for those wanting to dig deeper.

Jason Travis

China and its quest for a place in the sun

CHINA IN AFRICA

Chris Alden

Zed / 2007 / £12.99

CHRIS ALDEN is a lecturer at the LSE and his book, *China in Africa*, provides a brief introduction to China's increasing involvement in Africa. It seeks to assess whether China's involvement will be that of "a partner, economic competitor or hegemon". This discussion arises from China's playing up of its "anti-imperialist" and "communist" past, its historical support for national liberation struggles and position as a "third world" country like Africa.

While Alden does consider the impact of colonialism on African governments, he is well aware that the contemporary Chinese relationship with Africa is at root much more basic. He quotes Philip Snow: "[A] frank quest for profits by both China and its African partners might well, in the end, prove a more solid basis for their future relationship than the continuing attempt to sustain a rhetorical unity." (p135)

And Alden provides plenty of evidence to show that the surge of trade and investment since the turn of the millennium is fuelled by just such a pragmatic relationship, as China seeks to secure supplies of raw materials for its burgeoning industrial base.

Its involvement in Sudan which, alongside Tibet, has been the subject of so much focus in the western media, shows this:

"Since 1996, over US\$15 billion has been invested by China, primarily in the oil industry and related infrastructure projects. As in Angola, a network of refineries, roads, railways, hydroelectric dams, gold mining and telecommunications has blossomed across the country." (p61)

Bilateral trade has increased

from \$890mn in 2000 to \$3.9bn in 2005, while China has consolidated its hold on Sudan's national resources through a 40% stake in the Greater Nile Petroleum Company.

This pattern is repeated with Angola, which is now China's single largest supplier of oil and China's largest trading partner in Africa – it accounted for 21% of its trade with the continent in 2006. In Nigeria, a

Chinese oil company bought a 45% stake in an oil field in 2005 for \$2.5 billion. China's trade with the continent as a whole has increased from \$5bn in 1999 to \$50bn in 2006, and is set to double again by 2010.

China in Africa provides an interesting overview of contemporary Chinese involvement in Africa. Its expansion and influence is causing growing concern amongst the big imperialist powers as the struggle for oil and natural resources becomes more crucial in the 21st century. As in the previous period of globalisation at the end of the nineteenth century the struggle to control Africa's politics and resources is hotting up.

Bill Jefferies



A Keynesian looks at the credit crunch

THE CREDIT CRUNCH: HOUSING BUBBLES, GLOBALISATION AND THE WORLDWIDE ECONOMIC CRISIS

Graham Turner

Pluto / 2008 / £14.99

OVER A year has elapsed since the "credit crunch" first hit the headlines. Now as the locus of the economic fallout shifts from the US to Europe, and with the UK particularly vulnerable to recession, Graham Turner, a left-leaning Keynesian economist, has produced a timely summary of the crisis. It is not likely to be the last.

Turner aims to identify the underlying causes of the financial crisis and the seemingly inevitable crisis in the "real" economy. He concentrates on the US and UK, drawing heavily on the experience of Japan the 1990s – the "lost decade" of economic stagnation – using his insider knowledge as a former employee of Japanese banks.

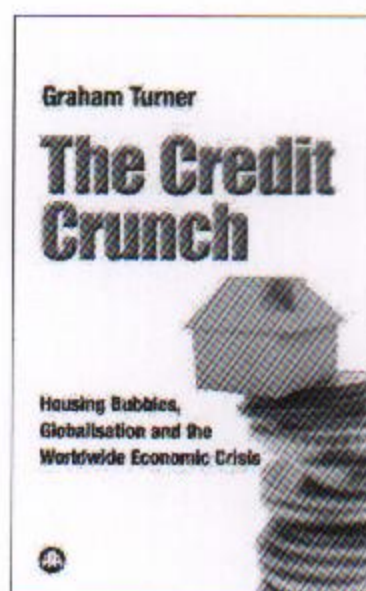
The book is written in an accessible style but is quite technical in places and perhaps assumes too much mainstream and Keynesian economic theory to

classify it as a popularisation.

Turner examines a number of themes – over-investment, asset-price bubbles, debt, income inequality and globalisation – and sets himself an enormous challenge in attempting to integrate them.

Unfortunately, the threads are too often loosely drawn, meaning lost in a maze of economic indicators – interest rates, currency movements, trade imbalances, capital flows, inflation (and deflation) and so on. Nevertheless, he is to be commended for not simply blaming governments and their central bankers (although there have been policy errors aplenty) or the self-evident voracity of financiers for the current economic problems.

For Turner, periods of economic crisis can be characterised as ones of high inflation or deflation. The Great Depression of the 1930s was a deflationary spiral; the 1970/80s was an inflationary one and the 1990s to the present day deflation again. Turner attributes inflation or deflation to a mismatch between global supply and demand. The





Thatcher/Regan era he calls “over-consumption” when demand exceeded supply, the Great Depression and the current period as “over-investment” when supply is outstripping demand.

The result of over-investment, according to Turner, is that workers’ wages will be too low to absorb the

inflated real estate prices in Japan in the late 1980s and the “irrational exuberance” of the dotcom stockmarket bubble. These are examples of the disproportional allocation of capital that is intrinsic to the unplanned nature of capitalism.

Turner covers familiar ground

than it actually has been since 1997. It predicts that real consumption in the US would be 6% lower after 10 years with this constrained rise in debt – knocking about 0.4% off GDP year-on-year – perhaps less dramatic than implied by Turner’s conclusions of a “compelling demand gap”.

The model also forecasts nominal wages in the US to be a whopping 21% lower after 10 years with almost no inflation. This appears to be more persuasive evidence that rising personal debt and the housing bubble have been filling the demand gap and driving economic growth, but it misses out an important fact; workers spending their wages are not the only consumers. You have to include capitalists (and salaried CEOs, fund managers, etc) spending a portion of their profits on goods and services, and on luxury consumption – and this has grown very rapidly in recent years, as illustrated by rising income inequality. The top 1% of households received 22% of total income in 2005, more than double what it was in the 1970s.

