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From the editors

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A quarterly review of revolutionary politics and theory

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The USA takes centre stage in the current issue of our journal.

The Democratic Party is going through one of its periodic bouts of enthusiasm and "renewal". The young, photogenic Barack Obama has declared that his campaign is motivated by "the fierce urgency of now" – whatever that means. But his candidature has galvanised another young generation to place their hopes in the alternative party of capital in the US. George Binette looks behind the rhetoric, and examines the trade unions role in sowing illusions in the Democrats and, in a linked review, he examines a new book on US labor.

The US is also at the centre of the global economic turmoil caused by the housing sub-prime crisis. The credit crunch continues to reverberate around the world and Bill Jefferies looks at its impact in the US and assesses the likelihood of it turning into a world-wide recession.

Two other articles continue our attempt to analyse imperialism today and the structure of the working class in imperialist Britain. Keith Harvey examines developments in some of the better placed economies in the "global south" and how they fit into the modern system of imperialism – globalisation. Tina Purcell looks at the impact of neoliberal globalisation from a different angle; how British capital uses temporary and insecure workers to keep up its profit rates and discipline the labour force.

Finally we have an important interview on the current situation inside Iran and the usual excellent selection of reviews and briefings.

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The Editors

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The government in Tehran is the USA's number one target for regime change, whether by outside force or internal opposition. In an interview with Permanent Revolution, Mehdi Kia, co-editor of Iran-Bulletin-Middle East Forum, outlines the mounting domestic problems facing President Ahmadinejad and the growing challenge from the working class and student movement.

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Afghanistan: imperialism's 'fruitless pursuit of failure'

AFTER A flying visit to British troops in Afghanistan last December Gordon Brown returned to tell parliament "we are winning the battle in Afghanistan."

Earlier that month British troops had "heroically" retaken the town of Musa Qala, in Helmand province in the south from the Taliban, a place Observer journalist Jason Burke remarked was as militarily significant in UK terms as taking a small market town in mid-Wales.

The original aims of the US-led 2001 invasion were of course the capture of Mullah Omar, the Taliban leader, and Osama bin Laden, along with the destruction of al-Qaida, the organisation responsible for the 9/11 hit on New York.

These two leaders remain free, al-Qaida has spread from its Afghan base into Pakistan, Iraq and elsewhere, and Afghanistan has become the opium capital of the world. Despite this, so-called "liberal interventionists" argue that Afghanistan was and remains a "good war".

Hillary Clinton and Barack Obama say freeing women and girls from Taliban rule has meant they can now be educated. Britain's foreign secretary David Miliband insisted in February that the country is not a failed state. Indeed it shouldn't be with £18bn a year supposedly having been spent on roads, schools, infrastructure and "workshops" on civic responsibilities, not to mention on lining the pockets of government officials.

But even Tory commentator Simon Jenkins has a more realistic take on the situation:

"The six year western operation in Afghanistan has all but failed in its goal of stamping out lawlessness and turning the country into a stable pro-western democracy. It has failed in eliminating the opium trade and in ridding the anarchic Afghan-Pakistani border of terrorist academies."

Paddy Ashdown, vetoed at the last minute as UN proconsul in Kabul, also contradicted Miliband: "We are losing in Afghanistan," he said. Indeed.

Brown's bluster cannot fail to disguise the brutal fact that the Nato-led occupation of Afghanistan has failed. More than six years after the original US bombardment and invasion, the 50,000 troops (half from US) are being fought to a standstill by poorly armed but highly motivated Taliban-led forces.

Nato forces' own figures show that attacks on western and Afghan troops were up by almost one-third last year, to more than 9,000 "significant actions". The United Nations calculates that violent incidents have risen by 20-30% since the British took over Nato command in the south of the country, with as many as 5,000 local deaths.

As the Taliban offensive gathered pace over the last two years, US-led coalition air attacks have accelerated,

reaching 3,572 last year, 20 times the level of 2005. As a result more civilians are killed by Nato forces than by the Taliban. More than 11,000 people have been killed in the violence, 6,500 of them last year alone.

The Taliban's growing threat has deepened splits both between the Karzai government and the Nato forces, and within the occupying coalition itself. Hamid Karzai was installed by the US after the invasion and then endorsed in 2004 in bogus elections, but his writ does not run outside the heavily garrisoned capital Kabul. In January Karzai publicly denounced Britain's military role in the south, which had, he said, led to the return of the Taliban.

Karzai fears - rightly - that the US and Britain recognise they cannot beat the Taliban on the ground and have to openly make deals with them to stem their advance. That is why he vetoed Ashdown's appointment.

The occupiers themselves have fallen out. Canada has threatened to withdraw its 2,500 troops from Taliban stronghold Kandahar unless other states pour more troops into the south. But Germany and France rejected US demands to add to their numbers and take on more fighting - despite taunts from US defence secretary, Robert Gates, about their inability to fight insurgencies.

Poppy production in Afghanistan has soared since the invasion (the ruling Taliban had suppressed much of it when they were in charge) as it is the only way farmers can survive; last year alone it increased by 34%.

Opium production makes up roughly 60% of Afghanistan's domestic product and 90% of exports, with productivity per hectare rising by the year. The harvest in the British-occupied Helmand province has risen by 50% in the last 12 months. Some 3.3 million people and hundreds of towns depend on this trade and half of Hamid Karzai's cabinet is said to be involved in it.

And with the opium money come arms and supplies to strengthen the Taliban resistance; and with each new US bombardment on Afghan villages dozens more are recruited to fight the Nato forces.

As Jenkins has said of this imperialist entanglement: "In Afghanistan there is no realistic mission, no achievable objective, no long term strategy, only the fruitless pursuit of failure."

The occupiers have not brought "democracy" to Afghanistan: they have installed a puppet regime in one city whose corruption is underpinned with US/UK cash. They have not brought stability: they have unleashed a civil war, with more and more civilians being killed and women raped. They have not brought "sustainable economic development" to Afghanistan: they have unleashed opium production on an unprecedented scale. And they have not even secured the country so it is no longer a safe haven for "terrorists:

they have simply multiplied them and exported them by their brutal occupation.

The troops, diplomats and armies of "consultants" must be kicked out – something more than 60% of the British people say should happen this year. No progressive

force, and certainly not most Afghans, not even the 40% of Pashtuns who provide most of the insurgents – want a return to Taliban rule. But the best way to avoid it is to kick out the invaders who are the best recruiting sergeants for the Taliban.

Brown's seamless transition

GUARDIAN COLUMNIST Polly Toynbee has become a trenchant critic of New Labour in recent years. Twenty-five years ago she signed the Limehouse Declaration which split the Labour Party and created the Social Democratic Party. Subsequently, she refused to join the merger with the Liberals, preferring to throw in her lot in with Labour under Tony Blair after he became leader in 1994.

Today, however, rarely does a New Labour initiative get released without Toynbee condemning it. It demonstrates how fast and how far Labour has moved to the right. In February, Toynbee wrote of the Blair years as being "a time when greed was good, but hyper-greed was better." As she says, "Tony Blair will be a fitting icon of such times."

Since leaving Number 10 he's lined up a £5m deal for his memoirs, £2.5m for a directorship with investment bank JP Morgan and another £2m for advising the insurers Zurich. His £4m mortgage was 25 times his salary and so, as Toynbee points out, "what better symbol of those over-borrowed, property speculating times."

The question now exercising the likes of Toynbee is, will Brown follow in Blair's footsteps? The evidence of Brown's support for big business has been very evident in his first months in office. Policy after policy has reflected this: the pay freeze in the public sector, yet more privatisation proposals and support for another runway at Heathrow Airport.

Much of this flies in the face of what was said by most of the trade union leaders and the "soft left" labour ginger group, Compass. Brown, they argued back during the leadership campaign, would mark a significant change in direction from the Blair years. He was a "Labour man" who could be influenced, cajoled and pushed in a better direction. These were the people who refused to support John McDonnell in a challenge for the leadership. Today, these apologists are keeping their heads down.

An issue that is proving to be a touchstone for these forces is the question of agency workers, an issue we examine in one of the main articles in this journal. The rights of agency workers were a key component of the Warwick Agreement, negotiated by the unions before the last general election with the Labour leadership. For them it has become the symbol of the direction of the Brown premiership. At the end of February more than 130 Labour MPs supported backbench Labour MP Andrew Miller's private member's bill giving equal rights to temporary and agency workers.

This level of support marked a significant show of strength for a Bill that found no support in the Cabinet. It poses a significant problem for Brown; he can be in little

doubt about the scale of support and the importance of this issue. So far he has proposed the establishment of a commission "to examine it". It would have representatives from the TUC and the CBI, with an "independent" chairman. This is typical of Brown's method in government – if in doubt, set up a commission, defuse the row and kick it into the long grass where it will hopefully get lost.

There is no doubt Brown is anxious to appease big business; they claim agency worker rights will lead to the loss of 250,000 jobs and damage Britain's "competitive" advantage. In addition, if the past is any guide, we can anticipate that the trade union leaders will come up with a fudge to let Brown off the hook. That's why militants must argue for no retreat on this issue and instead call for strike action to implement rights for agency workers, fought for by the rank and file.

Given the supine character of the current union leaders, allied to a neo-liberal Labour government, some on the left, like the Socialist Party and SWP, have raised the demand for disaffiliation of the unions from the LP.

This is a mistake. Essentially it misses the point, since the problem is not affiliation as such, but the failure of the union chiefs to determinedly oppose the New Labour project. Time after time the worst actions of New Labour have been pushed through without serious opposition from the trade union tops. Its not that they couldn't have blocked and obstructed and indeed imposed their policies on the party – they decided not to. We need only remember their refusal to oppose the Iraq war in the Labour Party conference.

What this tells us is that a key focus of activity should be a struggle to remove existing union bureaucrats as well as confronting New Labour. There are 15 unions affiliated to the Labour Party in the UK, representing more than four million workers, and these forces need to be mobilised against Brown inside and outside the Labour Party.

It is no surprise, given how Labour has trampled all over trade unionists – in the post, in the fire service, in the civil service – that rank and file members will ask "Why are we still paying for that lot?" The problem is, that as the FBU has shown, disaffiliation without a conscious drive to build an alternative workers' political party has no effect whatsoever on Labour's policies. Withdrawing the money does not "punish" the Labour leadership either – they just get more of it from the bosses and become ever more in their pockets. The call for disaffiliation would simply remove one more obstacle to New Labour divorcing itself even further from the trade unions that built it. It is no solution.

CLIMATE CHANGE

The workers' movement and nuclear power

THE LAST issue of Permanent Revolution featured a major article "Climate change – a question of power", which developed the idea of a programme of action based on planning rather than the market, and workers' control.

Certainly the need for urgent action to tackle global warming becomes clearer with every scientific report published. Experts are warning that global warming will be stronger than expected, after recent studies showed CO₂ accumulating in the atmosphere much faster than previously predicted.

Global CO₂ emissions from burning fossil fuel have risen by an average 2.9% each year since 2000. During the 1990s the annual rise was only 0.7%. Three processes have contributed most to this increase – growth in the world economy, heavy use of coal in China, and a weakening of the natural "sinks" – forests, seas and soils that absorb carbon.

Hilary Benn, the Environment Secretary, talked of a "historic breakthrough" in Bali last year. In fact the 11 days of negotiations between 192 nations was nothing of the sort. Vague commitments were made to "deep cuts" in greenhouse gas emissions, and two years of negotiations will now begin. As George Monbiot has pointed out, "so far the new Agreement is worse than Kyoto. It contains no targets and no dates. Benn and the other dupes are cheering and waving their hats as the train leaves the station at last, having failed to notice that it is travelling in the wrong direction".

Worse still, the White House Press Secretary immediately announced that the US would agree to nothing unless China and India, the two biggest developing

countries, agreed to significant cuts. But no significant extra money was pledged until after 2012 to help poorer countries adapt, and no binding targets were set for future funding. Once again the US government is avoiding the responsibility of giving any lead by reducing its emissions.

It is expected to cost poorer countries in the region of £25bn a year to adapt to climate change. Yet they are the very countries that will be most badly affected by climate change in the next two decades. For example, a report in the journal *Science* predicted that in southern Africa the maize harvest could fall by 30%, with southern Asia facing a 10% loss of dietary staples such as rice, maize and millet. This is a result of the global warming

Experts are warning that global warming will be stronger than expected, after studies showed CO₂ accumulating in the atmosphere much faster than predicted

already set in place from the massive burning of fossil fuels over many decades by the richer nations such as the US and Britain.

Thanks to a mild winter and an increase in recycling, Britain's greenhouse gas emissions fell by 0.5% last year compared to the previous year. But this falls far short of the government target of a fall of 20% by the end of the decade, and 60% by 2050. But these figures still do not include the UK's share of international shipping and aviation. If these are included then emissions levels are continuing to increase.

Meanwhile, the Confederation of British Industry (CBI), formerly the staunchest of climate change

deniers, has recently published a report detailing what British business can do to fight global warming. Not surprisingly, it sees tackling climate change as a major economic opportunity for many businesses. But, as Friends of the Earth commented, "the CBI's new green agenda is clearly at odds with its lobbying efforts to expand motorways and airports, and opposition to the raising of environmental taxes such as fuel duty and air passenger duty."

Their report states that global warming must become a shared problem for business, consumers and government. While the CBI report sets few goals or targets it does state that by 2030 nearly 60% of the required carbon savings must come from the more efficient use of energy in homes, business and transport, the rest from power and heat generation. In line with government thinking, it also calls for the building of new nuclear power stations.

In the Energy Bill published at the end of last year, the government claimed to have made a

"compelling" case for new nuclear stations to be built. John Hutton, Secretary of State for business, stated that it offered "clean, secure and affordable energy". The aim is to build 10 new nuclear power stations, beginning in 2013, with the first due to come on-line by 2018.

Overshadowed by nuclear power in the Energy Bill are some measures to encourage electricity generation from a wider range of renewable resources. These include development of carbon-capture and storage for fossil-fuel power stations, more offshore wind farms and the construction of the transmission networks needed to



FACTFILE

FAQs about nuclear power

What will nuclear power cost and who will pay for it?

Many independent energy consultants do not believe that nuclear energy can pay its way, pointing out the soaring £70bn cost to the public purse of decommissioning existing stations, and the potential £20bn bill for burying existing toxic waste.

The government is considering charging the electricity companies a fee for each unit of electricity used in British homes, to create a fund to meet the costs of decommissioning. It is expected that this extra fee will be passed on to consumers in the form of higher bills – so much for cheap energy!

Three unions – Prospect, Unite and the GMB – have revealed examples of delays in decommissioning plants, including shoring up old buildings in Bradwell and Sizewell that were due to be demolished, and withdrawing from a scheme to store waste at Berkeley, after initially spending £1.8m!

The government is keen to hand over all responsibility for the costs decommissioning and waste management to the private sector. Only in “extreme circumstances” will the government meet the costs of “ensuring protection of the public and the environment”. This complacency is at odds with widespread public concern over the inherent safety of nuclear power.

A BBC on-line poll held last month found that 72% of the 31,000 responders were against a new generation of nuclear reactors being built. This may or may not reflect public thinking, but it does suggest significant opposition.

Can nuclear power ensure energy security?

The government’s proposed new nuclear stations are “intended to provide Britain with energy security by reducing dependence on imported gas and oil”.

Certainly, as world oil and gas production begin to decline supplies become less reliable and more expensive. For example, North Sea oil and gas supplies are dwindling quickly. By 2020 Britain is likely to be importing 80% of its oil and gas.

But most of the gas we use in Britain is for heating and hot water, for homes and for industrial use. Nuclear power, which can only supply electricity, therefore cannot replace that energy. At the same time, almost all oil is used for transport (converted to petrol), so nuclear power cannot replace that either.

As John Sauven, the Executive Director of Greenpeace pointed out, “In fact 86% of our oil and gas consumption is for purposes other than producing electricity, so nuclear power is almost an irrelevance to our fuel dependency”. So much for nuclear power providing so-called energy security!

Is nuclear power safe and clean?

What of the government’s argument that nuclear power is a clean energy? The question of the safe disposal of current and future radioactive waste is barely mentioned in the Energy Bill. Instead we were supposed to be reassured by Sir David King, the government’s Chief Scientific Officer until the end of 2007, that there is “no alternative” to nuclear

power, and that other countries, notably France, “seem to manage their wastes quite nicely”.

But this view is contradicted by the findings of the independent Nuclear Consultation Working Group. They found that “there is nowhere in the world – not even France – which has yet developed a proven or accepted method for the long-term management of these wastes. New-build would add an undefined and continuing burden of wastes, imposing incalculable risks on specific communities for future generations.”

As to the question of whether the radiation pollution from nuclear power plants is relatively safe or unacceptably risky, they refer to an epidemiological study of 41 districts in the vicinity of 16 nuclear power stations in Germany between 1980 and 2003. This showed that the risk of tumours or leukaemia in children under five years of age significantly increases the closer they live to a nuclear power plant.

There are other problems associated with nuclear power – notably nuclear fuel supply and manufacture, vulnerability to terrorist attack, old reactor decommissioning, and new reactor design and location, that also need to be seriously addressed.

Is nuclear power green?

And what of the government’s claims that nuclear power is a “green” answer to energy production? The evidence from environmental campaigns such as Greenpeace suggest otherwise. They have calculated that nuclear power can only deliver a 4% cut in emissions, by some time after 2050! As they say, this is “too little too late.”

bringing ashore the electricity generated by offshore renewable sources. All these measures should be supported. However, these measures alone

will not be enough for the government to reach its target of generating 15% of energy from renewables by 2020. Why? Because Britain currently generates nearly

5% of electricity from renewables, but less than 2% of its overall energy needs. The government’s own figures suggest that there is the potential

to save at least 30% of all the energy currently used in the UK solely through energy efficiency measures. According to the Green Party, "more than two-thirds of all energy used in electricity generation from our power stations is wasted before it even reaches our homes. This accounts for 20% of our total CO₂ emissions". We therefore need massive research and investment into combined heat-and-power power stations.

So what should we say about Nuclear Power?

- › For the re-nationalisation of the energy industry under workers' and users' control
- › For a workers' and local community enquiry into the safety of all currently operating nuclear plants and the decommissioning process
- › Open the books of the energy companies for inspection
- › For the immediate shutdown of any unsafe power station
- › For alternative employment for all workers laid off temporarily or permanently as a result of any closure(s)
- › For a worker's and community

enquiry into the building and the siting of any new nuclear station

- › For massive investment into the research and development of nuclear fusion
- › For massive investment into carbon capture, combined heat and power stations and all forms of renewable energy

The question of nuclear power shows once again that the capitalists cannot be trusted with our safety.

Instead, workers' organisations need to take the lead in developing and fighting for a real programme of action that addresses not only energy production, but all aspects of the impact of climate change. The conference for trade unionists held by the Campaign Against Climate last month was a small but important start towards this goal.

Pete Ashley

- › See the response by the Green Party's male principal speaker **Derek Wall** to last issue's article "A question of power" in **Feedback** - p61

Meacher and John McDonnell) and Respect-SWP (national organiser Elaine Graham-Leigh). Phil Thornhill and Jonathan Neale represented the Campaign Against Climate Change.

As expected from such a platform, the content varied from the banal and rather patronising through to radical and motivating. Michael Meacher put on his green-left face, and had the cheek to make a populist reference to the disgraceful war for oil in Iraq (this from a man who I seem to recall voted for war).

John McDonnell on the other hand made a very practical speech about the campaign against the third Heathrow runway which threatens to flatten half of his constituency. He pointed to the need for alliances between the local community, environmental campaigners and trade unionists (including those in transport), and urged us to support direct action along the lines of the climate camp.

Matt Wrack was the only one in the opening plenary to talk of socialism, an important reminder that the labour movement should be at the forefront of struggle against the driver of the climate change - capitalism.

The conference was a success in that it brought trade unionists together for the first time on this issue. Delegates included over 60 members of Unison, around 30 each from NUT, UCU and Unite, with smaller numbers from the PCS, RMT, NUJ and others.

Unfortunately the conference was not a working meeting, so there was little space for concrete discussion of action either at a workplace or an industry level. Workshops were more "educational" (top table speakers followed by discussion) which was probably a bit of a waste. Some of them - including the session on workplace activity in the afternoon - did provide a forum for discussion of practical issues such as the need for environment reps, the need to link the campaign against climate change to basic trade union issues such as pay and conditions, and the possibilities of using climate

GLOBAL WARMING

Trade unionists against climate change

THE CAMPAIGN against Climate Change (CCC) organised its first conference for trade unionists in February. Three hundred trade unionists came together to argue forcefully that climate change is a crucial issue for the labour movement. The conference received widespread national as well as local support from trade unions. In fact there was so much support that the plenary sessions at the beginning and end became rather unexpectedly stuffed with politicians and union bureaucrats.

The TUC sent deputy general secretary Frances O'Grady to

outline the official response which, she said, needed to range from greening the workplace through to pushing for a windfall tax on the energy companies to fund energy efficiency measures for the poor. Other union tops included Tony Kearns, senior deputy general secretary of the CWU, Matt Wrack, general secretary of the FBU, Linda Newman from the UCU (which has affiliated nationally to the CCC) and Christine Blower from the NUT.

The union leaders were joined by politicians from the Green Party (MEPs Jean Lambert and Caroline Lucas, and Principle Speaker Derek Wall), Labour Party (Michael

change as a way of re-building unions in many workplaces where they are moribund.

Surveys of trade unionists have shown that for many younger members issues like the environment are major priorities. Organising in the workplace to take control of energy reduction,

not simply about defending and expanding jobs for his members, but is also about working to reduce CO₂ emissions – he argues that the alternatives are to increase road transport of freight and that will be worse. The GMB has in fact opposed other airport expansions. Similar arguments will come up when

meeting at the beginning of March, and elected six officers. The priorities are to organise fringe meetings at all the major union conferences this year, to get local, regional and national unions to affiliate to the CCC, to support its activities and send TU delegations and banners on demonstrations and protests. Individuals and groups were given responsibility for taking this forward in particular unions or sectors. They will be creating networks starting with the people from each union who attended the February conference. If you are interested in representing your workplace get in touch with the TU working group via the CCC.

We also agreed to work on the CCC website – to have a page that includes resources, a list of union conference fringe meetings etc, and to set up a more interactive web forum for discussion and debate in the trade union movement. The next meeting of the working group will be on Saturday 17 May, in London.

Helen Ward (UCU Imperial College, personal capacity)

Delegates included over sixty members of Unison, around thirty each from NUT, UCU and Unite, with smaller numbers from the PCS, RMT, NUJ and others

together with building for direct action – such as the campaign against the third runway at Heathrow or the new coal fired power station at Kingsnorth (in Medway, Kent) – could be a major way of breathing new life into unions in the workplace.

The nature of the conference – largely educational and not based on elected delegates – made discussing policy difficult. The organisers had decided to put a “non-controversial” resolution outlining the importance of the issue for trade unions, the need to build support for the campaign in the unions, and establishing an open, national Campaign against Climate Change Trade Union Working Group to meet quarterly, and elect a small team of officers.

As a result, when a number of amendments appeared some were accepted but some were ruled out as too controversial. This “top-table decides” approach does not take the discussion forward, even though this first conference was clearly not designed to, or able to make, policy. And discussion on policy is certainly needed.

We can't assume that the trade unions will agree even on seemingly “consensus issues” like no airport expansion. The GMB, for example, supports the development of the third runway at Heathrow. When challenged on this, Mick Rix, GMB National Officer for civil air transport, has argued that this is

discussing opposition to new coal-fired power stations, or the pros and cons of nuclear power. The trade union movement as a whole needs to debate these issues – and we need to fight for the adoption of a programme that will truly defend jobs and tackle climate change.

What happens next?

The CCC Trade Union Working Group had its first post-conference

IMMIGRATION CONTROLS

No borders, no limit – no one is illegal

FEBRUARY 2007 and Alphonsus from Liverpool was preparing to die. In half an hour he would be on a plane and, he feared, some ten hours later led off to jail, torture and death. A campaign of hundreds of trade union and community activists had managed to get the written intervention of four trades union secretaries, John McDonnell MP and thousands of emails and faxes. There was even a demonstration at the airport – just 20 minutes before boarding what he believed to be his last flight, Alphonsus was freed! One year later he was granted indefinite leave to remain.

In Plymouth, this year, more

than 10,000 people joined a campaign that successfully halted the deportation of a family of seven that had been started by their friends – local school students (see links).

Campaigning works but it is not enough. A deportation from Britain is carried out every eight seconds (see links panel). In Camden, a school student who needs urgent medical attention unavailable in India gained the support of local students and trades unions. It even led to a review in her case but in the end campaigning was too late, the student's health deteriorated too rapidly.

Last month 60 No Borders

activists from up and down the country met in Manchester to plan a response, to link campaigns, and target airlines and companies that enforce deportations. The No Borders network is small but can, and will, tap into the much larger network of anti-deportation and community campaigns. It will argue that as well supporting each and every individual anti-deportation campaign, we need to have a concerted campaign against all controls, to organise for direct action against the companies that profit from them and to involve trades unions in supporting these campaigns and workers who refuse to implement controls.

Controls are used to divide the working class and sap our ability to resist. Migrant workers employed illegally are more easily exploited – not covered by health and safety regulations, the minimum wage or trade union negotiated pay rates. If they begin to organise, bosses can alert the authorities.

In Brown's Britain, for those hundreds of thousands without papers, it is a crime to work. The socialist solution is to fight for a united working class response so workers of all backgrounds can unite and enforce our wages and conditions on the criminal bosses. The state's immigration controls hinder us in this fight and that is why we must organise to smash them.

Borders are not just lines on the map – they are the prison cells, the snatch squads with their batons, the electrified fences, and the whole panoply of force the bourgeois state uses to enforce division. Every reporting centre is a part of the

border, which is why we must target them with mass campaigns, ready to take direct action to prevent deportations.

Capitalism brands us with borders and manacles our minds with ideas of patriotism and the poison of racism. It blinds us to the operation of the class system with its lie of the "nation". We share no "national interest" with our leaders. We share a class interest with those workers we are sent to kill.

Workers, whether from Korea or Eritrea, Malaysia or Mexico, have more in common with one another than the billionaire owners of companies who span the globe searching out profit and destroying communities through war and environmental devastation. The millions need to act together across borders to fight for a world where the resources of human

intelligence, socialist planning and working class creativity can begin to make a world without arbitrary limitations, beyond borders.

To be part of this fight come to the No One is Illegal conference in London on 29 March supported by three RMT branches and many others, and the 5 May demo in Manchester for Free Health Care for All, against the proposed attacks on the rights of immigrants to NHS treatment. For details of assembly point and time phone Jason on 07976 476181.

We also urge all anti-racist, anti-deportation and no borders campaigns to come to the Convention of the Left, counter conference to the Labour Party Conference in September in Manchester.

Jason Travis

CONVENTION OF THE LEFT 20-25 SEPTEMBER

Manchester calling to the faraway towns!

BROWN'S NEW Labour circus, its associated troupes of advisers, commercial lobbyists, hangers-on and power-mad wannabes, is coming to town, September 2008. But this year, socialists, shut out of the conference and sidelined in the party, are planning our very own welcoming event – a counter-conference and protest.

Amidst the razzmatazz, the

ragamuffins will be coming up, out of the gutters to take a snipe, we'll be holding our very own conference to discuss how to get control and meaning back into our lives. Because one thing's for certain – there won't be anything approaching meaningful discussion in the hallowed halls of New Labour's micro-managed control culture conference.

So campaigners, anti-war activists, socialists, trade unionists, party fiends, eco-activists and anti-racists will be meeting to network, and discuss ideas, and possibilities of action and future co-ordination. Capitalism is destroying the planet: let's destroy capitalism – or at the very least discuss how we can co-ordinate our actions.

It will provide a forum for the left of all shades to discuss our differences and what unites us, our different assessments of the world situation, where we think the

LINKS

Trade Union And Community Conference Against Immigration Controls
29thmarch.org.uk/

Guardian report on Plymouth family's fight against deportation:
www.guardian.co.uk/uk/2008/jan/28/politics.world

Andhranews.net report on number of deportations taking place in the UK
www.andhranews.net/Intl/2008/February/27/deporting-person-every-eight-35106.asp

Report from our website about the campaign to save Zarine Rentia from deportation
www.permanentrevolution.net/?view=entry&entry=1926

priorities for struggle are and what the key issues are that face working people today. Hopefully the convention can start to develop ways of co-ordinating activists to make their struggles more effective.

We are going to start with a demonstration to coincide with the opening of Labour's conference on 20 September, followed by the Convention of the Left, an afternoon conference focusing on discussion and concrete proposals for action. This will be followed by

a series of meetings throughout the week themed around:

- › Peace and solidarity
- › Public services
- › Prejudice and oppression
- › Planet

Politics and power will be threaded through the week culminating in discussion about future steps. There is an open steering group that meets in Manchester, so if you want to help build the event and contribute to the debate go to:

www.conventionofthelleft.org.uk

played a key role in organising opposition to the clauses.

HW: *Can you tell us about the Safety First Coalition?*

NA: It was established in 2007 in the aftermath of the murders of the five women in Ipswich at the end of 2006. It brought together bereaved families, organisations like the Royal College of Nursing and the National Association of Probation Officers as well as anti-poverty campaigners, prison reformers, members of the church, residents of red light areas and drug and sex work project workers. We felt there was a need to pull together the growing range of people and organisations that wanted to take the issue of safety for sex workers seriously.

HW: *John McDonnell is a prominent supporter of the Safety First Coalition and fronted the Parliamentary launch last year and a very successful meeting in January this year. How did he get involved?*

NA: John has been a long term supporter and ally of the ECP, going right back to the days when he was on the GLC when he helped us to get a grant for a survey of prostitute women. He was a key person when we established the Coalition, and he agreed to work with us and get parliamentary support.

HW: *Apart from John, have you had much support from the trade unions and the left?*

PROSTITUTION

Government retreats on prostitution

IN 2004 the government produced a consultation paper, *Paying the Price*, looking at policy options on prostitution. The document mainly dealt with women who worked on the streets, and included several options ranging from toleration zones through to allowing small groups of women to work legally indoors in "mini brothels". Despite much debate at the time none of the proposals have been implemented and we are still left with a ridiculous set of laws that deny sex workers, women in particular, basic human rights.

This year the government tried to bring in some changes in three clauses of the Criminal Justice and Immigration Bill (CJIB). The changes included the dropping of the term "common prostitute" and its replacement with a definition of "persistent soliciting" (twice in three months would count as persistent!). In keeping with New Labour's obsession with socially controlling anyone they disapprove of, the changes proposed that such offenders would be offered "compulsory rehabilitation" as an alternative to a fine. This rehabilitation consisted of three supervision meetings during which

the sex worker would be shown the error of her ways and helped to "exit" prostitution. Missing one of these meetings could lead to up to 72 hours detention – the reintroduction of imprisonment for prostitution which was abandoned in the 1950s.

The moralising feminists in the government threatened to introduce more reactionary amendments including the criminalising of the purchase of sex – a move that would drive sex work underground and make workers even more vulnerable to exploitation and abuse.

Sex worker organisations and other rights groups organised a vocal campaign of opposition to these clauses in the CJIB, and at the end of February the government announced that they were withdrawing them.

The official line was that they didn't want to jeopardise the rest of the bill, which includes making it illegal for prison officers to take strike action, and promised to reintroduce these and other proposals next year.

Helen Ward spoke to Niki Adams from the English Collective of Prostitutes (ECP), which initiated the Safety First Coalition and

Second Trade Union & Community Conference Against Immigration Controls

Saturday March 29th 2008

School for African and Oriental Studies
Gower Street, London WC1 • Registration from 10.30am

CALLED BY

Finsbury Park RMT, Piccadilly & West RMT, Camden RMT, Ilford & Romford Amicus/UNITE, Central London GMB, Brent Trades Council, Liverpool TUC, Liverpool University UCU, Bolivian Solidarity Campaign, Ecuadorian Movement in the UK, No One is Illegal, Papers for All, London No Borders, Global African Congress UK, LTRC Black & Ethnic Members, Latin Front, Nottinghamshire Stop the BNP, Unite-T&G 1647 Branch (Catering & Domestic Workers), Unite-Amicus Clerkenwell and St Pancras Branch

29thmarch.org.uk

NA: Not really, with a few important exceptions. Soon after the Ipswich murders we went to a 300-strong Reclaim the Night demonstration in Ipswich. The demonstration of local people was calling for the decriminalisation of sex work. One of the prominent local people was Teresa MacKay from Ipswich Trades Union Council who told us about the discussions that had been going on in the local community.

The Trades Council discussed the issue and agreed that criminalising women was part of the problem and so they decided to support the decriminalisation of sex work. Teresa has been pushing for this policy in other trade unions, including her own which is the TGWU.

In addition to Teresa, there were people from Unison and the NUS at the Coalition meeting in the House of Commons in January this year, but not many left groups. There were more representatives from groups like the Women's Institute, the Fawcett Society and local sex work projects. We want more support from the unions and through our links with John McDonnell we are planning to go to the TUC women's committee.

HW: *The government have withdrawn the sections of the CJIB that related to prostitution, which is great news for those of us who were campaigning on the issue. Why do you think they backed down?*

NA: The government were really taken aback by the strength of the opposition to the clauses on prostitution. The opposition was such that they felt they had to pull back. After the meeting in the House of Commons in January this year, the campaign really gained momentum.

The 200-strong meeting heard Catherine Healy speak about the experience in New Zealand, and that seemed to inspire people with the possibilities of a different approach. Catherine is a member of the New Zealand Prostitutes' Collective, and was a key player in the broad based coalition that led to the decision to decriminalise prostitution in New

Zealand in 2003. She was then appointed by the Minister of Justice to the New Zealand Prostitution Law Review Committee, and was able to tell the meeting about the success of the policy.

What she said was really relevant to the debate here, particularly after Ipswich, because it focuses on safety – the law in New Zealand has as its heart the need to safeguard the human rights of sex workers, protect them from exploitation and promote occupational health and safety.

It couldn't be more different from the proposed legal changes in the UK which were all about degrading and humiliating women through compulsory rehabilitation and detention. Catherine told us

how in New Zealand the focus had shifted from prosecution to protection, and this has meant that sex workers feel more able to insist on their rights and demand help when they needed it.

HW: *Where does the campaign go now?*

NA: Defeating this legislation has strengthened and encouraged everyone in the coalition, brought in many other groups and individuals and consolidated our support within parliament, including in the Lords. We are in a good position to oppose any attempt to reintroduce these measures and to continue to press for decriminalisation and for safety to be prioritised.

NUT BALLOT

Less conversation and more action needed

A QUARTER of a million members of the National Union of Teachers (NUT) will be balloted during March for a one day strike over pay. The ballot opens on 28 February with the day for strike action being set as 24 April. If it is successful, it will be the first national teachers' strike for over 20 years.

Teachers have no negotiating rights over pay. The government sets teachers' pay levels based on the recommendations of the supposedly independent School Teachers' Pay Review Body (STRB). This year the STRB have recommended a pay increase for teachers of 2.45%, slightly above Gordon Brown's highly publicised public sector pay limit of 2%. But the imposed settlement is still well below inflation and, like many public sector workers, teachers are furious.

The union estimates that teachers will in effect see their pay cut by around £1,000 a year. And not for the first time; below

inflation settlements have been imposed since 2005.

The settlement is higher for teachers in inner London. Newly qualified teachers in their first year of teaching will get a whole 1% extra, as will those who have crossed the threshold and accepted performance related pay. In the context of living in London, however, the increase is negligible.