Aggregate demand also includes productive consumption, capitalists buying capital goods – buildings, equipment, IT etc. – something very evident in what The Economist called the greatest period of capital investment in history, most notably the exponential investment of China. However, Turner provides little discussion of investment rates.

Yes, living standards for many workers have stagnated for periods, but Turner wants to use this to assert something more fundamental about capitalism today, that low wages and a demand gap have become the cause of crisis.

While it is true that a shortfall in aggregate demand will precipitate and prolong a crisis, this is not because of a deficit in workers’ consumption but because capitalists will hoard their profits when expected returns on investment are too low. Why the rate of profit has a tendency to fall is another story.

It should be noted however, that while personal debt is obviously a major problem for millions of

Turner describes how multinational corporations have shifted manufacturing to the lower-cost emerging economies in the scramble for greater profits

increasing supply of goods and services. His analysis is little more than the familiar idea of “under-consumption”. He is also making a big claim here, that there is a significant degree of symmetry between the world economy in the 1930s and today, something that takes quite a lot of proving, given the crisis-wracked nature of the Great Depression. It is a shame that he did not take a brief look back to before the First World War, as surely the first period of globalisation from the early 1890s to 1914 is more relevant.

A more straightforward example of over-investment that he considers is the east Asian currency crisis of 1997 that occurred after vast inflows of Foreign Direct Investment (FDI) into the growing electronics sector for the export market. This may have led to a glut of goods on the world market in one specific sector but this is not the same as a general glut, and the fall in output probably had more to do with investors ditching the emerging economies of East Asia for the US that was experiencing an IT-led productivity boom.

Big investors will always gravitate towards any money-making venture that promises a profit rate above the average. Sometimes it results in over-investment in particular sectors or locations of production, in other cases it is blatant financial speculation, such as the wildly

when discussing the most recent asset-price bubble – the dramatic increase in house prices in the US, UK and other industrialised countries – and its inevitable bursting in the shape of the sub-prime mortgage debacle. It is also generally accepted that the Japanese authorities at the beginning of the 1990s, faced with both stockmarket and land price bubbles, were far too slow in reacting with monetary and fiscal measures to boost the economy and consequently the economic slowdown lumbered on for a decade.

Turner argues that Ben Bernanke at the US Federal Reserve was also too late in slashing interest rates, as the financial turmoil may have started in the summer of 2007 but the housing market had peaked almost two years earlier: the writing was on the wall. He also warns that Keynesian intervention may never be quite sufficient to drag an economy out of stagnation. One can only imagine what he thinks about the pathetic inactivity displayed by Gordon Brown and Alistair Darling!

But why did it happen? Turner’s answer is based on the relationship between personal debt, wages and the effects of globalisation. On debt, he gives the results of a simulation run by Oxford Economic Forecasting, where the rise in personal debt to disposable income is assumed to be at a lower rate

workers and financial corporations are experiencing massive losses resulting from the securitisation of the mortgage market, non-financial corporations generally have "solid balance sheets". The impact of the credit crunch on the non-financial sectors of the economy, construction apart, has been smaller to date than in previous recessionary periods. Profit rates are off their peaks but still well above the trough of the 1970s/80s.

Turner describes how multinational corporations have shifted manufacturing to the lower-cost emerging economies with pools of cheap labour in the scramble for greater profits. This has exerted downward pressure on wages in the industrialised west as domestic producers have to contend with cheaper imported goods and can always threaten workers with off-shoring.

This may be a factor, but wages as a proportion of GDP started to fall in the 1970s with the attacks on organised labour, before globalisation and the emergence of China and so forth.

Globalisation can be squarely

blamed for the growing global imbalances such as the large US current account deficit and accentuating the disproportional allocations of capital discussed earlier. The US trade balance is now improving as exports surge, probably to the surprise of Turner, but the UK may not be so fortunate after the decimation of manufacturing and an over-reliance on financial services.

Globalisation is certainly the biggest of his themes, but for Turner the historically unprecedented growth of the BRICs (Brazil, Russia, India and China) barely registers; it will just add to capitalism's problems as wages are even lower and the global demand gap will widen further still.

The Marxist approach to crisis is quite different and rests on the primary importance of the rate of profit and, however uncomfortable it is to admit, global profit rates have been at their highest for decades. You wouldn't really expect to find such an analysis in this book, but nonetheless it is a thought-provoking read.

Graham Balmer

USSR regions help overcome this crisis; or will the pricking of the property bubble and enforced saving by western households precipitate a global recession, or at least decisively end the above-trend economic growth world capitalism of the last period?

In the final article in this collection Richard Brenner seeks to refute the theoretical underpinning of this magazine's analysis of the long upward wave of capitalist growth since the early-to-mid 1990s.

In several passages Brenner argues that Permanent Revolution did not foresee the credit crunch and now under-estimates its impact on the global economy. He suggests that the financial crisis' very appearance is a body blow to the idea that world capitalism has been enjoying a long upward curve of development.

It is true that we – along with everyone else bourgeois or Marxist – failed to foresee the specific form the financial crisis would take (i.e. the sub-prime mortgage crisis hitting banks holding securitised assets). But the view that the housing market in the US, UK and parts of Europe were in the throes of a bubble that would burst sooner or later, was commonly held among most observers.

We shall return to what impact it is having later, but that its very appearance refutes the notion that capitalism is in an ascendant phase is palpable nonsense.

The 1994 Mexican peso crisis, the Asian financial crisis of 1997-98, the dotcom crash on Wall Street in 2000, the collapse of the Argentine economy in 2001 and now the credit crunch, have all been examples of the destabilising and destructive effect of financial capital flows. Through all these crises (leaving aside the current one, which we are in the middle of) world growth was checked and then continued its upward curve.