The average cost of a house is unaffordable for teachers in at least 70% of towns across Britain. In greater London and the south east buying a house was unaffordable for teachers in 95% of towns and boroughs in 2006, and 100% of London boroughs by 2007.

However, the campaign for decent pay may be hard to win. The unions, including many on the left, accepted performance related pay in 2000 when the government introduced threshold payments. Those teachers who have been teaching for over five years and who are willing to apply to cross the threshold can gain higher pay. To



cross the threshold, teachers have to demonstrate certain skills and qualities – including an improvement in their pupils’ results – a clear system of divide and rule. This has led to increasing inequality within the workforce.

New teachers, not eligible for these extra payments, are currently hardest hit by below inflation pay settlements. Recent figures have shown that nearly a third of teachers entering the profession leave within three years. The reasons? A combination of excessive workload and low pay. Graduates coming into teaching are paid less than those entering comparable professions, and during the first few years of their working lives the gap gets even wider.

Secondly, the union leadership has hardly signalled to the government our militancy and determination. Nearly a year ago in Harrogate the national conference of the union voted for strike action on pay. The leadership have dithered and delayed, losing opportunities to fight alongside other public sector unions.

The autumn term was wasted waiting on the STRB report, yet everyone knew that this year’s recommendation would be within or very close to the 2% limit. And even after the announcement of 2.45% the National Executive have decided to only ballot for a one day strike, denying NUT members the opportunity to vote for extended strike action although this is exactly the kind of action which is needed to win this dispute.

Despite the weaknesses of the campaign it is vital that rank and file activists support the ballot and organise to win the biggest “yes” vote possible. Previous strike action on pay in London in 2002 showed how action builds the union and gives confidence to new members. A big “yes” vote could be the basis for a more militant campaign of action.

We need to begin organising strike committees now, in

long term, trusted ally Lee Jasper.

The centralisation of power around the London mayor, inherent in Blair’s vision, is bound to lead to arrogance and corruption. The mayoralty concentrates virtually all power into the hands of one individual.

The Greater London Assembly is little more than a toothless, but well paid, monitoring group. The electorate get to vote every four years, but in the intervening period

The autumn term was wasted waiting on the STRB report, yet everyone knew that this year’s recommendation would be within or very close to the 2% limit

association with other unions such as NAS/UWT, Unison, Unite and others, and pulling together local, regional and national networks of activists. We should also hold public meetings around themes of local interest as well as the pay campaign, themes such as school closures and plans for academies to draw in parents, students and the wider community.

Throughout the campaign so far there has been a distinct excess of hot air. Plenty of glossy leaflets and other publicity material have been produced. As Elvis once famously sang we need “a little less conversation and a little more action.”

By Kate Ford

there a few checks on the power of the mayor.

Despite opposing this system in a former incarnation, as “Red Ken”, Livingstone now relishes his untrammelled power – the power “to get things done” as he puts it. The new “slightest shade of pink Ken” is a friend of the City and champion of London as a leading imperialist business centre.

Explaining his conversion from backbench rebel to London Boss in Prospect magazine recently, Livingstone mused, “I used to believe in a centralised state economy, but now I accept that there’s no rival to the market in terms of production and distribution.”

Despite the distance Ken places between himself and his earlier “socialist” beliefs, in the eyes of his supporters – and he has many in London – Livingstone has cleverly maintained an aura as a dissident and radical alternative to New Labour.

Didn’t he oppose Gordon Brown’s insistence on a PFI scheme for the tube, and wasn’t he proved right when Metronet went into bankruptcy costing the tax payers millions? Isn’t he a consistent opponent of the war on Iraq, defender of Palestinians and campaigner against Islamophobia

LONDON MAYORAL ELECTIONS

Vote Livingstone but organise to fight

TONY BLAIR must be well pleased with himself. His vision of the London mayor has been realised: excessive power and excessive personalities.

London’s mayoral election has become the battle of the

personalities – with Boris Johnson, Ken Livingstone and Brian Paddick competing for the title of the capital’s largest ego.

In the background the press pack have been revelling in the spending “scandals” surrounding the mayor’s

Briefings

and the press's attacks on asylum seekers?

Didn't he stand shoulder to shoulder with Gerry Adams when it was unfashionable to do so? Hasn't he consistently supported affirmative action, and been pilloried in the press for supporting black initiatives and "economic empowerment"? Didn't he introduce the congestion charge and take measures against trucks trundling across London spewing out pollution?

For these reasons large numbers of workers, especially in the black, Asian and Irish communities, will support Livingstone in the mayoral election this May. The fact that his only significant opponent is Boris Johnson, a soft-racist and neo-liberal high Tory, will add to the impetus to vote Livingstone.

Like it or not – and we don't – Livingstone enjoys mass working class support in London. No working class alternative to him has emerged, despite some earlier noises from the rail workers' union, the RMT, that they would challenge him.

It is for this reason alone, not because we have any illusions in the "leftness" of Livingstone, that Permanent Revolution supporters in London, in and outside the Labour Party, will be urging a vote for Livingstone.

This does not mean we will suddenly stop our criticism of him. His shameful support for Metropolitan Police Commissioner Ian Blair after the shooting of Brazilian Jean-Charles de Menezes at Stockwell tube, his attacks on the RMT in the strike actions on London Transport, his slavish support for the big business Olympics, all warrant loud criticism.

But we will have these arguments in the campaign to get Livingstone re-elected and prevent the Tory Johnson and his party winning the mayoralty of the capital.

But what about the "radical alternative" being offered by Lindsey German, Socialist Workers Party (SWP) leader and Respect candidate?

German is not standing as a "revolutionary" SWP candidate. Her politics are shrouded behind a non-socialist front organisation, Respect. Respect has gone out of its way to court support from small businesses and Muslim elders in the Asian communities.

In the process socialist policies have been ditched. Even democratic policies – such as support for abortion and lesbian and gay rights – have been compromised in order to avoid alienating their new small business and clerical allies.

The strains of this alliance caused Respect in London to split into two warring factions, Respect-SWP and George Galloway's Respect Renewal. They are likely to be standing against each other, at least in East London, and are fighting each other over who has the right to

call themselves Respect candidates. This unprincipled squabble has created a mess, one that has brought the left into disrepute.

A vote for German, therefore, will not be a vote for socialism, a vote for struggle or a vote against the war. It will be a vote for one faction of Respect against another. That may suit the factionalists but it is no good at all for the working class. It will not take building an alternative to New Labour one step nearer. It is a wasted vote.

Voting for Livingstone does give us the chance to get involved in a campaign where we can talk to workers about what a socialist London should look like. And it gives us the chance to start organising to fight him if he does win.

Permanent Revolution

VENEZUELA

Referendum defeat: Chavez sounds retreat

IN FEBRUARY President Hugo Chavez notched up nine years in power. The anniversary wasn't so much a cause for celebration as a cause for soul searching. Chavez and his Bolivarian movement have yet to recover from their defeat in last December's referendum.

Chavez had tried to amend the constitution, giving more power to the presidency, extending the presidential term and allowing himself to stand as many times as he wished. It would also have enshrined "socialism" and certain workers' rights in the constitution.¹ The referendum was lost by a narrow margin but more importantly Chavez's Bolivarian coalition fractured and three million supporters who had voted for Chavez in the presidential election abstained in December's vote.

The opposition, which had been in disarray for years, was jubilant

and is now organising to win back positions at state and governor level in elections later this year.

Chavez's first response was to signal a retreat. He appeared on television and declared: "We need to improve our strategy in regards to alliances. We cannot allow ourselves to be dragged along by extremist currents. No! We have to seek out alliances with the middle classes, even with the national bourgeoisie."

He immediately declared an amnesty for 400 people, including ex-military figures, who had signed the infamous "Carmona Decree" which dissolved the democratically elected parliament and government during the right wing military coup in 2002.

The president also said he recognised that many of the programmes launched by the government aimed at benefiting the poor and transforming the economy were inefficient, badly



planned and corrupt. These problems had been covered up at government and local level, he admitted, with "deceitful and demagogic publicity which contradicted the reality of people's everyday lives".

Noting a problem is one thing, solving it is quite another. Despite the massive oil revenues pouring into the country and a growth rate of 8%, there are serious problems in the economy, especially for the workers. General inflation is running at 21% while the prices of foodstuffs are rising 30% a year.

Some 70% of food is still imported despite government programmes aimed at rejuvenating the agricultural sector. In the months running up to the referendum there were severe shortages of basic foodstuffs in working class areas, with milk, eggs, beans and cooking oil vanishing from the shelves.

Many of these shortages were the result of price controls on foodstuffs introduced by the

government to try and keep inflation in check. In a free market the result is always the same, the producers hold back their goods and a black market flourishes. Mercal, the government-subsidised food stores, have been unable to counter this problem and indeed in some areas are in a state of chaos.

A socialist response would be to nationalise the suppliers and put the sector under workers' control, increase imports and introduce rationing, while at the same time encouraging and developing farming co-operatives to increase food production.

The Chavez government has opted for the opposite course as part of its "retreat", removing price controls on 380 products and allowing prices to rise on another 20. This only makes the working class pay for the food crisis.

While welfare and job programmes have cut the number living in poverty (from 43% of the population in 1999 to 27% today), social inequality has actually

increased under Chavez as the bourgeoisie and middle classes have benefited from the oil boom.

The GINI coefficient, a standard measure of inequality, increased from 44.1 to 48 between 2000 and 2005 while in other countries in Latin America, like Brazil and Mexico, it has gone in the opposite direction.

Under the Chavez government an army of state and local bureaucrats, have prospered, nicknamed the "Boli-bourgeoisie" after the Bolivarian movement that Chavez heads. Many of these are responsible for the corruption and deceit that Chavez referred to as fuelling disillusion with "the revolution".

The referendum defeat has not just shaken up Chavez. Left supporters of Chavez, who for years have been extolling the virtues of the "Bolivarian revolution", have suddenly discovered that all is not so rosy in the Bolivarian garden.

The UK magazine Red Pepper, the Australian DSP's Green Left Weekly even that most slavish of the Chavez

EXXON MOBIL

The empire strikes back

IMPERIALISM AND its oil companies do not lightly give up control of their key resources. In late January the world's largest oil company Exxon Mobil froze \$12bn worth of the Venezuelan state oil company's assets abroad in a dispute over compensation. Unlike other oil companies such as BP, Total, and Chevron, which had agreed to become minority partners with the Venezuelan PDVSA in oil exploration in the Orinoco Belt Region of Venezuela, Exxon Mobil refused to negotiate over their refining and exploration projects in the area.

The value of Exxon's assets in the Orinoco region have a book value of only \$715m, yet a British court granted them an injunction for \$12bn in assets, including PDVSA owned refineries in

Scotland and the North West. Apparently Exxon chose British (and Dutch) courts because they would not have got such a high amount in the US without going to trial. A Manhattan court granted them an injunction for only \$315m.

Clearly Exxon is determined to set an example to deter any other developing countries from interfering with its profitable exploration and refinery contracts. It is certainly not because the Venezuelan government is driving a hard bargain or trying to expropriate its assets in the country.

So far the Venezuelan state oil company has paid out over \$1.8bn in compensation to the multinational oil companies for buying out their former contracts and has given them profitable

minority partnership deals as well.

Exxon has even extended its offensive on behalf of US imperialism to Nicaragua as well. The new FSLN government of Daniel Ortega was offered 10 million barrels of oil a day from Venezuela at subsidised prices. But Nicaragua has only one refinery, owned by Esso, a subsidiary of Exxon Mobil, and it has refused to refine Venezuelan oil.

A Nicaraguan court ruled against Esso and Ortega announced last August that the refinery would be taken into public ownership. But under threats from the USA and the IMF the FSLN government quickly backed down. Venezuela has now promised aid to build a new refinery that will take at least two years to complete. Meanwhile to store the regularly arriving oil from Venezuela the Nicaraguan government is having to buy a new fuel tank facility from Exxon Mobil!

cheerleaders, Alan Woods from the International Marxist Tendency (IMT) – have all penned or published “what has gone wrong?” type articles. Often they just echo Chavez’s own criticisms.

What they refuse to do is to challenge his commitment to working within a capitalist framework in Venezuela. Rather than blaming Chavez’s political programme for the problems that are besetting the economy and the

Rummaging for answers from their days in Militant the IMT urge Chavez to pass an “enabling” act to usher in socialism through parliament:

“It would have been quite possible for the President to introduce an Enabling Act in the National Assembly to nationalise the land, the banks and the key industries under workers’ control and management. This would have broken the power of the Venezuelan

Socialist Party of Venezuela (PSUV), initiated by Chavez last year, a struggle has just taken place during the founding conference between those on the left trying to make it an independent Marxist party and those in the Bolivarian movement who want to subordinate it to the government and the Labour Ministry.

An ongoing struggle at the major steel works in the country gives an insight into why the organised workers are becoming increasingly disillusioned at the gap between Chavez’s rhetoric and reality.

Steel manufacturer SIDOR was privatised in 1997 and is now majority owned by the Argentine company Trechint. Since privatisation the company has reduced the number of permanent employees from 18,000 to 5,400 and increased out-sourced labour from 3,000 to 9,000. The outsourced workers’ wages have gone down and conditions in the plant have worsened. The SUTISS steelworkers’ union says 18 workers have died in accidents since privatisation.

When Chavez called in a speech for all privatised companies to be renationalised many workers in SIDOR responded positively. Instead the government reached an agreement with the privatised company to concentrate more on the domestic market and pay more for raw materials from the state-owned mining company. Since then a pay dispute has rumbled on for more than a year and has led to strike action (led by SUTISS) over the last two months involving 15,000 workers, both directly employed and outsourced.

The Labour Ministry has been doing its best to get the workers back to work, trying to enforce compulsory arbitration on the strikers, which has been resisted by the union. The Labour Minister then denounced some of the union negotiators as being “emissaries of the opposition” who were deliberately prolonging the strike, a charge virulently denied by SUTISS.⁵ Many of these trade unionists are also organised inside the PSUV, which explains why the Labour Ministry is keen to

Under the Chavez government an army of state and local bureaucrats have prospered, nicknamed the “Boli-bourgeoisie” after the Bolivarian movement that Chavez heads

workers, they blame the “backward” or “tired” masses for the defeat in the referendum, suggesting they are being duped by capitalist propaganda.

Alan Woods declared shortly after the referendum:

“The bourgeoisie have in their hands powerful instruments for shaping public opinion. They organised a full mobilisation of the reactionary media in a hysterical campaign of lies and slander against Chavez, the Revolution and socialism. This scare-mongering campaign of the reactionary opposition undoubtedly had an effect on the more backward sections of the population.”²

Woods does not even consider that much of what Chavez was proposing was anti-democratic and not in the interests of the masses. But Woods also argues that the reason the masses are tired is that they experience the growing inequalities and shortages, while no measures are taken against the landowners and oligarchy who want to roll back the gains made in the last period. Of course Woods exempts Chavez from blame – it is his right wing “advisers”, or reformists and capitalists inside the Bolivarian camp, who are to blame for any “incorrect” retreats that Chavez has made.

oligarchy. Moreover, this could have been done quite legally by the democratically elected parliament.”³

It is as though the army, the police and other organs of the repressive capitalist state are an irrelevance. Marxist revolutionaries understand the need to smash the capitalist state and organise workers in worker’s councils (soviets) to run society. Alan Woods prefers to rely on Chavez and parliament.

In the real world, in Venezuela, disillusion with Bolivarianism is being most keenly felt amongst the workers. Far from the mass abstention in the referendum being a sign of “deluded” masses being taken in by bourgeois propaganda, it was a signal that they were not going to give Chavez a blank cheque to increase his powers and stay on indefinitely. It served notice that things had to change.

A section of the UNT trade unions around Orlando Chirino campaigned for an abstention for exactly these reasons – playing a “pernicious” role according to Alan Woods. Chirino was recently victimised and sacked from the state oil industry.⁴ He is now trying to organise a legally recognised workers’ party, the Socialist Party of the Left (PAIS).

Meanwhile, in the United

subordinate this party to its ministry.

Hugo Chavez's radical, reforming government set out to redistribute the country's oil wealth, improve the lot of the poor and move the country's economy away from its dependence on oil.⁶ It is increasingly obvious that many of his policies are failing and that his government is beginning to lose support amongst the very people who were his most enthusiastic supporters – the workers, the poor, the landless and the dispossessed.

If the masses of Venezuela want a society where the vast inequalities in wealth and poverty that still disfigure Venezuela are made a thing of the past then they need to look beyond "Bolivarianism". They have to destroy the roots of these inequalities – the capitalism and imperialism that in Venezuela and

throughout Latin America keeps the masses poor and oppressed.

By Stuart King

ENDNOTES

1. See "Venezuela: Constitution splits Chavez coalition", *Permanent Revolution* 7, winter 2008, available at: www.permanentrevolution.net
2. Venezuela: The referendum defeat – What does it mean? Alan Woods, Dec 3 2007, at: www.marxist.com
3. Venezuela at a crossroads, Alan Woods, Jan 11 at: www.marxist.com
4. See Venezuela: UNT leader sacked, at: www.permanentrevolution.net/?view=entry&entry=1914
5. Sidor workers reject arbitration: continue industrial action, Kiraz Janicke, www.venezuelanalysis.com
6. See "Venezuela: a revolution for our time", by Stuart King, *Permanent Revolution* 3, winter 2007, for an analysis of Chavez's economic programme. Available at: www.permanentrevolution.net

(i.e. electoral lists open to non-party members).

In an interview with the German TV show Panorama, Christel Wegner had talked about her political aims and also her differences with the Left Party. In the interview she didn't actually mention the Stasi but she said, among other things:

"I just think that if we build a different form of society, then we will need such an organ, because one must have protection against . . . reactionary powers, using the opportunity to weaken such a state from the inside." She also said that "the power of capital can only be overcome if we have a socialisation of the means of production."¹

To this very day, the makers of Panorama have refused to release a full transcript of the one hour interview, or even publish the questions to go along with Wegner's answers.

The Left Party reacted within a few hours by distancing itself from Wegner. Party leader Gregor Gysi said: "For us there is no road back to the GDR [East Germany]. For us there is no road to the nationalisation of the means of production" (1). His criticism of the GDR isn't that a Stalinist party and state bureaucracy excluded the working class from control of the planned economy – it is that the capitalists had been expropriated in the first place! The leaders of the Left Party were quickly reassuring the bourgeoisie and the electorate that they had no intention of overthrowing capitalism and proceeded to take disciplinary measures against Wegner.

The Left Party's parliamentary fraction in the parliament of Lower Saxony expelled Christel Wegner. Virtually all components of the Left Party have capitulated to this campaign. The party bureaucracy has already announced their intention to keep members of the DKP off the electoral lists, or eliminate the "open lists" entirely. The Left Party's youth organisation, which likes to present itself as being on the left wing of the party, called on Wegner to give up her seat in parliament. Even European MP

GERMANY

Left Party witch-hunted after electoral success

GERMANY'S NEW "Left Party" was formed last June, out of the fusion of the predominantly East German PDS and the predominantly West German WASG. The PDS, coming out of the old East German Communist Party which ran the GDR, always had a strong base in East Germany, primarily amongst people over 60. The WASG, in contrast, was a small split from the Social Democratic Party (SPD), composed mostly of middle-aged trade union bureaucrats. So while the Left Party easily gets double digits in elections in the East (and has participated in state governments – currently in Berlin), they are still struggling to establish themselves in the West.

In late January, in the elections in the Western federal states of Hesse and Lower Saxony, the Left Party exceeded the 5% hurdle necessary to gain representation in

the state parliament, the first time a party to the left of the SPD was represented in a state parliament since 1952! This result was obviously a big shock to the bourgeoisie. Just two weeks later, a giant media witchhunt was underway: the front pages of bourgeois newspapers were screaming that Left Party MPs wanted to "have the Stasi back!", a reference to East Germany's infamous secret police.

The furore was caused by Christel Wegner, a member of the German Communist Party (DKP) who had been elected into the parliament of Lower Saxony via the electoral list of the Left Party. The DKP is just as old as the PDS, being the West German party that supported, and was supported by, the East German regime. They have remained outside the Left Party, but supported them in elections and participated in their "open lists"

Sahra Wagenknecht from the “Communist Platform in the Left Party” joined the “give up your parliamentary seat” choir.

The far left inside the Left Party haven’t shown much courage either. For example, Marx21 (the former Cliffite group Linksruck which has dissolved itself to become “a network”) waited weeks to release a statement. They defended the socialisation of the means of production but stopped short of demanding that Wegner be re-admitted into the party’s parliamentary fraction.

The SAV (the CWI group affiliated with the British Socialist Party) defended the “open lists”, but only to say that Stalinists like Wegner should be prevented from getting on the electoral lists in the first place.² All very well but they have never demanded that candidates like Gregor Gysi, who openly reject the socialisation of the means of production and defend capitalism, be kept off the lists! It would seem they have even opposed calls within the party to reverse the expulsion of Wegner...³

We also have a problem with the statements by Christel Wegner. She and the DKP consider the GDR and the Soviet Union to be more or less socialist. For them, it’s OK that instead of directly-elected workers’ councils, a privileged and tyrannical bureaucracy ruled. (Such models of “socialism” are of course one of the reasons that socialism isn’t especially popular these days.)

We agree that a socialist society needs to defend itself. Capitalist rulers will use all available means to defend themselves against a revolution. But we don’t believe that an “organ” in the sense of a state bureaucracy like the Stasi will be necessary for this. In a revolution, the workers will organise in councils and use these to run all of society – in this way, they will be capable of beating back the counter-revolution.

VI Lenin also explained that after the revolution, it will be necessary to keep down the former exploiters. But he added: “the suppression of the minority of exploiters by the majority of the wage slaves of

yesterday is comparatively so easy... a task that it will entail far less bloodshed than the suppression of the risings of slaves, serfs or wage-laborers... And it is compatible with the extension of democracy to such an overwhelming majority of the population that the need for a special machine of suppression will begin to disappear. Naturally, the exploiters are unable to suppress the people without a highly complex machine for performing this task, but the people can suppress the exploiters... without a special apparatus, by the simple organization of the armed people.”⁴

The Stalinists of the former GDR or the DKP today have consistently rejected Lenin’s concept of socialism: increasing self-management by the masses and the disappearance of the state. We have often had heated discussions with members of the DKP about precisely this question. But we recognise that

such attacks by the media are directed against all socialists and not just GDR fans. This media campaign tries to suggest that any attempt to transcend capitalism will automatically lead to a Stalinist dictatorship, and the Left Party’s bureaucracy is using the opportunity to reject any voices calling for the elimination of capitalism. Therefore we say both:

- ▶ Solidarity with Christel Wegner! Stop the campaign of media attacks!
- ▶ For revolutionary socialism as an alternative to reformism and Stalinism!

Wlodek Flakin
REVOLUTION Berlin

NOTES:

1. <http://www.eurotrib.com/?op=displaystory;sid=2008/2/15/62027/4427>
2. <http://www.sav-online.de/?sid=2533>
3. <http://www.sav-online.de/?sid=2540>
4. <http://www.marxists.org/archive/lenin/works/1917/staterev/ch05.htm>

IRELAND

Referendum: vote no to the Lisbon treaty!

IRISH PEOPLE will shortly be asked to go to the polls to approve the Lisbon Treaty. Ireland is the only European Union (EU) state to hold a referendum on the Treaty, as a result of a 1986 Supreme Court ruling that power should not be transferred from the Irish state to the EU institutions without a referendum, a move the government bitterly opposed.

The Lisbon Treaty, which runs to almost 300 pages, is in essence the same document as the EU constitution rejected in referenda by France and the Netherlands in 2005 after mass campaigns against its neoliberal content.

“Public opinion will be led to adopt, without knowing it, the proposals that we dare not present to them directly... All the earlier proposals will be in the new text, but will be hidden and disguised in

some way.” So said Giscard D’Estang, one of the main architects of the Treaty, in a frank interview with *Le Monde* last year.

This draft’s convoluted and deliberately confusing form enables the Eurocrats to argue that it is a different text from the one rejected in 2005. But as Irish prime minister (Taoiseach) Bertie Ahern admitted:

“All the changes we made are for the worse... thankfully they haven’t changed any of the substance.”

The main European imperialist powers – led by France and Germany – are under pressure to close the economic gap with the US in competition for world markets. This means reducing the more generous social and welfare entitlements in Europe which could impede “employment flexibility”.

But the European bosses are at

another disadvantage. They possess neither a single political executive nor federal governing institutions. The EU needs a new, more centralised structure if it is to meet the challenges posed by the US. The Lisbon Treaty does not create a federal super-state, nor can it hope to, since the 25 members have differing national interests. The UK, as junior partner to the US in world politics restricts any attempt to define the EU as against the US.

But the Lisbon Treaty, if ratified, would represent a step forward for the section of the European ruling class which wants to create a stronger, imperialist EU. It makes clear throughout the draft that neoliberal doctrines are its keystone.

All national legislation and constitutions, all national employment codes, collective bargaining agreements, can be subordinated to EU directives if a sufficient number of the larger states are agreed on it. In addition, every member state will be bound by international agreements signed by the EU with the international financial bodies such as the IMF or the World Trade Organisation.

The power centre of the new EU will be the European Commission, whose president is chosen by the governments of the EU but who then chooses all the other members of the Commission. The Commission alone has the power to initiate European legislation. The European Parliament has the right to agree or disagree with proposed legislation but only within the constitutional framework of a neoliberal policy.

Such policies have ruled in Ireland for decades. Under EU directives semi-state companies have been dismantled one by one since the late 1970s. First Irish Sugar, then Telecom Eireann, followed by B&I (British & Irish) Shipping. The privatised and renamed Irish Ferries attempted to sack all the Irish workers and replace them with Eastern European workers at one-third the rate of pay, much worse conditions and no job security. Aer Lingus, the national airline, has recently been

added to the list. In January 2008, the news came that primary schools will have to pay water charges under an EU directive.

Much of the No campaign is arguing that what is at stake is the "erosion of Irish neutrality". But this neutrality is a sham, buried long ago as government after government chained themselves to

working class and oppressed to fight the creation of a new more powerful and imperialist EU is to ally with its class brothers and sisters in Europe. The European workers' movement, the millions of youth and immigrants who come out on the streets to fight against war and social injustice – this is the force to stop the bosses' offensive.

We want to unite our world not under the dictatorship of finance and the war-mongers, but in the interests and under the control of the workers

the imperialists' foreign policies in return for investment. Irish "peace-keepers" have acted as footsoldiers for NATO in the Congo, South Lebanon and the Balkans. The idea that Ireland is a neutral country is blown to pieces too when you factor in the use of Shannon airport for stopovers by the US military in the war against Iraq and for the transfer of rendition prisoners.

This treaty represents a major extension of the attack on workers' rights. It represents a move to tie us in to US militarism in a way that would make it harder to fight imperialism. Therefore we argue for a No vote against the Lisbon Treaty. But we are under no illusions. The only way for the Irish

There is not one major challenge we face today which can be solved on a national scale. We want to unite our continent and our world not under the dictatorship of finance and the war-mongers, but under the control of the vast majority of its people – the workers, the immigrants, the youth, the poor farmers, the unemployed and racially oppressed.

We want to unite the workers of Europe, not to foment jealous competition one with another. We want the workers of all countries to unite on the basis of a revolutionary destruction of the EU states and their replacement by a United Socialist States of Europe.

Maureen Gallagher

Recession: American

The turmoil in the global credit markets continues to impact on banks and the housing markets. But how far will this credit crisis spread to other sectors and will it lead to a worldwide recession? Unlikely, says Bill Jefferies, given the continued strong corporate profitability world wide

THE UNITED States of America, the world's largest economy by some magnitude, entered the new year in recession or teetering on the edge of one. While data for early 2008 was inconclusive, the US at least faces a sharp contraction in growth this year and even its first outright decline since 2001.¹

The effect on the rest of the world economy to date has been muted, but the subject of intense speculation. Certainly, those who are paid to be upbeat as possible about capitalism's prospects are sanguine about the spill over effects of the US's present market turmoil. Morgan Stanley Economic Forum in December 2007 forecast the following world growth figures:

"Courtesy of the turmoil in global credit markets, and paced by a mild US recession and slower growth in Europe and Japan, we are forecasting a downshift to 4.3% growth in 2008. While still well above the 45-year growth trend of 3.7%, such an outcome may feel downright sluggish following the 4.9% average pace over the 2003-07 period – the strongest half-decade stretch of global growth on record."²

Despite this bourgeois optimism – not to say self-serving prediction – various Marxists have detected deeper problems ahead. Robert Brenner the US Marxist historian and economist has argued that: "The current crisis could well turn out to be the most devastating since the Great Depression."³ While Lynn Walsh of the Socialist Party and Committee for a Workers International (CWI), argues that, "Global capitalism faces its worst crisis since 1945."⁴

These writers approach the current situation having argued that global capitalism has been in an uninterrupted deep structural crisis since the 1970s. The various cyclical upturns since have merely aggravated underlying problems of profitability and productivity while delaying the inevitable collapse by injecting enormous amounts of credit (and hence debt) into the system to artificially inflate demand.

By contrast in this journal over the last 18 months we

the latest export?

have argued that, while prone to endemic and repeated crises of various kinds, global capitalism has been enjoying the fruits of two victories for the last two decades – one over the working class in many developed industrial countries, and one over the ex-planned economies of the old Soviet Union and its satellites.⁵

Our argument asserts, not that capitalism has discovered some crisis-free golden age, but that crises when they do occur will be decisively shaped by the over-arching direction of the world economy. In a period of growth and expansion, like today's globalisation, crises will be shallow and short-lived, (more like interruptions in a general upward curve of expansion.) During a long period of downturn such as the 1970s and 1980s crises are deep and long-lasting. Therefore the current crisis is a test of the various hypotheses of globalisation

Here we make an assessment of the sub-prime crisis and its impact on the US and world economy. Furthermore we analyse the relationship between the credit crisis, over-investment in the construction sector and the underlying movements in profitability, investment and output.

The collapse of the housing market and the sub-prime crisis in the USA

The US's housing mortgage crisis and subsequent credit crunch in the second half of 2007 has forced world financiers to write off \$181bn in bad loans.

For working class people the collapse in house prices and rise in interest rates has meant that more than 1.2 million families have lost their homes already. In January there was a 90% increase in the number of houses being repossessed by banks compared with January 2007.⁶

House prices are expected to fall further this year and defaults rise. In turn this will lead to further bank losses; Goldman Sachs estimate up to a total of \$400bn may be written off due to sub-prime mortgage losses.

As banks try to repair their balance sheets, they are

tightening lending terms and restricting access to credit. This inevitably will hit consumer demand, and have a knock-on effect on employment, above all in the construction and housing-related retail sectors.

Capitalism as a system is unplanned and chaotic and while the capitalists were well aware of the risks posed by the US housing bubble they couldn't do anything about it. The IMF produced a serious assessment of the cause of the

The decision to extend loans to this previously excluded proportion of the working class was part of a conscious decision to create broader home ownership

sub-prime debacle in the middle of 2007. They explained that sub-prime mortgages, "... are residential loans that do not conform to the criteria for "prime" mortgages, and so have a lower expected probability of full repayment."⁷

These loans derive their name from a sociological description of their borrowers, who are "sub-prime" from the point of view of banks, generally poor workers (disproportionately black) with low and sometimes erratic incomes, leading to them not always being able to maintain steady repayments.

The decision to extend loans to this previously excluded proportion of the working class was part of a conscious decision to create broader home ownership:

"... sub-prime lending developed as a specialist loan class in the mid-90s and facilitated a substantial expansion of home ownership. These developments allowed a relaxation of credit rationing for borrowers – such as the poor, or those in minority communities – previously considered too risky by traditional lenders."⁸ For



the banks, increasing their lending to this (consumer) sector became imperative after the 2001-2003 recession as many firms chose to finance their investments from within company profits, depriving banks of market growth and revenues. The home ownership rate duly increased from 64% in 1994 to 69% in 2006 and sub-prime loans shot up from \$50bn to \$650bn, in the same two years so that by 2006 only around half of all loans conformed to government lending standards.⁹ Competition between lenders meant that credit standards were progressively relaxed as speculators sought to maximise the numbers of loans sold.

Rising house prices spurred an enormous increase in

the supply of housing. Housing starts reached 2.3 million in mid-2005 as US builders sought to take advantage of very high prices for residential property. However, as the Federal Reserve began to raise interest rates in 2005 the expansion of sub-prime buyers reached its limit and then in mid-2005 house prices began to fall. As the IMF explained:

"The rapid deterioration of 2006 vintage loans has resulted largely from a slowing of house price appreciation. While prices were rising, distressed borrowers had the equity to sell their homes and prepay their mortgages. However, as interest rates rose and house prices flattened and then turned negative in a number of regions, many

FACTFILE

What is securitisation?

THE POSSIBILITY, indeed inevitability, of today's credit crisis, lay in the de-regulation of mortgages in the late 1980s and early 1990s which led to a dilution of lending standards and the end of the direct relationship between the lender and the borrower. From the 1930s until the 1970s, mortgages were generally loaned directly to the lender by banks.

"The 'first' modern mortgage system in the US lasted from the New Deal era through the 1970s. Under this system, the principal source of mortgage finance was local Savings and Loans; during the 1970s more than half of home mortgage debt outstanding was held by Savings and Loans."¹

Deregulation through the 1980s meant that this tightly regulated and transparent relationship was severed as:

"... the US linked housing finance to capital markets through depository deregulation and securitization ... Thrifts [organisations formed for holding the deposits of individuals] restructured their portfolios by exchanging fixed rate mortgages for MBS [Mortgage Backed Securities] that could be sold to one of the US secondary market agencies."²

This deregulation "revolution" massively increased the supply of mortgages, but as Green and Walcher dryly note "just as in 1789

a revolution has produced a terror."³

Between 1997-2005 nominal mortgage debt outstanding grew by 250%, while nominal GDP only grew by 50%. And US mortgage debt as a proportion of GDP rose from 32% in 1984 to 74% in 2005.⁴ Yet even Alan Greenspan, the head of the Federal Reserve for much of this time approved of this development since, "... where once marginal applicants would have simply been denied credit, lenders are now able to quite efficiently judge the risk posed by individuals and price that risk appropriately ..."⁵ Or not, as it turned out.

As lending standards were degraded, loans were sliced up into financial instruments like Securitized Debt Instruments (SDIs), Collateralised Debt Obligations (CDOs) and Mortgage Backed Securities (MBS).

The ultimate value of these instruments relied on the ability of the original borrower to repay their debt, but as they were sold on, further sliced and packaged up, the link between the borrower and the debt became more and more opaque. The ability of the financial institution to judge their worth became reduced.

Bundles of "high quality" and "low quality" debt, based allegedly on an assessment of its likelihood of repayment were combined. This was intended to spread risk across

a range of financial institutions, ranging from high risk junior tranches at the front of the chain, to low risk senior tranches at the end, through a process called "subordination".⁶ It was anticipated that it was very unlikely that defaults would continue along the chain from lower to higher. In practice however, as the financial institutions did not know the quality of the debt they owned, they simply increased uncertainty, as a succession of defaults hits one lender after another up the chain.

Once house prices began to fall, then mortgage borrowers could no longer re-finance their houses, and losses began to emerge. Banks and financial institutions uncertain over the scale of debts accruing to their rivals, stopped lending or rather raised their interest rates to price in risk. Inter bank lending rates began to rise and consumer lending rates and conditions began to tighten. The credit crunch had arrived.