The unchecked expansion of forms of credit, the unregulated growth of foreign exchange transaction and short-term capital flows across borders, and the wild speculative investments made in

Myth or reality: debating long waves

**THE CREDIT CRUNCH –
A MARXIST ANALYSIS**

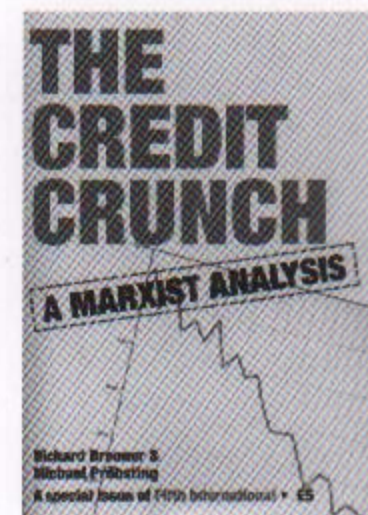
**Richard Brenner and
Michael Probsting**

LFI / 2008 / £5.00

THIS SPECIAL issue of the League for the Fifth International's (LFI) journal consists of a collection of articles on the unfolding credit crunch written over the last year or so, an article on Marx's theory of capitalist crisis, one on the relevance of Lenin's theory of imperialism and a polemic aimed at this magazine, attacking its analysis of the credit crunch and its view of the extended period of capitalist growth since the early 1990s.

At its 2003 International Congress the LFI confirmed its belief that world capitalism was mired in stagnation – at the start of what proved to be the strongest five years of growth experienced by the world economy in 40 years.

The credit crunch however has put wind in their sails. The worst financial crisis to hit the developed imperialist economies (or at least the Anglo-Saxon ones) in 60 years is testing the strength and durability of a long upward period of global capitalist growth. Will the economic reserves of imperialism, timely government interventions and the continued dynamism of the Asian, Latin American and ex-





shares, property or commodities – these are meat and drink to capitalism in the modern era of globalisation of the last 30 years or so.

They normally occur after a period of rapid capitalist expansion in which excess profits and new forms of fictitious capital pile into one favoured class of assets, producing a bubble that eventually bursts. In 1907 one of the greatest system-threatening banking collapses ever, took place in the USA (eventually giving rise to the creation of the Federal Reserve), causing a recession. But it took place, as have the financial crises of the last 15 years, in the middle of a long wave of capitalist expansion lasting from 1895 to the First World War.

The financial crises of the current era are notable for the fact that such crises are more likely to spread from their point of origin outwards, are more varied and more destabilising because of the massive growth of financial capital in relation to the “real economy”. Clearly this present financial crisis, centred as it is not in the Third World but in the heart of the imperialist financial system, contains a more systemic threat than say the Asian crisis 10 years ago. But is the unfolding of the credit crunch leading to such a general collapse (like the 1930s) or a more modest decline together with a realignment of economic power?

The south east Asian crisis (and its delayed effects in Latin America) was an opportunity for the G7 countries to organise a fire sale of assets and enrich their corporations. This crisis is allowing emerging centres of financial wealth in Asia and the Middle East to enlarge their wealth and power within the global system, the full effect of which will only be observable in the next phase of the cycle.

Will the financial system (and in its wake trade and investment) implode under the impact of the credit crunch? Or will the world economy resume its above-trend growth of recent years after taking

a relatively minor hit in some parts of the EU and the USA, as it did in 2000-02?

If the recessionary fall-out of the credit crunch (in terms of jobs and output lost, bankruptcies, decline in overseas investment etc) is in the same ball park as seven or eight years ago and much less than the 1970s and 1980s, or even early 1990s, then it will tend to confirm, as with 1907, that the underlying dynamism of the global economy has acted to contain the damage.

Long waves

The thrust of Brenner’s attack is aimed at challenging our view of this underlying dynamism. At first glance it appears a non-argument. He concedes much of our case:

“To be fair to Jeffries and Harvey . . . they have pointed to a major world-historic turning point altering the composition of capital.” (p133) He summarises in several places the combination of socio-economic factors we have pointed to that lay behind the extended upturn and says he agrees with them, and even that they have resulted in “strong booms and weak downturn phases in the USA and Britain between 1993 and 2007.” (p137). He accepts the fact of the unprecedented expansion of capitalism in China and the ex-USSR.

His objection is rather to the theoretical framework in which these facts are embedded. He argues that “long wave theory” originated by Kondratiev, rejected by Trotsky and (in Brenner’s opinion) revived and given a Marxist gloss by Ernest Mandel, is schematic. This is because Kondratiev’s theory insists a priori that upward and downward extended cycles (comprising of several industrial cycles) of capitalist development have to be comprised of roughly 50 years, roughly equally divided into periods of 25 years each.

Whereas the roughly 7-10 year industrial cycle does have an internal temporal dynamic governed by the replacement and wearing of fixed capital

investments, there is no such dynamic to long waves, either in the up or down phases, governed as they are by broad-scale, unpredictable socio-economic events such as war or revolutions. Hence the long upward phase opened up in the early 1990s has no logical reason to last for 25 years.

To be fair to Mandel, his work was mainly retrospective and Brenner does not challenge his view that the post-1815 world economy can indeed be divided up into these long 50-year periods up to the end of the long boom (1973); or does Brenner consider this chronology to be a schematic post-festum imposition on real history? Or do they indeed correspond to real historical periods, as Mandel and we agree?

Mandel did have the merit of predicting the end of the long boom a few years before it happened, based on his analysis (proof of the pudding etc?). But he refrained from predicting that the post-1973 downturn would end 25 years or thereabouts later, although he did sketch out some socio-economic conditions (à la Trotsky) that may combine to bring it to an end at some point.