ENDNOTES

1. Richard K Green, Susan M Wachter, *The Housing Finance Revolution*, Federal Reserve Bank of Kansas City 31 August 2007, p25
2. Ibid p30
3. Ibid p33
4. The proportion of loans held by savings institutions fell from 58% in 1972 to 10% in 2005.
5. Ibid p36
6. IMF Working Paper WP/07/188: John Kiff and Paul Mills, "Money for Nothing and Checks for Free: Recent Developments in US Subprime Mortgage Markets", p5

stretched borrowers were left with no choice but to default as prepayment and refinancing options were not feasible with little or no housing equity.¹⁰

Banks, financiers and speculative landlords now unable to realise the full value of their mortgages sold cheap to limit future losses. By January 2008 prices had fallen more than 12% from their July 2006 peak. Defaults on sub-prime mortgages rose from 5% in 2005 to 13% in 2007.¹¹ Countrywide, one of the largest US mortgage companies, which issued \$3.7bn in sub-prime mortgages in December 2006, issued just \$6m in December 2007.¹²

According to Goldman Sachs, as a result, a growing proportion of homeowners fell into negative equity (loans greater than the value of the house), accounting for roughly 13% of the 50 million households with mortgages.¹³ The knock-on effects of this are defaults, repossessions and further homes sales at knock-down prices. The inevitable result is a snowball effect creating falls in all house prices, more people experiencing negative equity and so on.

By early 2008, the home vacancy rate exceeded its 1985-2005 average by one million available properties. While the output of new residential homes has fallen dramatically, demand has fallen even faster, and the inventory of homes available for sale has continued to rise from mid-2005 (three months supply) to January 2008 (10 months supply).¹⁴

Commentators speculate on when the housing market will "bottom out". At current levels of unemployment, household disposable income, interest rates and housing oversupply it will not be before the second half of 2008 at the earliest. Further deterioration in other parts of the US economy could well delay the point at which the oversupply of housing is eradicated well into 2009.

The wider effect of the credit crunch on business

The credit crunch – or "re-pricing of risk" – refers to the tightening of lending conditions by banks and other financial institutions which began when the scale of the losses in sub-prime mortgages became clear and, more importantly in the short-term, the inability of investors to determine which institutions held these losses on their books. In the period up to February 2008 banks and financial institutions wrote off around \$163bn. The credit crunch translated the stress in the money markets into higher interest rates.

The credit crunch was at its most severe in August 2007 and again in November. The Federal Reserve's inter-bank rate, the interest rate that the banks charge each other for loans, rose sharply above the central banks target rate.

This threatened both the ability of capitalists to invest and workers to spend, so towards the end of 2007, the Federal Reserve and other major central banks implemented a number of coordinated initiatives, aimed at easing pressures in short-term money markets. Essentially the central banks increased the supply of money available to the money markets by directly lending to it themselves at low rates of interest, and these measures worked.

By February 2008, the inter bank rate was down while

the Federal Reserve had cut its base lending rate by 1.25% from 4.75% to 3.5%. Further reductions this year, down as far as 2.5%, are expected.

But other aspects of the credit crunch continued to worsen into 2008 as banks restricted consumer credit and as other financial institutions were drawn into the sub-prime mess.¹⁵ Financial companies (monolines) that specialise in issuing insurance on a variety of financial instruments related to the mortgage sector have been exposed by the crisis too.¹⁶ Private equity firms, that borrowed cheaply when interest rates were very low to finance takeovers, have run into a brick wall, derailing the mergers and acquisitions boom. But so far, the impact of the credit crunch on lending to other non-financial institutions has been far less apparent. Fixed capital investment actually accelerated through the sec-

Private equity firms that borrowed cheaply when interest rates were very low have run into a brick wall, stemming the mergers and acquisitions boom

ond half of 2007. A Federal Reserve survey at the end of 2007 found that:

"About one-third of US banks said they increased their standards on commercial and industrial loans, while two-fifths said they widened spreads of interest rates over their cost of funds. Both responses represented an increase from the October."¹⁷

In general non-financial firms had not made large speculative sub-prime gambles; their balance sheets were not laden with billions of dodgy debt and there was no reason for banks not to lend to them. Indeed, it was not so much a case of banks reluctant to lend as companies reluctant to borrow. Since recovering from the last recession many large companies have financed much of their fixed investment through retained earnings, which had risen particularly sharply over the last five years, as Reuters explained:

"The largest US companies are sitting on three times as much cash as they had during the 1998 credit crisis, when the collapse of Long-Term Capital Management hard on the heels of a Russian financial crisis prompted the Federal Reserve to step in and cut interest rates . . . The S&P industrials, an index of big companies that excludes financial and utility stocks, had \$623 billion in cash and cash equivalents at the second quarter of 2007 . . . representing 6.5 percent of their stock market value . . . In 1998, when the Fed stepped in with three rapid-fire rate cuts in the wake of the Russian financial crisis and the collapse of Long-Term Capital Management, those companies had just \$203 billion in cash, or 2.6 percent of market value, according to S&P data."¹⁸

As well as investing it, corporations have used their record profits to pay off debt and buy back their own shares.



Debt of non-financial corporations

	1996	2006
USA	42	30
Europe	25	22
Japan	38	24

Source: Bank of International Settlements 77th Annual Report p 11

The notable thing about the sub-prime crisis and credit crunch thus far, is not that it has occurred (capitalism is a chaotic crisis-racked system always prone to crisis) but that thus far its effects have been relatively limited. This is exactly what would be expected during an upward long wave of capitalist development during which the world rate of profit has been significantly restored to levels approaching those of the post-second world war long boom.

Whether this partial crisis is transformed into a general one, whether the over-accumulation of capital in the housing sector becomes a general one, or will ultimately depend on the level and rate of profit, across the US economy as the whole and indeed worldwide. Fred Moseley, a US Marxist economist, has commented:

"It has taken a long time, but the rate of profit is now approaching the previous peaks achieved in the 1960s . . . The last several years especially, since the recession of 2001, has seen a very strong recovery of profits, as real wages have not increased at all, and productivity has increased very rapidly (4-5% a year). And these estimates do not include the profits of US companies from their production abroad, but include only profits from domestic US production. If the profits from overseas production of US companies were added in, it would appear that the recovery of the rate of profit is pretty much complete."¹⁹

This assessment, that profit rates have recovered in the US towards levels not seen since the long post war boom, is one shared by the US bank JP Morgan Chase as seen in the following table.²⁰

US profit margins on domestic operations

Percent, adjusted profits as share of corporate GDP

1960	1965	1970	1975	1980	1985	1990	1995	2000	2005	2007
16	19	12	11	9	8	10	13	10	16	15

Source: J P Morgan Chase

While profit rates have not yet recovered to their highest post-war levels, they are at or around those experienced during the course of that "long boom".²¹ The boom in profits is not limited to the US, but includes the EU and Japan, and is particularly strong in the "emerging world". Goldman Sachs add:

"The past five years have seen a spectacular boom in global profits . . . As of late 2007, profit margins in Europe and the US were about 4.2 and 5.2 percentage points respectively above their 20 year average . . . Even in Japan, profit margins have moved well above their historical trend . . . The biggest surge in profits over the past five years has been in emerging markets."²²

The perspective of some Marxists of a impending

catastrophe rests on the notion that profit rates have not recovered from their 1970s and 1980s lows. It ignores or seeks to downplay the decisive changes in the world economy caused by the combination of the restoration of capitalism in the ex-centrally planned economies of China, Russia, Eastern Europe and Central Asia; the defeats inflicted on the domestic working classes of the major imperialist economies particularly during the 1980s; and the opening of the semi-colonial world, notably India and Brazil to unlimited exploitation by finance capital after 1990.

Contraction in economic activity

A contraction of economic activity is inevitable given the credit crunch. Thus far the collapse of residential construction has knocked around 1% off US GDP in 2006 and 2007. But what will be decisive in determining the future course of the present crisis will be whether the profitability of the non-financial sector remains high.²³ At present there are some important buffers to a full-blown recession breaking out in the United States.

To begin with, a boom in non-residential construction has significantly offset the collapse of the residential sector, as Haver has noted:

"Gains in non-residential building activity have cushioned weakness in the residential area. Non-residential building activity rose 2.1% in November and that pulled the year to date gain to 16.1%. Year to date, building in the lodging area is up a whopping 71.4%. Office construction is up 17.1% and commercial building rose 8.8%."²⁴

The high rates of profit across the economy as a whole have meant that US capitalists have taken advantage of the slackening in demand for building construction and consequent fall in price of construction projects to invest in new factories, office blocks and shopping malls.

Most of the slowdown the US economy as seen by the beginning of 2008 is due to the huge drop in residential construction, a moderation in consumer spending and some cutting back of business inventories. By contrast, exports remain exceptionally strong and commercial construction, government spending, and businesses fixed investment were all still adding to growth.²⁵

Of these counter-veiling trends it is the effect of the world economy on the US and vice-versa that will determine the duration, spread, and depth of the current downturn.²⁶

The world economy – buffer or next victim?

It has been argued that the world economy has "decoupled" from the US – this is the idea that the continued growth of the "emerging markets" and in particular the so-called BRICs, (Brazil, Russia, India and China) does not depend any longer upon expansion in US. Naturally, in the modern era of capitalist globalisation the huge interconnected trade and investment flows between all parts of the world means that a disturbance in one must affect others; in that sense, "de-coupling" is an absurdity.

The specific question to be determined is whether the

phenomenal growth in the semi-colonies and ex-planned economies is likely to be greatly hit by the slowdown or recession in the US; or, on the contrary, whether continued high growth rates in the BRICs and other developing countries will "cushion" the US slowdown. Or more exactly, what will be the net effect of the two processes?

The contraction of US domestic demand has certainly led to a sharp fall in imports, falling in 2006 from an annual increase of 14% year on year in the summer, to 4% by the winter. Import growth for 2007 as a whole slowed to 5.9% its lowest since 2002.

The accelerated decline of US manufacturing over the last decade particularly in consumer goods producing sectors²⁷ with manufacturing employment falling by 20% between 1998-2006 means that the decline in US domestic demand disproportionately hits imports.²⁸ But the world economy is less dependent on US dynamism for imports and exports than in the last recession. According to IMF data the US now accounts for about 14% of world imports, down six percentage points in the past eight years alone. In contrast, Asia now accounts for 20% of the global import total, up by four percentage points during the same period.

Nevertheless, a decline in US imports continues to cause a decline in exports from other countries; and since this must negatively effect growth in those countries, it must in turn damage the further prospects for US exports. But by how much?

In the last recession imports into the US declined sharply. But in 2001 exports fell even more as the rest of world was still recovering after the 1997-98 financial crisis. The volume of exports fell 15% between August 2000 and May 2003. As a result exports cut nearly 1% off US GDP in 2001-2002. But this time around net US exports have added to GDP growth. In 2007 exports boosted GDP by 0.6%, the largest contribution since 2001. In part this is because six years ago a strong and rising dollar hit US firms' competitiveness, whereas this time the dollar's value is very low and falling, so boosting exports.

But more importantly, unlike in the early part of the decade, external demand today is strong in the semi-colonies and US exports are more broadly based (going to a range of countries and comprising a range of goods and services) than in the last recession.²⁹ Most of Asia and Latin America are recording strong balance of payments and budget surpluses, and financing large internal investment programmes from them. As one recent report notes regarding China:

"The fundamental drivers of Chinese economic growth are strong capital spending, which is made possible by high saving rates, and migration of rural workers into more productive jobs in factories. These fundamentals are not likely to change any time soon. Although Chinese economic growth should slow this year, a significant downturn in China does not seem very likely."³⁰

This journal has argued that the fundamental motor of capitalist globalisation in the last decade has been centred on the major semi-colonies, India, Brazil, and the former non-capitalist states. Between 1989-95 capitalism was restored across the Stalinist centrally planned economies of the ex-USSR (and Eastern Europe) as well

as finalised in China. This represents the greatest expansion of the capitalist world market in its history, adding states encompassing one-third of the world's surface and holding half its working class.³¹ Above all, it is in China that the reserves of cheap labour, infrastructure and rising domestic demand, have been found to power a new phase of profitable investment and international trade.³²

Since the turn of the millennium all these states have grown very rapidly. The nominal dollar value of the GDP

Unlike in the early part of the decade, external demand today is strong in the semi-colonies and US exports are more broadly based than in the last recession

of Brazil has more than doubled; India and China have increased nearly three-fold, while Russia has grown six-fold. The purchasing power of these economies has dramatically accelerated over the last three years. Their fast-paced growth has also meant that the global price of raw materials and energy has grown very fast and sucked in imports and pushed out exports at faster rate than the US. As Goldman Sachs puts it

"The contribution of "other emerging markets" to total export growth has more than doubled in the past year due to the increased share of exports combined with a continuation of the strong growth rate. In the past two quarters (Q3/Q4 2007), the contributions to total Asian exports from "other emerging market economies" (exclud-

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ing China) were on par with those from all of the G-3 (US, Japan, Germany) combined. The prolonged under-performance of exports growth to the G-3 has cut the G-3's share of total Asian exports, with other emerging markets rising in importance. The share of the G-3 in Asian exports has been falling since 2000, from around 50% to 40% in 2007 with no sign of an end in sight.³³

While the impact of US exports on the rest of the world may have diminished recently, they are not immune to a downturn. Canada and Mexico are most exposed, their exports to US make up 25% of their GDPs. If they contract (due to US recession) then US exports to Mexico and

Canada - which account for one-third of US total - will be hit. Hence North America will be the region that an international recession will be first observed.

A vigorous test

The US sub-prime crisis and subsequent credit crunch are putting world capitalism's recent vigour to the test. The collapse of the US residential construction sector and the unravelling of the financial instruments derived from it has caused misery for hundreds of thousands of US homeowners, forced the world's largest banks to take a

The left's take on the crisis

CHRIS HARMAN, Robert Brenner, and Alex Callinicos believe that the world economy remains stagnant, facing the deepest crisis it has experienced for decades. Chris Harman writing the *International Socialism Journal* at the end of 2006 said:

"The first significant thing about the world economy is the way in which global economic growth, averaging out booms and recessions, has not only declined from the golden age of capitalism in the 1950s and 1960s, but also from the levels known in the late 1970s and 1980s."¹

Brenner repeats the same assertion in his article "Devastating Crisis". They propose that the explosion of growth experienced by the ex-CPEs (centrally planned economies) and emerging markets since the turn of the millennium is essentially a trick of the Federal Reserve. Harman says:

"Commentators like [Martin Wolf of the *Financial Times*] point out that economic growth in the US since the last recession seven years ago has been to a considerable extent fuelled by growing debt, both of consumers and of the US government. Many of the goods produced by US firms could not be sold without that borrowing, and so if it dries up a slump is inevitable."²

Harman explains that in his view the crisis broke out through a shortage of working class demand:

"... raising profits had cut into

the capacity of workers to buy all the consumer goods being produced by the economy out of their wages. Hence the centrality of personal borrowing, which rose to the record level of 9% of gross domestic product. There has been no other way all the goods produced by capitalism could be sold. If borrowing collapses, there has to be a recession."³

Arguing along the same lines, Robert Brenner says:

"The weakness in aggregate demand, ultimately the consequence of the reduction in profitability, has long constituted the main barrier to growth in advanced capitalist economies. To counter the persistent weakness of aggregate demand, governments, led by the United States, have seen little choice but to underwrite ever greater volumes of debt, through ever more varied and baroque channels, to keep the economy turning over."⁴

He continues: "In particular, it replaced the public deficits of traditional Keynesianism with the private deficits and asset inflation of what might be called asset price Keynesianism, or simply Bubblicomics."

Alex Callinicos also pursues this line of reasoning:

"The origins of the present crisis are to be found at the start of the millennium when the US Federal Reserve Board and other central banks reacted to the bursting of the

dotcom bubble by flooding the world economy with cheap credit.

Consumers were encouraged to borrow more and keep spending. The danger is that this will now go into reverse. As credit becomes scarcer and more expensive, households cut back on their spending and hence the demand for goods and services falls."⁵

These three writers propound what Marxists call an under-consumptionist theory of crisis. They assert that it is fundamentally a shortage of working class consumer demand, which explains why capitalist crises occur. By making cheap credit widely available to the working class, the capitalists were able to temporarily offset the fundamentally stagnant and crisis-wracked nature of their system, by increasing consumer demand and thus creating a market for commodities.⁶

But in fact while working class debt has increased, its consumption has not; rather, it has stagnated or fallen over the last three decades while capitalist consumption (productive and unproductive) has risen. Marx addressed this very idea directly:

"It is purely a tautology to say that crises are caused by the scarcity of solvent consumers, or of a paying consumption... But if one were to attempt to clothe this tautology with a semblance of a profounder justification by saying that the working class receive too

significant hit on their 2007 profits, and put the construction sector in freefall.

To date, US capitalism has been able to offset the sharp reduction in its domestic demand and financial crisis, through the re-financing its banks from the sovereign wealth funds of the global south, and profiting handsomely from its foreign investments in the burgeoning markets of the global south. In addition the Federal Reserve and the Bush administration have enacted bold counter-crisis measures since last September: interest rates have been slashed and a \$160bn tax rebate and spending programme has been approved, to take effect from May.

So while the US flirts with a domestic recession, with a broad based financial crisis that has not played itself out and a contraction in some parts of the "real" economy – the fate of the US recession will not be determined inside the US alone, or even primarily. The continued strong recovery in corporate profitability (especially the fast-growing developing countries) is underwriting strong foreign and domestic investment in large parts of the world.

We have not yet reached a phase of generalised over-accumulation of capital, manifesting itself in a globally declining rate of profit in key sectors. That lies ahead.

See bottom of page 27 for endnotes

small a portion of their own product, and the evil would be remedied by giving them a larger share of it, or raising their wages, we should reply that crises are precisely always preceded by a period in which wages rise generally and the working class actually get a larger share of the annual product intended for consumption."⁷

The truth of Marx's explanation can be demonstrated by considering the course of US wages since the Second World War.

US wages were particularly low during the "long boom" of the 1950s, when profits were exceptionally high and capitalism growing very strongly [see Figure 1]. Nonetheless, the 1950s were a period of generally rising living standards as productivity grew very strongly after the Second World War. This meant that the cost of the consumption goods that workers bought fell even while the value of their wages as a proportion of national income stagnated. This is also what has been happening to the US working class during the present wave of globalisation.

As productivity slowed from the mid-1960s onwards, then the growth of living standards slowed, but workers sought to compensate for this slowing by fighting for an increase in the real value of their wages. Wages rose as a proportion of national income from the late 1960s to the end of the 1970s,

exacerbating the fall in profits evident from the end of the 1960s onwards.

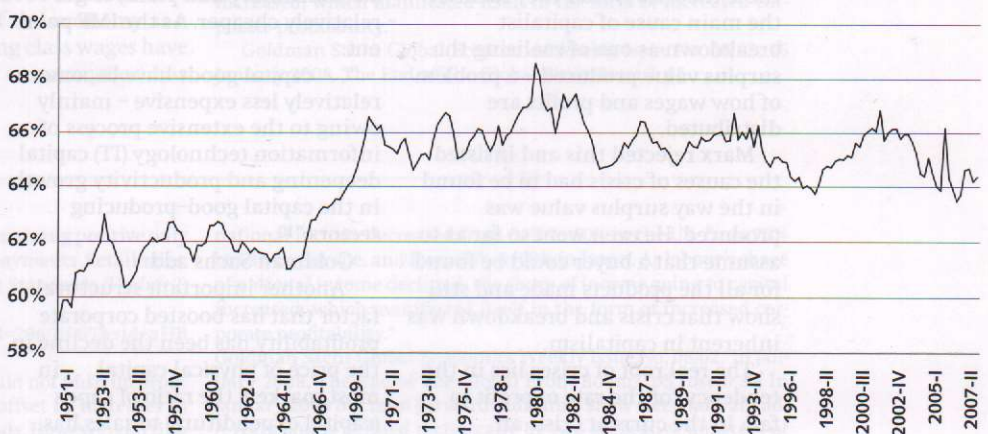
The period of capitalist advance is not associated with high wages but with relatively low wages, and high productivity. The period of capitalist decline the 1970s and 1980s, is associated with wages taking up an increasing amount of GDP; i.e. too much demand, relative to profits.

Much the same can be said about the last recession in 2001. The Wall Street crash in 2000 was precipitated not by lack of demand for goods; on the contrary, the table above shows that after 1997 there was a general increase in wages in the USA. At the point of the stock

market collapse the working class could "afford" more than it had been able to do for some time. But the collapse occurred because of the fall in profits which by the spring of 2000 made the inflated Wall St share prices look totally unsustainable.⁸

Marx recognised that the working class can never consume all that it produces. It is a fact of life under capitalism and all class societies since they are based upon exploitation – that is, the ruling class owns the surplus product, the bit produced by the working class above and beyond what it needs for its own reproduction. In this sense under-consumptionism is inherent in capitalism. *Continued overleaf*

Figure 1: US wages as proportion of GDP 1951-2007q3



Source: Bureau of Economic analysis Jan 08

The left's take on the crisis (cont.)

But as a way of explaining crises that break out like the current one, under-consumptionists, like Harman, are saying something else; namely, that it is inherently impossible for workers to consume that part of production destined for its consumption. Some like Paul Sweezy thought this was because of a supposed inherent tendency for the production of consumer goods to outstrip their consumption. Left Keynesians thought it was the lack of workers buying power (wages too low) and this would deter investment and so produce a crisis.

Brenner and Harman link their under-consumptionism to stagnant or falling profit rates. For Brenner while a lack of demand is the "main barrier" to capitalist accumulation, he asserts that this lack of demand arises through low profits, as the fall in profits means that there is a, "... slowdown in the growth of investment, consumer and government demand, and thus in the growth of demand as a whole."⁹

Rosa Luxemburg thought capitalism could only get around this problem of lack of demand as long as there was a market for excess goods outside the capitalist system. Today many like Harman point to the expansion of debt as a way of consuming the surplus product that cannot be consumed by workers' wages. What unites all these theories is that they identify the main cause of capitalist breakdown as one of realising the surplus value produced – a problem of how wages and profits are distributed.

Marx rejected this and insisted the causes of crisis had to be found in the way surplus value was produced. He even went so far as to assume that a buyer could be found for all the products made and still show that crisis and breakdown was inherent in capitalism.

The real root of crises lies in the tendency for the rate of profit to fall. In the current crisis an overproduction in residential housing was "revealed" at the point

when the amount of profit available in that sector (as embodied in the total amount of money available for purchases) was too small to go around all construction firms. The sheer volume of capital in the sector was too large relative to the existing surplus value.

At that point further investment in residential construction dries up, causing a collapse in supplier industries, demand for building labour etc. Only a drastic shrinkage in the value of stock of housing can bring the total amount of capital back in line with available profits, so that the rate of profit is high enough to tempt firms back into the sector.

What is far from clear at present is whether this partial crisis of overproduction in residential construction will spread to other sectors and become a generalised crisis of overproduction. Profitability in many sectors is still strong, especially those oriented toward exports. The tendency for the rate of profit to fall is generally a function of a general rise in the amount of capital invested in machinery and plant as compared to workers, as firms seek to improve productivity in the competitive struggle to get more profit share.

But this has been offset considerably by another trend which has been for constant capital (i.e. machinery and plant) to get relatively cheaper. As the IMF point out:

"... capital goods have become relatively less expensive – mainly owing to the extensive process of information technology (IT) capital deepening and productivity growth in the capital good-producing sectors."¹⁰

Goldman Sachs add:

"Another important structural factor that has boosted corporate profitability has been the decline in the price of physical capital... in most markets the ratio of capex (capital expenditure) to sales has fallen sharply since the bursting of the equity bubble. This has often

been interpreted as evidence of corporate under-investment. In reality, however, part of the reason why capex ratios have fallen is because the price of capital has declined significantly. In the UK, for example, while investment spending as share of GDP has declined to record lows, in real terms, spending on capital equipment remains close to record highs."¹¹

In short the boost to productivity associated with globalisation has cheapened the cost of new factories and machinery and kept profits buoyant. Only when this effect dissipates will there be a generalised crisis of overproduction and profitability, and a generalised crisis.

ENDNOTES LEFT AND CRISIS

1. For a review see <http://www.permanentrevolution.net/?view=entry&entry=1694>
2. Economic crisis: Capitalism exposed Feature by Chris Harman, February 2008
3. Socialist Worker Review Economic crisis: Capitalism exposed Feature by Chris Harman, February 2008
4. Robert Brenner Against the Current Statement January/February 2008 <http://www.greenleft.org.au/2008/737/38149>
5. Alex Callinicos, Socialist Worker, "What's behind the credit crisis?" <http://tinyurl.com/2dmwmc>
6. Chris Harman, International Socialism Journal 113 (winter 2006), <http://www.permanentrevolution.net/?view=entry&entry=1694>
7. Marx's continues; "From the point of view of the advocates of 'simple' [!] common sense, such a period should rather remove a crisis." K Marx, Capital Volume II, <http://tinyurl.com/2gq3ow>
8. For a full account of the factors leading to Wall Street Crash, see Keith Harvey, "Markets in denial; US capitalism on the edge of a nervous breakdown". Trotskyist International 25, January 1999, p28 at <http://tinyurl.com/2zsoxv>
9. In noting the impact of falling profit rates, Brenner is not espousing a crisis theory which places the tendency for the rate of profit to fall at its core, rather it is a "profits squeeze" theory which sees the class struggle over the distribution between wages and profits as central to the explanation. If profits are squeezed, the argument goes, then there is under investment and lack of demand. Marx on the contrary argued that crises were due to too much investment not too little.
10. IMF World Economic Outlook 2005
11. Goldman Sachs Global Economics Weekly Issue No: 08/02 January 16, 2008, The End of The Global Profit Boom? (p5)

The credit crunch and the working class

OF COURSE it is not only the capitalists who have been affected by the credit crunch; the working class have been made to pay a very high price. In February one analyst reported:

"For home loans, about 55% of US banks toughened terms for prime mortgages, up from 40% in October, while 85% of respondents made it tougher to get non-traditional loans, up from 60%, the survey said."¹

This trend reverses a long term tendency for the working class to take on more and more debt in a bid to maintain consumption at a time of stagnant or declining real incomes in the USA. While this helped stem a precipitate fall in household consumption, it has come at the cost of debt repayments swallowing up an ever increasing proportion of take-home pay and a concomitant rise in profit for the finance houses.

President Reagan's neo-liberal offensive from 1980 onwards, and similar policies pursued by following administrations, meant US wages have fallen from around 68% of GDP in 1980 to 64% in 2007, a cut in US wages of a notional \$580bn by 2007. The growing proportion of disposable income swallowed up in interest repayments has exacerbated this decline in working class purchasing power. Debt repayments as a proportion of disposable income (income after taxes) have increased from around 16% (1980) to 19% last year.

Wages paid in interest in the US annually (US\$ bn)

1980	1985	1990	1995	2000	2005	2007
\$166	\$251	\$367	\$440	\$649	\$835	\$981

Source: US Congressional Office, Federal Reserve, BEA (author's calculations)

This is effectively an indirect pay cut, with a portion of wages passing momentarily through the workers' pockets into those financiers. Far from the indebtedness of the working class increasing their demand, it has reduced it to the tune of \$232bn a year between 2000 and 2007.

Yet consumption as a proportion of the economy as a whole has increased, even while working class wages have stagnated since, while working class consumption has

fallen, capitalist consumption has grown. Quite simply, as workers have got poorer the rich have got richer.²

While the proportion of total income going to the poorest 20% has fallen by 30% – as their wages have increased by just \$200 between 1979-2005 – the proportion of income going to the top 1% has doubled. In fact the proportion of income going to the bottom 80% of the population has fallen from 55% to 46% of the total, and this certainly underestimates the shift, as it excludes the impact of higher interest payments. Meanwhile the top 20% and particularly the top 10% have seen a huge rise in their

US Share of pre-tax income %

	Lowest Quintile	Second Quintile	Middle Quintile	Fourth Quintile	Highest Quintile	Top 10%	Top 5%	Top 1%
1979	5.8	11.1	15.8	22.0	45.5	30.5	20.7	9.3
2005	4.0	8.5	13.3	19.8	55.1	40.9	31.1	18.1

Source: US Congressional Office

incomes and consequently consumption.

So it is not a shortage of working class demand per se which has led to this crisis; rather, the credit crunch has hit the US economy by radically reshaping the structure of demand in the short term. In Marxist terms it has created a disproportion in the US economy.

ENDNOTES TO CREDIT CRUNCH

1. Fed Says U.S. Banks Are Tightening Lending Standards (Update2) By Scott Lanman Feb. 4 (Bloomberg)

<http://www.bloomberg.com/apps/news?pid=20601087&sid=aHBPDpMwyUMI&refer=home>

2. "In and of itself, productivity growth would not push up profit margins if the gains in productivity were offset by increases in real wages and the price of intermediate goods. However, starting in the early 1980s, the share of national income going to labour has steadily declined. Between 1980 and 2005, labour's share of national income decreased from 64% to 60% in the US, from 73% to 63% in Europe, and from 70% to 59% in Japan. As labour's share of national income declined, the share of income going to capital increased, which manifested itself in the form of increased corporate profitability."

Goldman Sachs Global Economics Weekly Issue No: 08/02, 16 January 2008, The End of The Global Profit Boom?, p5

ENDNOTES TO MAIN ARTICLE

1 US output rose 0.6% in Q4 2007, growth remaining positive only through an improvement in the balance of payments. Retail sales. Fed Says U.S. Banks Are Tightening Lending Standards (Update2) By Scott Lanman Feb. 4 (Bloomberg)

<http://www.bloomberg.com/apps/news?pid=20601087&sid=aHBPDpMwyUMI&refer=home>

2. "In and of itself, productivity growth would not push up profit margins if the gains in productivity were offset by increases in real wages and the price of intermediate goods. However, starting in the early 1980s, the share of national income going to labour has steadily declined. Between 1980 and 2005, labour's share of

national income decreased from 64% to 60% in the US, from 73% to 63% in Europe, and from 70% to 59% in Japan. As labour's share of national income declined, the share of income going to capital increased, which manifested itself in the form of increased corporate profitability."

Goldman Sachs Global Economics Weekly Issue No: 08/02, 16 January 2008, The End of The Global Profit Boom?, p5 rose 0.3% in January 2008 but most forward indicators show steep falls ahead, A recession is defined technically by two successive quarters of falling output.

2. Morgan Stanley Global: 2008: The Year of Recoupling?

3. Robert Brenner, Against the Current Statement January/February 2008
<http://www.greenleft.org.au/2008/737/38149>

4. SocialismToday 115. <http://www.socialismtoday.org/115/economy.html> Meanwhile, Chris Harman, leading economist of the Socialist Workers Party, having been burnt by rash forecasts in the past, is more guarded, suggesting that despite the severity of the current state of capitalism, the various counter-crisis measure adopted or in train could "defer the crisis, as they did at the end of the 1980s and 1990." Chris Harman; February 2008 "Capitalism Exposed" *Socialist Worker Review*

5. "Globalisation: capitalism's long upturn", *Permanent Revolution* 2, Autumn 2006 and "The SWP's economics: a distorted picture of British and global capitalism", *Permanent Revolution* 5, Summer 2007. Both available at www.permanentrevolution.net

6. See <http://news.bbc.co.uk/1/hi/business/7265161.stm>

7. IMF Working Paper WP/07/188: "Money for Nothing and Checks for Free: Recent Developments in US Subprime Mortgage Markets" by John Kiff and Paul Mills (p3) Between 1997-2005 the number of households with mortgages increased by 20% while the number of households increased by 9%.

8. Ibid p4

9. Ibid p6 "... while the remainder comprised 'nonprime' loans—Alt-A (25 percent) and sub prime (21 percent)."

10. Ibid p7

11. Jumbo loans cover up to \$417,000 of a home's value.

12. <http://calculatedrisk.blogspot.com/2008/01/countrywide-foreclosures-overdue-loans.html>

13. Goldman Sachs; US Economic Analyst issue 08/05 February 2008

14. JP Morgan Chase US weekly prospects 18th Jan 2008

15. CIIgroup global economic Outlook 28/01/08

16. The Economist calculated that up to \$30bn of a total \$120bn were at risk of default by the monolines. Economist Print Edition Bond insurers and the markets Splitting headaches Feb 21st 2008

17. Fed Says US Banks Are Tightening Lending Standards (Update2) By Scott Lanman, 4 February (Bloomberg)

18. Reuters; Cash-rich firms have cushion for credit crunch, 17 August 2007)

19. Fred Moseley: Is the US economy headed for a hard landing?; Although it should be pointed out that notwithstanding his assessment of trends in profit rates, Fred Moseley thinks that because of increased working class indebtedness the US economy could indeed be headed for a hard landing. <http://www.mtholyoke.edu/~fmoseley/#working>

20. Special Report: US 2008 economic outlook December 14 2007 The year of living dangerously

21. This assessment is disputed by Chris Harman and Robert Brenner; "But even so calculations made by Marxist economist Robert Brenner suggest that the peak for profit rates in 2005 was only about the same as the levels on the eve of each previous crisis since the mid-1970s." *Socialist Worker Review* Economic crisis: Capitalism exposed Feature by Chris Harman, February 2008

22. "The past five years have seen a spectacular boom in global profits. The boom has been driven by strong sales growth and by a rapid expansion in corporate profit margins. After reaching 5% in the first quarter of 2000, net profit margins among publicly listed companies worldwide plunged below 2% in 2002. Since then, margins have staged a remarkable comeback. By 2007, global profit margins had risen to about 7%. Not only was this considerably above the previous cyclical peak, it was about 3 percentage points above the average over the previous 20 years ... Earnings per share grew by about 26% among EM (Emerging) companies in 2007, with even faster rates of growth in the materials, industrials and consumer discretionary sectors. At the end of 2007, profit margins among EM non-financial companies were about 4.6 percentage points above their developed market counterparts. To put this in some perspective, EM companies are now generating

about 64% more profits on each dollar of sales compared to companies headquartered in developed markets." Goldman Sachs; The End of The Global Profit Boom? (p2) *Global Economics Weekly Issue* No: 08/02 January 16, 2008

23. Although the mass of profits fell markedly in Q3 and Q4 of 2007 due to the massive scale of losses in the financial sector, the non-financial sector's profits held up.

24. www.Haver.com US Construction Spending Rose Slightly January 2, 2008

25. See <http://www.ism.ws/ISMReport/MfgROB.cfm>

26. The proportion of US profits earned abroad and the significance of foreign markets for US high value exports are both key to the continuing resilience of the US economy. Morgan Stanley noted last year that; "We estimate that global nominal GDP excluding the US rose by 6.6% over the past year, and that earnings of US affiliates abroad jumped by 15.2%. Measured in the US National Income Accounts, such earnings amounted to nearly 30% of overall earnings in the first quarter of 2007; S&P (Standard and Poors) measures show a similar share. Importantly, that's double the share of twenty years ago – the last time strong global growth consistently contributed to growth in the US ... Moreover, we think that for the first time in two decades, stronger global growth will consistently lift US growth through improved US net exports." Morgan Stanley; United States: Challenges for Corporate Profits August 27, 2007 Richard Berner (New York)

27. In 2001, about 90% of all consumer electronics sold in the United States were produced offshore, as were 80-85% of footwear, toys, luggage and handbags, watches, clocks, games, and television sets, 70% of bicycles, 60% of computers, and 57% of apparel. USITC (United States International Trade Commission). 2001, Appendix C. Washington, DC:

28. One effect is that the US balance of payments deficit fell to \$771.6bn last year, its lowest since 2004, as imports slowed but higher value exports increased by 12.2%.