What of Permanent Revolution? We share Mandel’s view (and Trotsky’s) that broad socio-historic factors lie behind the beginning of an upward phase. And so it appears does Brenner. But we also agree with Mandel that the end of a long upward phase occurs when the internal dynamics that have given rise to the above-trend rise in profitability (and hence broad expansion) whither away (or put another way, when the tendency for the rate of profit to fall reasserts itself over the countervailing tendencies).

We do not believe the upward phase has to last 25 years. We have tried to focus our analysis on the key internal (to the accumulation process) effects of the socio-economic transformation brought about by the collapse of the planned economies of China and the USSR (and the breaking down of barriers to India’s, Brazil’s and other major semi-colonies’

insertion into the global economy). Above all there has been the qualitative lowering of the organic composition of capital (OCC) in these states and a subsequent rise in profitability. In other words the incorporation of the 800 million-strong Chinese (low paid) workforce (larger than that of the EU, Japan and USA combined) into the world market has qualitatively boosted global capitalism.

We have argued that this lowering of the OCC will fall away over time, and the single biggest element in this process is the erosion of the surplus labour force in China, which will raise the OCC by pushing wages in China and elsewhere up.

Brenner believes that we have plucked the timescale this is projected to happen (around 2015) out of our head in order to conform to our a priori prejudice that an early 1990s start date for a long upward wave must end then.

But the matter of the transformations in the Chinese labour force is a matter of ongoing research and debate. Reflecting the current consensus, The Economist says the working age population rose 1.3% a year between 1996-2005. From then until 2015 it will do so at 0.7% per year and then shrink by 0.5% a year until 2025. At the same time the productivity lift will end as the shift from the land to the cities dwindles. However, one Chinese academic study suggests that by 2009 there would be widespread labour shortage, based on revising surplus labour estimates from 150-200 million to zero because of what kind of labour firms really want. Yet another study by Standard Chartered argues the number of 20-somethings are rising again and will increase by one-third up to 2015, easing wage pressure.

It is the temporal dynamics of these world-historic shifts in the global labour force that underpin our analysis.

Brenner objects to this and says it is our "core error". (p134) He rejects the idea that this verifiable shift in the OCC affects more than just China's profits. First, because while importing cheap components

from Asia to be used in US industry raises the latter's superprofits, it does not lower the OCC of US production. Correct, but the OCC of US-owned production in China is directly lowered by this process, accounting for an increasing amount of US manufacturing capital; moreover, the OCC of US domestic capital is lowered by the process of keeping wages inside the

have his cake and eat it.

Brenner ends with an exposition of the LFI's take on the period, which can be summarised as saying that while there has been rapid, world-historic changes in the world economy after 1993 and as a result massive capitalist expansion in Asia, this has not been enough to "break free from the structural over-accumulation of capital and

It won't have escaped the attention of the attentive reader that having started out with a critique of long wave theory Brenner ends up contesting us on precisely this terrain

USA stagnant or falling because of the pressure on US wages as a result of competition from abroad.

Brenner indeed accepts this: "Certainly for a time the associated effects of importing cheap goods and lowering the value of constant and variable capital in the west operated as countervailing tendencies to crisis." He just believes that this effect ended as Chinese inflation took off in 2007.

But it is not wage costs in the first instance that explain the rise in Chinese or global inflation, but the effect of rampant capitalist expansion on the global price of energy, raw materials and food. What is cyclical and structural in these increases remains to be seen, but it is clear that the downward pressure on global OCC from cheap Chinese labour has far from ended.

While we do not see eye to eye on this analysis it will not have escaped the attention of the attentive reader that having started out with a critique of our long wave theory for insisting on a temporal, wearing out explanation for the decline of the expansive phase of capitalist development, Brenner ends up contesting us on precisely this terrain; namely, whether and to what degree and over what time-scale the countervailing tendencies that have boosted accumulation and the rate of profit, cease to have an effect. He obviously wants to

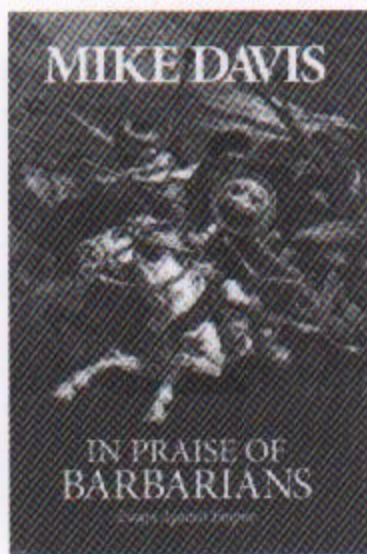
associated tendency to stagnation of productive labour that afflicted it in the 1973-90 period." (p137)

Concretely, he asserts that the growth rates in the US and Europe still exhibit a tendency towards stagnation and that the growth in Asia etc, does not compensate for that, ensuring that the 1992-2007 phase is "not an expansionary period characterised by a predominant trend towards the development of the productive forces worldwide."

Even if we were to allow for his partial and inaccurate picture of generalised over-accumulation and stagnation inside the G7, Brenner is blind to the fact that the rapid capitalist accumulation of capital in Asia – in the first instance under the spur of imperialist investment – is shifting the centre of gravity of capitalist production away from the metropolitan centres towards the old second and third world, and that the combined effect of this shift – on a global scale – has to date been to increase output, profits and productivity per head significantly above those of the pre-1992 period.

Brenner thinks he has refuted long wave theory: in fact he demonstrates his lack of understanding of it – a lack of comprehension brought on by a bad case of catastrophism.

Keith Harvey



A political archaeology of the US class struggle

IN PRAISE OF BARBARIANS: ESSAYS AGAINST EMPIRE

Mike Davis

Haymarket / 2007 / £9.99

MIKE DAVIS is a professor of history at the University of California, and a leading Marxist in the US. His latest collection of essays, mainly collected from Socialist Review, covers a wide range of subjects: Inuit protestors in Greenland, the US's attempts at military global domination, Soviet fighters against fascism, cotton workers' strikes in the 1930s and a history of early terrorism.