29. One-third of the 40% increase in exports in the last four years from the US has been made up of capital goods on the back of strong investment in the rest of the world, including by US MNCs.

30. Wachovia Economics Group, Will US export growth buckle?, 22 February 2008

At <http://www.wachovia.com/ws/econ/view/0,,4166,00.pdf>

31. "However, the mere admission that the market must expand with production, is, on the other hand, again an admission of the possibility of over-production, for the market is limited externally in the geographical sense ... since market and production are two independent factors—the expansion of one does not correspond with the expansion of the other; that the limits of the market are not extended rapidly enough for production, or that new markets—new extensions of the market—may be rapidly outpaced by production, so that the expanded market becomes just as much a barrier as the narrower market was formerly." K Marx, *Theories of Surplus Value* Chapter 17

<http://www.marxists.org/archive/marx/works/1863/theories-surplus-value/ch17.htm>

32. See *Permanent Revolution* articles "Capitalism's long upturn", <http://www.permanentrevolution.net/?view=entry&entry=1397>, "China; will it change the world?" <http://www.permanentrevolution.net/?view=entry&entry=1401>

33. Goldman Sachs Asia Economics Analyst Issue No: 08/02 January 28, 2008 p5 The ex-CPEs with a notional current price dollar GDP of around 2006 10% of world GDP, have added more export demand than the US, Japan and Germany (the G3) combined, economies which together total around 2006 41% of world GDP. In 2006 the ex-CPEs increased their value of exports by \$366,531 mn compared to the G3s combined increase of \$335,460 mn. As for the European Union, Morgan Stanley explains:

"... the US accounts for just 12% of European Union (EU) exports to countries outside the EU, down fully one-third from 2000. Asia ex Japan and OPEC now account for half of EU exports."

The End of The Global Profit Boom? (p2)



Behind the Obama-mania

For many it is the most exciting nomination contest for decades.

But, George Binette argues, beneath the hype the process of electing the forty-fourth President of the United States offers working people nothing in the way of real choice

PERHAPS THE excitement around the Democratic Party nomination battle reflected the deep disillusion with the current Bush Presidency, due to end on 20 January 2009.

Entering the White House in 2001, after unprecedented controversy and accusations of electoral fraud, "Dubya" drifted through his first eight months as the USA's Chief Executive. Speculation was already mounting that, like his father, Bush would prove a one term president. Then came 9/11, an event which rallied the majority of the population around the figure of the president and effectively gave him license to invade Afghanistan and unleash "shock and awe" on Iraq in March 2003.

Although his "Top Gun" routine and "mission accomplished" remarks two months after the invasion of Iraq would later come back to haunt him, Bush managed to retain the White House in November 2004 against a flip-flopping Democratic Party standard-bearer, John Kerry, who appeared to have suffered a charisma bypass.

But within weeks of his second inauguration, Bush's standing in the opinion polls had begun to plummet. The renewed rise in US casualties in the blood-stained morass of Iraq was the decisive factor. What had already been a relatively large body of public opinion against the Iraq war and occupation became the majority sentiment. The administration's main domestic initiative, a "counter-reform" of the nation's social security (state pension) system floundered in Congress and by the end of 2005 Bush was already waddling like a very lame duck.

The November 2006 congressional elections reversed long Republican Party dominance in both the House and

Senate, with Iraq figuring prominently among the issues underlying a Democratic resurgence. Amongst political pundits the widespread consensus was that Bush's successor would be a Democrat, with his approval ratings over the course of the past year staying at some 30%, figures similar to those of Richard Nixon during the darkest days of the Watergate scandal. Mounting anxiety about the accelerating growth of inequality, combined with the steeply rising tide of mortgage foreclosures in the aftermath of the sub-prime fiasco, have only encouraged the flow of smart money towards the Democrats.

Republicans: American hero takes the torch

There can be no doubt that the Republican presidential candidate in 2008 will inherit a poisoned chalice, not least if a widely anticipated recession becomes reality during the course of the election year. The willing recipient is almost certainly the comeback septuagenarian, the 71-year-old senator from Arizona, John McCain, whom Bush defeated in the 2000 Republican primaries. The son and grandson of US naval admirals and a prisoner of war in Vietnam, McCain has mended fences with the Bush administration and in 2007 he was among the most bullish champions of the "surge" of US troops into Iraq.

While McCain's comparatively "liberal" positions on abortion and immigration have not endeared him to the activist base of the Republican Party among social conservatives and fundamentalist Christians, they will have little alternative other than to support him unless they choose

to abstain altogether. The more pragmatic among them may use the quite substantial support for Mike Huckabee, a conservative and ordained Baptist minister, as a means of obtaining platform concessions from McCain's camp at the party's national convention in late August.

Democrats: Tweedledee and Tweedledum

On the Democratic side of contest, the early caucuses and primaries swiftly culled an initially crowded field. The contest to date has sparked a surge in voter participation with turnouts reaching record levels for primary elections in a number of states and, on average, doubling participation rates of four years ago. On the face of it, this is all encouraging news for the Democrats, not least because a significant number of those voting in the primaries are voters who are usually registered as independents.

When a 46-year-old, first-term senator from Illinois, Barack Obama, emerged as the surprise frontrunner after a clear win in the 3 January Iowa state primary the original odds-on favourite Hillary Clinton suddenly found her candidacy in deep trouble. By late February Obama had run off 11 consecutive victories in primaries and caucuses. Even her substantial lead amongst Convention "super-delegates", composed of US senators, members of the House of Representatives and senior state party officials, started to peel away. This is important as they make up nearly 20% of the Democratic Convention.

Though there has certainly been a novelty about a woman running for the presidency and having a serious shot at the White House, Hillary Clinton is a very well known quantity. On the one hand, she has been a hate figure for the frequently misogynist Republican right, while on the other she has sometimes benefited from

a degree of nostalgia for her husband's administration. There had been little doubt ever since the Clintons left the White House in January 2001 that Hillary, by now a US Senator for New York state, would eventually mount a presidential challenge.

Here was a candidate with vast experience of the corridors of power and untouched by a major electoral defeat, who could command the support of key players within finance capital, while at the same time being the preferred choice of much of the trade union bureaucracy. The latter's support came despite the fact that she had spent nearly seven years on the board of the notoriously anti-union retail giant, Wal-Mart,¹ without uttering a peep of protest at its employment practices and her support for the widely unpopular North American Free Trade Agreement, which was part of the legacy of her husband's administration.

Support from organised labor, often in the form of paid "volunteers" rather than financial contributions, was a crucial element in her early primary wins in northeastern states such as Massachusetts, New Hampshire and New York. By mid-February, however, she had seen two of the nation's biggest unions, the SEIU and the Teamsters (the largest components of the breakaway Change to Win federation launched in July 2005), throw their clout behind the Obama campaign.

Barack Obama: young, gifted and (not too) black

In contrast, Barack Obama's rise has been meteoric by the recent standards of US politics. He was only a state senator when a speech at the 2004 Democratic convention in Boston marked him out as the party's star orator and catapulted him into the media spotlight. Just over three months later he won election from Illinois to the US Senate. He and his campaign have woven a series of catchphrases such as the "audacity of hope" and "change you can believe in" into a rhetorical fabric that has frequently covered a paucity of policy.

Combined with a charisma rarely seen since the days of John F Kennedy, Obama has been luring crowds of thousands, and occasionally tens of thousands, across much of the country. His campaign has also made far more effective use of online communications than the Clinton camp, which helps explain the wave of support Obama has mustered among younger voters generally.

Though Obama is, in fact, "mixed race" he cannot escape the fact that he is labelled "black". This has aided Obama's campaign, especially in state primaries in the Deep South – African-American voters have turned out in record numbers to vote for Obama. But the candidate himself has remained virtually silent about the horrible realities afflicting a large section of the African-American population.

The US has seen its prison population soar above the two million mark during the Bush years. The "prison-industrial complex", as it is dubbed by journalist Christian Parenti,² much of it now operated by private corporations, has been a significant US growth industry since the early 1980s. At any one time, half of the total population warehoused in

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penal facilities is likely to be of African-American origin. The snapshot emerging from three recent academic studies³ of African-American youth suggests:

- › Rates of imprisonment for young black men escalated throughout the 1990s and continued climbing well into the current decade. About 16% of all black men in their twenties, not on college courses, were in jail. Another 10% were either on parole or facing possible custodial sentences
- › African-Americans are seven times more likely to go to prison than whites
- › Almost 60% of black male high school dropouts in their early thirties have spent time in prison
- › The percentage of young jobless black men continues to increase, part of a trend that generally hasn't abated in decades and reflecting the disproportionate impact on African-Americans of the flight of manufacturing capital from inner urban areas in the rustbelt to the non-union south and outside the US entirely.

A sophisticated and damning critique of Obama's candidacy comes from Angela Davis,⁴ the one-time leading African-American militant, who is still politically active:

"He [Obama] is being consumed as the embodiment of colour-blindness. It's the notion that we have moved beyond racism by not taking race into account. That's what makes him conceivable as a presidential candidate. He has become the model of diversity in this period, and what is interesting about his campaign is that it has not sought to invoke engagements with race other than those that have already existed.

"This Republican administration is the most diverse in history. But when the inclusion of black people into the machine of oppression is designed to make that machine work more efficiently, then it does not represent progress at all. We have more black people in more visible and powerful positions. But then we have far more black people who have been pushed down to the bottom of the ladder. When people call for diversity and link it to justice and equality, that's fine. But there's a model of diversity as the difference that makes no difference, the change that brings about no change."

Indeed Obama has been notable by his absence from important campaigns in the black community such as the "Jena Six". Here six black youths from Louisiana who physically stood up to racist white students were brought before adult courts to face charges like "attempted murder". In September 2007, 20,000 blacks and their supporters marched on Jena in what has been described as the largest civil rights demonstration in years. Barack Obama was nowhere to be seen.

Nonetheless, there would be an undeniably potent symbolism in the electorate of the world's most powerful imperialism voting into the White House a black man. It would come little more than 40 years after the passage of the 1965 Voting Rights Act that finally enfranchised a large proportion of the African-American population that had been systematically denied the vote for most of the preceding century under the Jim Crow regime of the old Confederacy. Race still matters deeply in US politics, but a McCain v Obama contest in the November election

would give a clear indication of the extent to which its significance has, in fact, diminished.

Policies and populism

As with most Democratic primaries, policies come a long way second to personalities, and as most Democratic supporters know, there would in practice be little difference between an Obama or Clinton presidency.

However a key issue of difference is Iraq. Hillary Clinton's initial vote in the US Senate for the Iraq war and her steadfast refusal to apologise for that vote has certainly caused her damage among a wide swathe of Democratic

Then came 9/11, an event which rallied the population around the president and gave him license to invade Afghanistan and unleash shock and awe on Iraq

voters. In contrast, though not at the time a member of the US Senate, Obama can claim to have opposed the invasion from the outset. However, once he actually arrived in Washington his voting record on military appropriations, including for troops occupying Iraq, has been indistinguishable from Clinton's.

Clinton calls for an "end to the war" but is vague about what this means, only committing herself to drawing up "a plan" on troop withdrawals within 60 days of reaching the White House. Obama is more specific, his policy is summed up on his website: "He will remove one to two combat brigades each month, and have all of our combat brigades out of Iraq within 16 months. Obama will make it clear that we will not build any permanent bases in Iraq." Of course his Iraq policies are also full of caveats, with troops remaining to combat al-Qaeda, protect US diplomats, train the Iraqi army etc. But he lays more emphasis on "a diplomatic surge" including talking to Iran and Syria to achieve co-operation.

He has also made clear in an article in *Foreign Affairs*⁵ that he wants to "strengthen" US armed forces, adding 65,000 soldiers and 27,000 marines. He wants to "reinforce" the US presence in Afghanistan and strengthen the NATO offensive (he has even spoken about bombing Taliban bases in Pakistan). He declared in the article "I will not hesitate to use force, unilaterally if necessary, to protect the American people or our vital interests whenever we are attacked or imminently threatened." So the oil giants can continue to sleep peacefully in their beds.

Neither candidate can avoid the deteriorating economic situation in the US, in particular the sub-prime mortgage crisis, home repossessions and loss of jobs "offshore". Both candidates have offered a few sops to the millions who are losing their homes, Clinton promising to freeze sub-prime interest rates for five years, Obama offering a less radical \$10bn fund for those facing foreclosure. Both have played



the protectionist card in the rustbelt states where US industry, especially automobiles, are suffering mass job losses from international competition. Obama has denounced NAFTA, the free trade agreement, and declared he would "renegotiate" it. Clinton, in more difficulty as she supported her husband's policy, has called for a "time out" on international agreements. But this sort of populist rhetoric is run of the mill for US election campaigns and is quickly forgotten once ensconced in Washington

On healthcare neither candidate offers a solution for the millions of Americans living in fear of becoming ill. Far from tackling the private medical industry, the overblown health insurance profits, the swindling drug companies

with their billions made from overpriced drugs, their solution is to force more Americans to take out insurance cover. This they think will make it cheaper, with the government helping out the low paid. In fact it is just another transfer of tax-payers money to the private medical industry, an industry that one estimate suggests will be swallowing up 20% of the mighty US GDP by 2017.

Big money talks

For all the talk of "change" one thing that remains the same is that the key to the US Presidency rests on money. Obama and Clinton are spending vast fortunes on their

US Labor and the Democrats Divorce not yet on the cards

THE LEFT-WING sociologist and commentator, Mike Davis,¹ called it a "barren marriage", while Kim Moody,² has called it "a downright abusive one". Both are referring to the relationship that has developed over the past 70 years between the bulk of US unions and the Democratic Party.

The insurgent breakaway from the privileged craft-unionism of the American Federation of Labor, the Congress of Industrial Organisations (CIO), which rode into existence on the crest of a militant strike wave in the 1930s, ultimately rejected the notion of forming an independent union-linked political party. Instead, it threw its weight behind Franklin Delano Roosevelt and the New Deal. Prior to the 1930s the political preferences of union leaderships varied, with some craft unions tending to favour Republican candidates while in several major cities links developed between union tops and Democratic Party urban machines.

There were, prior to the First World War, pockets of radical syndicalism – the Industrial

Workers of the World – as well as a significant degree of support for the original Socialist Party under the leadership of rail union militant, Eugene V Debs. Though a number of state-level Farmer-Labor parties were launched, in the wake of the post-war red-baiting repression and with the boom of the 1920s such voices became almost entirely marginalised at a national level only to gain renewed significance in the following decade.

By the time of the 1948 presidential election and in the aftermath of a massive strike wave there was widespread talk among a significant minority of trade union leaders (especially in the CIO) of some sort of labor party, with a few small unions leaning towards the Communist Party-backed Progressive Party candidacy of Henry Wallace. Again any possible developments in the direction of a Labor Party were halted by the McCarthy witch-hunt. Left wingers were black-listed, and driven out of the trade unions and workplaces. In general, the labor confederations, which eventually fused in the mid-1950s in the AFL-CIO, gave

substantial donations to, and sought to mobilise members' votes for, Democratic presidential and congressional candidates from the New Deal era until the early 1970s.

The 1972 presidential election was a notable exception when the AFL-CIO officially abstained from the presidential race, refusing to back liberal Democrat George McGovern, by then a leading opponent of the Vietnam War, against Richard Nixon. In fact, Nixon enjoyed the tacit support of AFL-CIO president, George Meany, and was endorsed by the International Brotherhood of Teamsters, then outside the AFL-CIO. In a particularly cruel irony, the convention of the then air traffic controllers' union, PATCO, actually endorsed the presidential bid of Republican Ronald Reagan. Less than a year later its shop stewards went to jail in handcuffs and leg irons for pursuing a strike, and their conservative, labour aristocratic union became an historical footnote.

By the 1990s, however, the AFL-CIO had reverted to supporting the Democrats. With the election of John Sweeney as the federation's president in 1995 campaigning in state and federal contests, almost invariably on behalf of Democrats, became an explicit element of federation strategy.³ At times, the Democrats appear to mimic a bourgeois workers' party, with union placards to the fore at candidates' rallies and union bureaucrats sitting on the Democratic National Committee. But the relationship is unstructured

campaigns, and they have not even got to the real contest. Who pays for the luxury coaches, helicopters and even, for Hillary, a Boeing 737, that fly Clinton and Obama around the country? Who pays for the hugely expensive mass campaigns of TV and radio commercials? Who pays the army of "paid-volunteers" that are the foot-soldiers of the campaigns? It certainly does not come from the small contributors.

Using data compiled by a left-liberal think tank, the Center for Responsive Politics, US academic Anthony DiMaggio,⁶ has argued that big corporate money is talking louder than ever in the presidential campaign and that the leading Democrats are currently more beholden in terms of their

funding to large corporations than the Republicans.

"Scholars have long identified the increased role of money in the campaign process. The 2008 election has proven no different, as the combined funds raised by all of the candidates running in House, Senate, and Presidential races totals an astounding \$1.1bn, as of January 2008.

"Hillary Clinton is consistently a top recipient of money from a wide variety of industries, ranking number one amongst both Democrats and Republicans in funds received from computer and Internet companies, commercial banks, health professionals, health services and HMOs, hospitals and nursing homes, lawyers and law firms, hedge funds, miscellaneous health care interests, pharmaceutical and

and there is no systemic mechanism for unions to influence either the selection of candidates or the party's election platforms.