Davis performs a kind of literary archaeology, excavating vignettes from both political writing and radical fiction, which chronicle the devastation wrought by imperialism, whether it's wedding parties bombed in Afghanistan or American workers losing their jobs and homes.

Davis rescues from beneath layers of rubble, rich gems of workers' history such as the New York labour insurrection of 1863, that was deflected and fatally divided into a racist pogrom, or the great textile workers' strikes of 1934 of the southern US states, mid-Atlantic and New England.

The central argument of the book is that the Bush plutocracy and Democratic aspirants to the presidency are but a temporary parasitic class that ultimately rests on sand. US capitalism may seem invincible but then so did Rome to the Romans. All around, it creates the forces that will overthrow it – immigrant labour forced into strikes, slum dwellers (the "outcast proletariat") living on less than a dollar a day in the shanty towns, the urban black poor left to drown in ecological disasters – in short a variegated working class not yet aware of itself as a class but, at the

margins, beginning to take action, gain confidence and learn lessons.

Another strand of the book is the weaving together of today's struggles with those of the past, drawing parallels and hinting at lessons: for example, from the International Workers of the World (IWW) "that mobilised a supposedly 'unorganisable' immigrant working class into militant confrontations with the nation's largest industrial corporations", showing how they assembled a mass movement with internationalism at its core, yet simultaneously rooted in labour struggles and working class communities.

At times, Davis' message may appear prematurely optimistic, though it does not gloss over some of the very real difficulties.

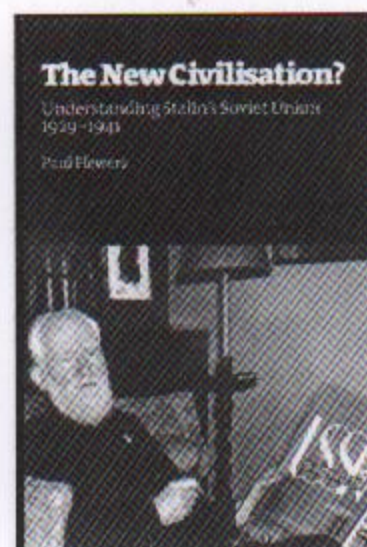
However, he doesn't explicitly

address how to overcome these weaknesses, so Davis at times lapses into a comforting narrative that the US imperialism is so full of Roman arrogance it is destined to fall.

This risks underestimating the disconnectedness of the left from the burning concerns and interests of different working class communities and the weakness of fragmented struggles in being able to bring down such a mighty edifice.

What saves the book, and makes it an interesting as well as entertaining read, is the quality of the writing. Gordon Brown is described as having a "clown-like smile glued to his eroded face"; rich metaphors of dark water rising, of fire and pestilence, revolting legions and anarchy punctuate the essays. Militants wanting to reconnect with a battered and divided working class, to revive class-wide rebellion and assemble the mass movements of the future – to learn from both the victories and defeats, would do well to read these essays.

Jason Travis



How British intellectuals viewed Stalin

THE NEW CIVILISATION – UNDERSTANDING STALIN'S SOVIET UNION 1929-1941

Paul Flewers

Francis Boutle / 2008 / £12.99

PAUL FLEWERS is a member of the Revolutionary History editorial board and over the years has contributed numerous articles on different strands of the left and their understanding of the ex-USSR. He expresses a preference for Hillel Ticktin's analysis of the class nature of the former Stalinist states, reflecting his years in the 1980s as a supporter of the Revolutionary Communist Party (now deceased).

This book is something of a

labour of love. Focusing on Britain, he provides an extremely comprehensive survey of the changing attitudes towards the Soviet Union in the period from the first Five Year Plan in 1929 to the Nazi invasion of 1941, focussed on the leftist intelligentsia, like the Webbs, Victor Gollancz, Victor Serge, George Orwell and Bertrand Russell.

The title of the book, New Civilisation, is taken from the Fabian tome of the same name by Sidney and Beatrice Webb. Originally published with a question mark in December 1935, by 1937 the great purges, show trials and Ukrainian famine had convinced them the question mark

was an unnecessary qualification and it was taken off! The New Civilisation had indeed been founded under the watchful eye of Uncle Joe.

The Webb's obsequious blindness to Stalinism's flaws was by no means unusual in the period, and a running narrative through Flowers' book is the contrast between the pro and anti-communist flanks of public opinion. Flowers also refers to a more critical "centre ground of opinion" – an odd description for Trotsky, Orwell, EH Carr and Victor Serge.

There is a bewildering assortment of views and counter-views, which leave the reader wondering what the hell was really going on and what any of these various opinions have to do with it in the first place? For example Flowers writes:

"There was a widespread sense that the Soviet Union was here to stay, even if this was only implicitly or reluctantly expressed . . . other observers felt that there would be some sort of convergence between a Soviet economy that accepted certain market measures and a capitalist world . . . The insistence of some [other] observers . . ." (p109)

And so on, and on . . .

Take his discussion of Trotsky's Revolution Betrayed. Flowers first presents it in his discussion as how "fulsome praise for the tremendous changes made in the Soviet Union was not limited to the pro-Soviet lobby." (p121) A strange way of introducing Trotsky's devastating critique of Stalinism. He says the book, while a "sharp denunciation of the Stalinist regime", "opened with a veritable rhapsody to the 'gigantic achievements in industry.'" This surely implies Trotsky had been misled by the achievements of the five year plan. Yet Flowers concedes that when considering the developments in production made during the first five year plans, the "statistics look impressive". (p138)

How can the description of "fulsome praise" be in any way appropriate to Trotsky's analysis, when, as Flowers points out, the Revolution Betrayed explained that

inside the USSR "social inequalities were deepening and becoming institutionalised, and it was now ruled by a privileged, totalitarian elite."

To compound the errors, Flowers adds that Trotsky believed:

"The Soviet economy contained contradictory trends, as the means of production were in the hands of the state, and were thus socialised and planned, whereas because of the relative backwardness of the society, the distribution of everyday goods was carried out through the market." (p134)

No he didn't. When Trotsky

referred to the bourgeois method of distribution, he was not suggesting that goods were distributed by the market, but rather that the bureaucracy plundered the output of the economy, siphoning off large parts of it to line its own nest, thus entrenching major social inequalities. The trouble is if a reviewer of this period can't even get this right, which is, after all, the major theoretical study of the period, made by one of its key figures, then it's difficult to have much faith in the rest.

Bill Jefferies

FILM REVIEW

Terence Davies trilogy – of angels and gimps

**CHILDREN
MADONNA AND CHILD
DEATH AND TRANSFIGURATION**
Dir. Terence Davies / 1976/80/83

THERE ARE many who believe Terence Davies to be the greatest living English filmmaker, his craftsmanship and poetic sensibility without equal. The Trilogy is not so much a catalogue of hardships but a stirring account of human dignity triumphing over emotional and spiritual confusion.

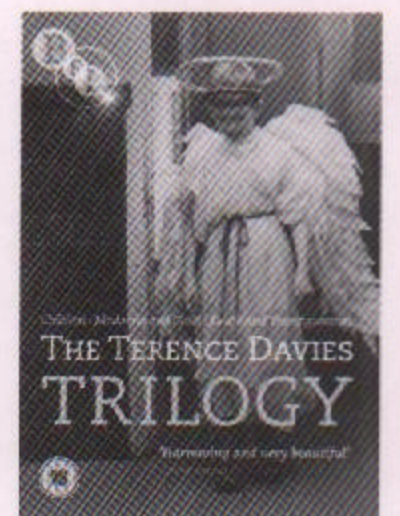
To encounter such work is always an unsettling, if exhilarating, experience: it tends to polarise opinion between those who are profoundly moved and those who hate every minute of the experience. The work of Terence Davies, quipped one critic, makes Ingmar Bergman look like Jerry Lewis.

Davies was born in 1945 in Liverpool. His was a deeply unhappy childhood; his family was poor, his father abusive and violent. He was educated in the pernicious traditions of Roman Catholicism and in his youth struggled to come to terms with his sexual feelings at a time when homosexuality was an

offence against God, the family, society and the law. All but two of the films Davies has made are set in the Liverpool of his youth, working through the themes which shaped his progress into adulthood. He is greatly influenced by T S Eliot's "Four Quartets" – a meditation on time and memory – and in the medium of film Davies has found a way to evoke his own memories of the past and his fears for the future.

Earlier this year the BFI released The Terence Davies Trilogy – three short films with which Davies began his directing career. The films were shot some years apart, in 1976, 1980 and 1983 and as Davies progressed from one to the other he grew more skilful in his directing, more ambitious in his compositions and had slightly higher budgets with which to work.

He recalls his amazement when he was given the £3,000 it cost to place a recording of Doris Day singing "It all depends on you" over the opening sequence of the third film in the trilogy; the first two films have barely any soundtrack at all. And it is by that third film, "Death and Transfiguration", that the fully fledged filmmaker is born who would go on to make the two





feature length masterpieces that followed: *Distant Voices*, *Still Lives* and *The Long Day Closes*. For unlike others mining the experiences of their hard-bitten youths and with wider polemics in mind, like Ken Loach, Davies works best when he is free to juxtapose contrasting images and to counterpoise these

the interior of a Catholic cathedral with an ethereal choir singing as, on the soundtrack, we hear Robert on the phone asking a tattooist to tattoo his bollocks: we are given a professional's insight into the many pitfalls of such an undertaking before the tattooist, disarmed by Robert's continued insistence on

gun is a British actor with a gun – I imagine the pitches he makes to hapless producers would be well worth filming by themselves.

Maybe of even more lasting significance – who knows – is that all these beautiful autobiographical explorations have not, it seems, proved all that cathartic. Being gay, says Davies, has ruined his life – he is celibate by choice and lives to work.

Having not got a film made in eight years, Davies was finally commissioned to direct *Of Time and the City* as part of the celebration of Liverpool as European City of Culture. Given how ambivalent Davies' depiction of his home town has been there is perhaps an irony in choosing him to represent the place once more on film. Still, the city has produced no finer filmmaker and by all accounts, *Of Time and the City* is a richly beautiful and rewarding piece from this poetic of British directors (and with a generously funded soundtrack to boot.)

The film will be on general release in November, with a couple of earlier showings in October as part of the London Film Festival.

Dave Boyer

His films are not descriptions of a life, nor do they rail against its injustices. They are meditations on childhood, middle age and death

images with music. His films are not descriptions of a life, nor do they rail against its injustices. They are meditations on childhood, middle age and death.

The trilogy follows Davies' alter-ego, Robert Tucker. The first film, *Children*, finds Robert tossed between the casual violence of a grim small-minded school and the traumas of a loveless home ruled over by an ill and violent-tempered father. The pre-pubescent inklings of his sexuality in the showers of his local swimming baths give way to his older Robert, aged 23, receiving a repeat transcription for depression from his GP, who then asks him "still no interest in girls, son?" The closing section of the film spends rather too long dwelling upon the death of his father although this does draw out a remarkably nuanced performance from the young Robert (Phillip Maudsley), at once pleased and distraught at the old man's passing.

The middle film of the trilogy, *Madonna and Child* opens with beautiful images of the river Mersey at dawn as the ferry transports Robert to his office job (Davies left school at sixteen and spent ten years as a shipping clerk and accountant before going to Drama School).

Now Robert cares for his aging mother while snatching vicarious pleasure in the company of male prostitutes. The most startling and amusing scene has the camera pan

going through with it, cries shy of the job and hangs up; and all the while the camera lingers on a beneficent Virgin Mary.

The last of the trilogy, *Death and Transfiguration*, is the most expressionistic of the set, focused on the twin poles of Robert's life, as a little boy playing an angel in the school nativity play ("Do you love God, child?" asks his Mother Superior) and on the death throes of the elderly Robert (beautifully acted by Wilfred Brambell in his last ever role), still surrounded by clucking nuns – Catholicism seeping into every nook and cranny of Robert's long bitter life. It is a recording of Davies' own mother singing as Robert stretches out his arms and the bright light is extinguished – the death of Robert and of God.

This harrowing and very beautiful trio of films ought to have set Davies upon a long and glorious career but it has never quite materialised. Partly this reflects the myopia of an industry that obliges directors to accommodate the vagaries of a commercial industry but it would be a mistake to blame it all on that.

Films as personal as the work of Davies have never been abundantly financed, here or elsewhere. Davies won't conform to the norms of film narrative. He sees, he says, no reason why there should be a climax on page six of the screenplay and insists that the only thing more embarrassing than an actor with a



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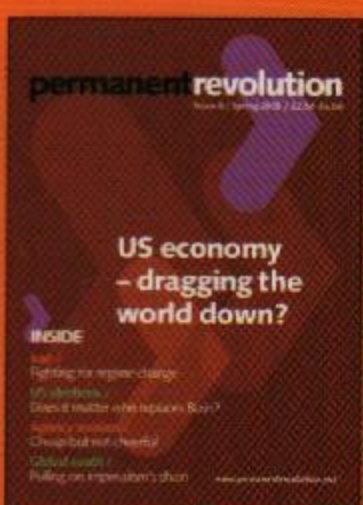
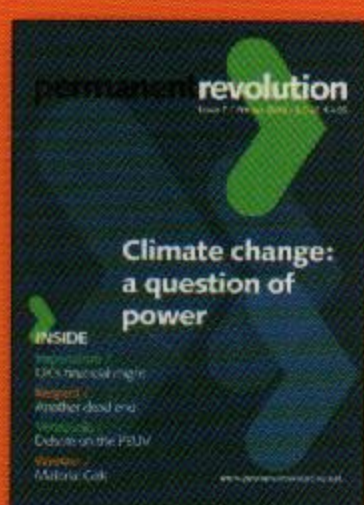
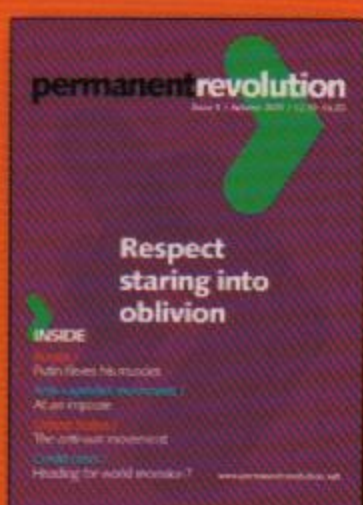
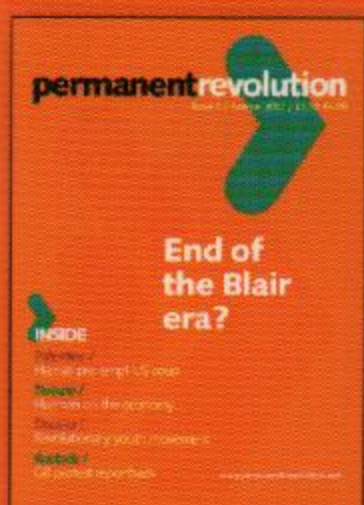
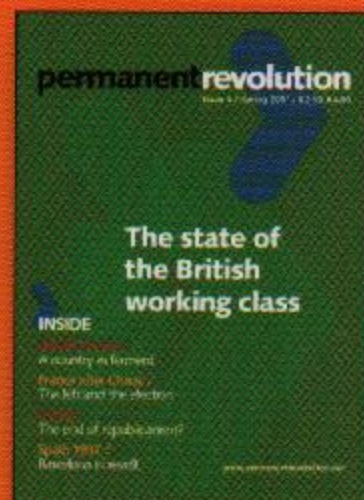
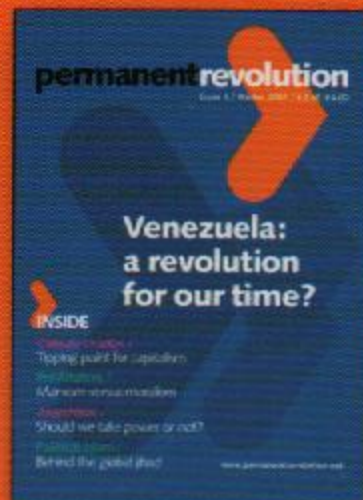
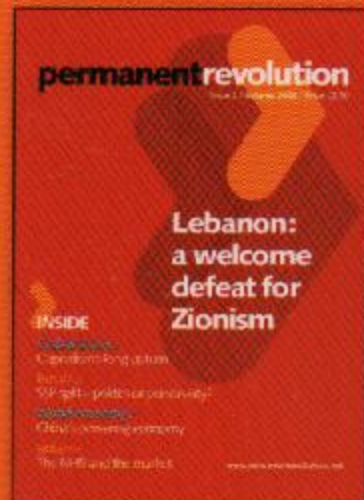
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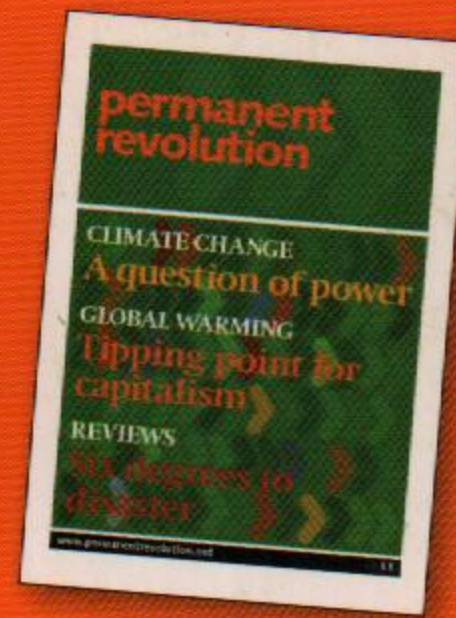
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All out against the pay freeze

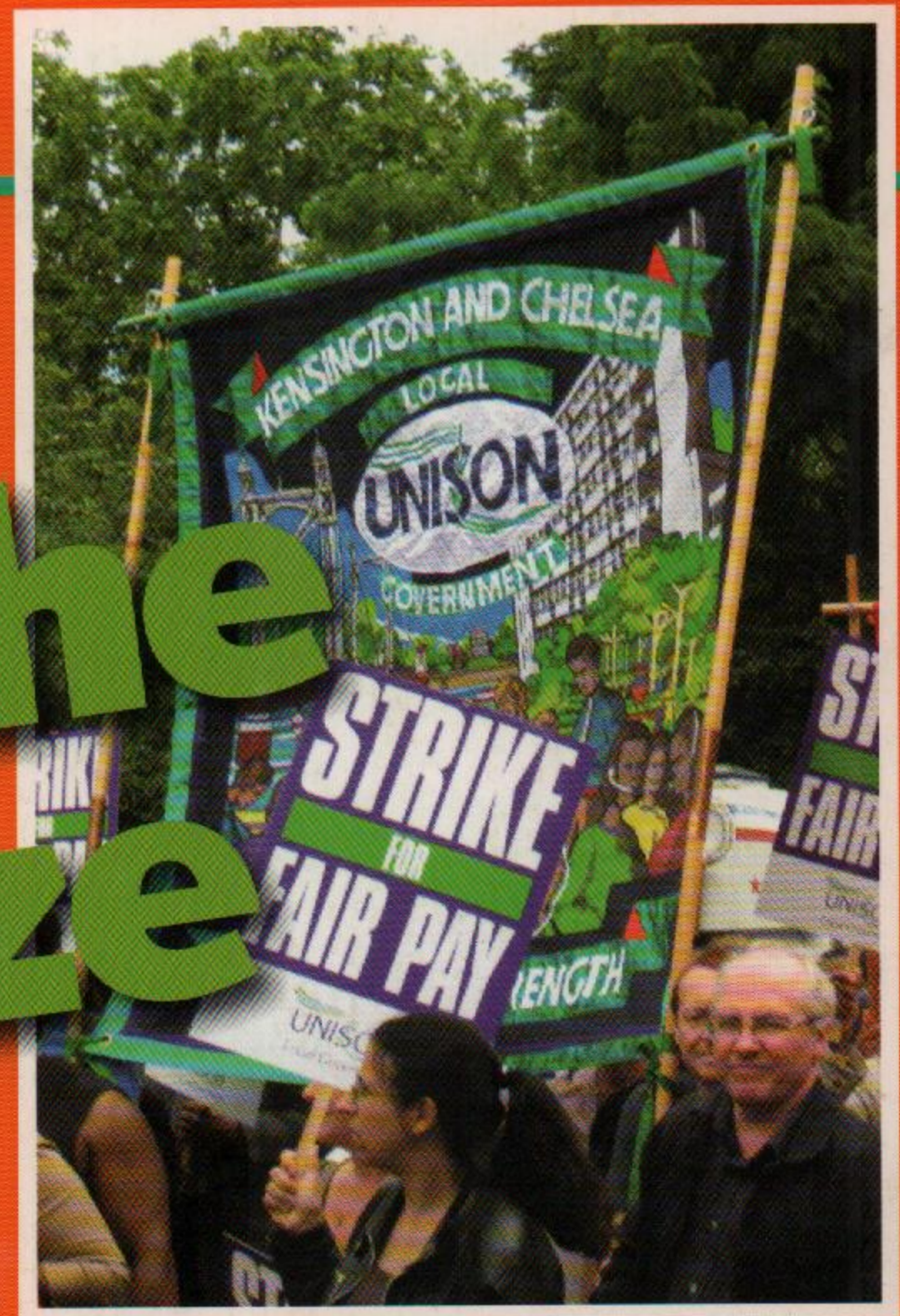


PHOTO: PERMANENT REVOLUTION

THE DECISION by the Trades Union Congress to support coordinated industrial action across the public sector against the government's pay limit should be used by every militant to force our leaders to act.

Last spring we saw important joint strikes of the PCS, the NUT and the UCU and since then there have been strikes by local government workers. The members of these unions have already shown that, given a lead, they are willing to take on Brown and demand pay increases that working class families need, faced with the rising cost of food and fuel.

The days of action in April and July showed the real possibility of different unions and different sectors striking together. The question has to be asked

though – how is it possible that six months later the leaders of all the public sector unions have not been able to agree a simple timetable to ballot their memberships let alone decide on days of united strike action? How difficult can this be?

The truth is that the union leaders lack the will, not the means, to do this. Above all the leaderships of the three major unions involved, Unison, Unite and the GMB, are far more concerned with not causing trouble for Gordon Brown than in winning the pay rise their members need.

Even the union leaderships who are not so tied to Brown have dragged their feet. It has taken many months for the NUT Executive to ballot its members after the extremely successful strike in April.

To stop any attempt by the government to divide us we need a united public sector strike. We should demand that the union leaders meet and agree on definite dates when all of the unions in all of the sectors strike at the same time.

Without serious pressure from rank and file members and their organisations in the unions, the trade union leaderships will, on all past experience, avoid doing this and begin the process of negotiating sell-out deals sector by sector. At the same time as demanding our leaders act, we need to get organised to fight even if they don't.

- All out together! Link the struggles!
- Build cross-union strike organisations!

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