Some half a dozen unions, led by the late Tony Mazzocchi of the Oil, Chemical and Atomic Workers' Union, did spearhead the creation of a Labor Party in the midst of the Clinton administration. However the organisation never stood any candidates. Despite a founding conference with more than 1,300 delegates and 200 observers in 1996, its domination by a handful of union tops led to effective paralysis and more than a decade on its continued national existence is largely nominal. At a state level, however, the organisation, thanks largely to the efforts of militant dockers, has gathered some 16,000 signatures in historically right wing South Carolina – enough to get on the state ballot paper.⁴

The disastrous result of 2004 general election, with Bush returned for a second term and the Republicans in charge of both houses of Congress, despite a massive investment of money and resources by the AFL-CIO in support of the Democrats, was an ostensible catalyst to the following summer's split from the AFL-CIO. This saw the Change to Win federation, led by the SEIU, break away from the AFL-CIO, but this has not signaled any real change of approach in tying the unions to the Democrats. In the 2006 Congressional elections, in addition to tens of millions of dollars, the unions mobilised staff and members to make some 30 million telephone calls, post 20

million household mailshots, and distribute 14 million pieces of campaign literature to workplaces. This no doubt helped the Democrats win back control of Congress.

Since the 2006 election the main if not the sole return for this support that union leaders can highlight is the first increase in the national minimum wage since the mid-1990s. Of course, the pro-Democrat bureaucracy can point to the reality of a Bush in the White House as a crucial obstacle to progress and a rationale for spending still more on returning a Democrat in November. In 2008 the union machines have been active again – initially for Hilary Clinton, but increasingly for Barack Obama with four of the seven unions under the Change to Win umbrella backing him and only the small, predominantly Latino United Farm Workers' union still (none too firmly) in the Clinton camp. The picture within the remaining AFL-CIO affiliates is more complex, but initial support for Clinton has begun to erode with Obama's accelerating momentum.

The bureaucracy's modest shopping list for the 2008 elections will emphasise legal reforms to aid union organising and to block bosses using scab labour to permanently replace striking workers, alongside calls for renegotiation of "free trade" agreements. While neither Clinton nor Obama has put forward a protectionist programme as yet, there has been an increasing rhetorical attack on the export of "American jobs" in states like

Michigan and Ohio. Crucially, with unionised corporations regularly demanding concession on medical insurance schemes covered by contracts, both labour and sections of capital are looking for movement on healthcare. Healthcare expenditure already accounts for some 15% of the nation's total GDP and the rate of inflation in the sector far outpaces the rate across the economy as a whole. The current "system" is hugely dysfunctional from the perspective of much of US capital.

Of course, a real working class alternative to the Democrats will require more than a significant rupture among unions that represent little more than 10% of the total workforce, but at the same time union members still account for more than 16 million people with so-called union households representing another 25-30 million Americans.⁵ But unless and until there is a mass upsurge from below that challenges the shared business union precepts of both the AFL-CIO and Change to Win the prospects for such a rupture remain remote.

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3. K Moody, *US Labor in Trouble and Transition: The failure of reform from above. The promise of revival from below*, Verso, London 2007, pp 143-49
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health product producers, real estate groups, securities and investment interests, and television, movie, and music companies. Barack Obama is consistently the second highest recipient of contributions from all these industries, with the exceptions of hedge funds, real estate, and telephone interests."

Of course, electoral politics cannot be reduced simply to "who pays the piper calls the tune", but a reasonable conclusion is that whoever wins the election in November, no noticeable shift in the distribution of wealth and power in US society will ensue. This is not to deny that there will be sometimes far from trivial differences between McCain

What has been abundantly clear is that Nader has no commitment to building any kind of mass movement or alternative party to the current duopoly

and Obama (or Clinton), but the summary offered by DiMaggio illustrates the complexity of the integral relationship between the two parties and the different sectoral interests and associated factions within the capitalist class. The Republicans, particularly under Bush, have enjoyed an absolutely decisive advantage in funding from capital focused primarily on oil and other extractive industries, while also attracting sizeable contributions from banking, insurance and finance houses, and sections of domestic manufacturing capital.

While organised labour will play a more important role during the course of the presidential election campaign, a key structural difference persists between the relationship of the US unions to the Democrats, and British unions to the Labour Party [see box p??].

A left alternative?

As Perry Anderson wrote in a recent issue of *New Left Review*,⁷ "In the small American left that overlaps with this [Democratic Party] milieu, the Bush presidency has had ambiguous effects – on the one hand galvanizing it politically, on the other weakening its endemically frail defences against collapse into the arms of the Democrats".

Indeed, as noted in a previous issue of *Permanent Revolution*,⁸ the veteran left wing journalist, Alexander Cockburn, has characterised the largest anti-war umbrella body, United for Peace and Justice as the more or less willing "captive to the Democratic Party". In 2004 the coalition played a major role in mobilising a mass demonstration of some 500,000 at the start of the Republicans' national convention, but applied virtually no pressure to John Kerry, who had voted to authorise the Iraq war in autumn 2002.

There can be little doubt that Kerry attracted all but a tiny fraction of the anti-war vote in 2004, as did Democratic Congressional candidates two years later. Even so, the issue of support, whether tacit or overt, for the

Democrats has proved divisive within the "mainstream" of the anti-war movement. The movement, despite the possibility of a Cindy Sheehan candidacy against Nancy Pelosi, the Democratic Speaker in the House of Representatives, has not yet found any significant reflection in electoral politics.

For those who would maintain some sense of continuity with a Trotskyist/Leninist tradition, there would never really be a question of lending support, however critical, to the Democratic candidate. But what about other candidates "of the left"? For the fifth consecutive election Ralph Nader has thrown his hat in the ring to be a candidate, and to some on the far left of the US spectrum his presence appears to offer a lifeline.

At 74, Nader is likely to be the oldest runner in the November race and despite a reasonably high media profile there is evidence that he is past his sell-by date as the front person for a left-leaning populism. His highest level of support came at the 2000 election, where he appeared on virtually every state ballot and gained 2.74% of the popular vote nationwide. In 2004 he managed to get on the ballot in only 34 of the 50 states and his share of the vote plunged to just 0.3%.

Though never a member of the Green Party (US) he was the organisation's standard-bearer at the 2000 election, but the Greens refused to back him in 2004 preferring only to stand their own candidate in states that did not threaten John Kerry's chances. This year he has been a write-in candidate in a handful of Green primary contests that took place on Super Tuesday, running a close race with a former Democrat and once member of the House of Representatives, Cynthia McKinney, an African-American from Georgia with a reputation as a rhetorical firebrand. The Green Party convention is due to take place in mid-July and it remains to be seen which of the two candidates the organisation will eventually nominate, but Nader appears set to stand regardless of the eventual decision.

What has been abundantly clear over the course of several presidential contests is that Nader has no commitment to building any kind of mass movement or alternative party to the current duopoly, he stands as a protest, populist candidate and then disappears for four years until the next election. This has not stopped one of the largest far left organisations in the US supporting him in the past. The International Socialists Organisation (expelled in the early part of the decade from the British SWP's international tendency) has, like the SWP in Britain, regularly backed Nader's candidacies. Likewise, the Solidarity organisation, which is a relatively loose coalition of groups that has a formal relationship with the Fourth International, endorsed Nader's candidacy in 2004, though it also offered support to perennial Socialist Party (USA) presidential candidate, David McReynolds.

The arguments are similar to the ones put forward by the supporters of Respect in Britain: the socialists are too weak to mount a serious candidature therefore the best thing is to support a radical, populist. And Nader is even less accountable than George Galloway, having in previous campaigns sought alliances with rightists in the Reform

Party and happily taken Republican money donated to help take votes away from the Democrats!

The basic challenge confronting revolutionary socialists in the US has not changed fundamentally for decades: how to engineer a mass break from the Democratic Party that leads to the construction of a genuine party of the working class and oppressed sections of US society. Against the backdrop of the 2008 election, with a renewal of support for the Democrats as a result of a hugely unpopular two-term Republican presidency, the terrain is by no means promising. But the persistent horrors of the "war on terror" and the day-to-day realities of an advanced capitalist nation where 46-47 million of

its citizens lack any medical insurance mean that audiences will arise in the context of a wide range of local struggles, and at a regional and national level in mobilisations against the Iraq and Afghan occupations, as well as for migrant rights.

Beyond those audiences, however, will be millions of workers, many of whom will invest some broadly progressive if misguided hopes in the likes of Barack Obama. Relating to that much larger mass will, of course, ultimately be crucial. The "more of the same" reality of the first Democratic administration of the 21st century, if indeed it comes about, will almost certainly open up new opportunities for socialists to relate to this larger audience.

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Temporary workers – a permanent fixture?

In 2005 trade union leaders and the Labour government agreed to legislate for full employment rights for temporary contract workers.

Now Brown's cabinet is obstructing just such measures being made law.

Tina Purcell looks at the plight of agency workers in Britain, what role they play for Britain's bosses and how they can be organised

IN FEBRUARY, Labour MPs voted overwhelmingly to give a second reading to a bill which would grant temporary agency workers the same rights as permanent employees. This was despite the government's longstanding hostility to legislation improving the pay and condition of agency workers.

Last year, a similar bill was obstructed at the second reading, and, within Europe, the UK has been leading the small group of countries blocking the European Commission's Temporary Agency Worker Directive.

Temporary agency workers are not employed directly by the company or organisation they work for. They are contracted out to the user-firm by an employment agency. The cleaners in your local hospital are likely to be agency workers, so are the workers processing the cheap chickens that grace our supermarkets. They are everywhere. Even the latest Harry Potter book was printed by workers employed on temporary agency contracts.

Temporary agency employees in Britain are one of the most exploited sections of the European working class thanks to the UK's highly flexible and deregulated labour market. For both the private and the public sector, temporary agency workers represent a valuable source of low-wage, flexible labour.

This type of work has flourished in the political and economic context of budgetary restraint in the public sector, welfare state cutbacks and labour market deregulation.

While this process began in the 1980s under the Conservative government it has continued unchecked under New Labour, resulting in a growing proportion of people working in temporary, insecure and low-paid jobs.

The expansion of this workforce is linked to a retreat from traditional employment contracts and the growing use of "atypical" forms of work. It has undermined the ability of workers to organise effectively against attacks on wages and conditions. Permanent workers fighting against their employer for one contract find themselves divided against temporary workers on a completely different contract and with a completely different boss – even though they all work in the same place. It is divide and rule with knobs on.

Size of the problem

In 1992 agency work accounted for 7% of all temporary employment. By 2001 this had risen to 17%,¹ though pinning down the actual numbers of temporary agency workers is difficult. Estimates have varied from 1% of the total workforce to 5% and some figures suggest that on any one day there are well over one million agency staff at work.

Official government figures are likely to miss out the growing numbers of low-paid, and in many cases, migrant workers who are propping up the UK economy. Given tem-

porary agency workers numbered only 50,000 in the mid-1980s,² the increase is massive.

A number of recent legislative changes have improved the conditions of direct hire temporary workers and part-time workers. But while agency workers are entitled to the employment rights that apply to all workers, including the National Minimum Wage, they are exempt from unfair dismissal and redundancy protection, since this only applies to employees. UK law distinguishes between "employees" and "workers". Temporary agency workers fall into the "worker" category, making them an attractive option for big business on the look-out for cheap, disposable labour.

Permanent employment remains an essential characteristic of the UK labour market, but atypical forms of employment are growing and present a challenge for the labour movement. Flexibility in the workforce is a useful mechanism for capital. It is divisive and can be used as a disciplinary mechanism. It is part of a growing trend rooted in the defeats organised workers have suffered since the 1980s.

Employer-driven flexibility is a consequence of the weakening of the working class and a factor in its inability to rebuild its strength.

The growth of the "non-standard" worker

The growth of temporary agency work is just one consequence of the structural changes that UK capitalism underwent in the latter part of the twentieth century. The continuing decline of manufacturing industry (with it the disappearance of key militant sectors of the organised working class) and the growth of the service sector have been accompanied by a general shift towards the contracting-out of specific areas of business and service functions. This trend has affected a wide range of employment: cleaning, transport, logistics, human resources, IT, payroll and so on. A more recent phenomenon however, is the use of agency workers in core functions, in manufacturing for example.

One school of thought, with its origins in late British Stalinism's profound pessimism regarding the changes in the working class, is that the growth of this non-standard work is a manifestation of "post-industrialisation" or "post-Fordism". It supposedly signals the arrival of a new stage of capitalism marked by a higher level of class fragmentation as a result of the inexorable forward march of the processes of neo-liberal globalisation. It is a process which renders the working class divided and impotent.

This bleak view ignores the fact that flexible and unregulated employment relations are not new. They represent a social and political regression to forms of employment that were common in the 19th and early 20th centuries.

The post-Second World War social compromise in the West between unions and employers, frequently institutionalised in tri-partite bodies, moderated the domination of capital over labour by legitimising the role of labour in negotiating secure employment and social protection. It gave rise to the "male breadwinner" model of employment, which became the basis of western tax and welfare systems in the 1950s.

Residual, flexible forms of employment were confined to peripheral sectors of the workforce. Temporary employment was either a function of the seasonal or uneven daily/weekly pattern of some areas of production such as agriculture, hospitality and dock labour, or it was associated with those sections of workers said to have "marginal labour market attachment", such as women combining paid work with their unpaid work in the family, or students working to finance their studies. Additionally, temporary contracts were used by employers to supplement their workforce during cyclical peaks in demand.

Although temporary agency work still serves these functions, it now covers occupations previously associated with the standard employment relationship, and long durations of assignments suggest that in some cases employers are using agency staff to replace costlier permanent employees. This new development is something the unions need to wake up to, and fast.

The new world of work – a contented flexible workforce?

At the World Economic Forum in Davos earlier this year, Gordon Brown once again emphasised his commitment to a flexible workforce as a key instrument for UK capitalism. Government rhetoric presents flexibility as a benevolent gift to workers who want more control over their working lives and who are making an active choice in becoming "permanent temps" which, conveniently, also suits the needs of business.

Both the government and the bosses' organisations argue that temporary agency work meets the needs of

Both the government and the bosses' organisations argue that temporary agency work meets the needs of both employers and workers

employers and workers; a perfect "win-win" situation in which the outcome is increased competitiveness and a happier workforce. According to the Department of Trade and Industry, temporary workers "are among the happiest in the workforce".³ Similarly the REC, the organisation which represents temporary staffing agencies, claims that 77% of temporary agency workers are satisfied with their work.

A common academic account of the flexible workforce reinforces this view. This approach draws on the post-Fordist paradigm that technological change, combined with the knowledge economy that new technology engenders, are leading to the end of alienation. Contrary to Marx's prediction that capitalist accumulation would lead to de-skilling and the increasing subordination of workers to the discipline of capitalism we are allegedly witnessing a growth in "autonomy" and "empowerment" – the

buzzwords in this new flexible world of work.⁴ In the "knowledge-intensive" economy, an increasingly skilled workforce (dubbed the neo-proletariat by the French philosopher, André Gorz) is able to enjoy greater employment mobility and command high wages by selling their labour power to the highest bidder in a knowledge-hungry labour market.

Some temporary agency workers appear to fit this picture of a happy, flexible workforce – engineers, consult-

ants, IT workers, nurses and technicians who make up the professional, skilled sector of agency workers. But they represent only a tiny percentage of the temporary agency workforce.⁵ The question of choice is also a red herring, since almost half of all temporary agency workers would prefer permanent employment.⁶

Although technological changes have facilitated the use of agency work in some sectors, the real propeller is not technological innovation. Even less is it "employee

PUBLIC SECTOR

Public work, private recruitment

THE RESTRUCTURING of the public sector throughout the 1980s and 1990s provided an important stimulus to the temporary staffing industry. Privatisation and contracting out of "non-core" services led to the growth of labour supply via agencies, and the subsequent deterioration of wages and conditions of many workers who had previously benefited from the protection and benefits associated with a permanent contract.

During the 1990s many groups such as domestic workers in hospitals ended up doing the same job on agency contracts with lower wages and no pension rights and no sick pay.

Since then, the number of public sector workers recruited through agencies has soared. NHS expenditure on temporary work (mainly agency work) tripled from £216 million to £628 million between 1997-2002.¹ A similar process has taken place in local government.

The TUC estimates that in some of the larger Local Authorities up to 20% of the workforce are agency workers, with rates being particularly high in care work.² The number of social workers on temporary agency contracts in England has grown phenomenally in recent years; between 2003 and 2004 alone, agency staff rose from 4506 full-time equivalent staff to 6981 – a 50% increase.

There is evidence to suggest that professional staff on agency contracts have been able to

command higher salaries, and are choosing to leave permanent employment. But this is in the context of deteriorating conditions of permanent employment in the public sector.

Studies have shown, for example that social workers are abandoning permanent contracts in response to intensification of work and lack of autonomy.³

So the growth of agency work amongst professional staff in the public sector is due to high turnover rates and a need to turn to agencies to plug the gap.⁴ Similar studies of nurses have found that, for many, the negative experiences of full-time, permanent NHS employment is driving them to temporary work agencies.⁵

These examples are hardly confirmation of the "empowerment" thesis put forward by the post-Fordists, enthralled by the demise of "jobs-for-life" and the prospect of workers creating their own "portfolios" with unlimited career mobility in an employee-driven flexible labour market. For these workers, agency work represents an escape from the reality of public sector employment after years of neo-liberal marketisation pressures, not a positive embracing of some mythical "autonomy".

At the other end of the scale, the strategy of using agencies in low-skilled work as a way of keeping down labour costs has led to scenes reminiscent of the 1930s.

Last year refuse workers in Salford took successful strike

action over the council's use of agency staff, some of whom had been working for the council for up to five years. They had to turn up for work at 5:30 every morning to see if they were needed. If not they received a small cash payment for getting out of bed. If they were set to work, their hourly wage was well under that of permanent staff.

The use of untrained agency staff also has implications for the quality of our services. Last year, poor quality in mail delivery was attributed to agency staff. Agency staff in the social care sector can seriously undermine care where continuity of care workers is essential to high quality service.

The victory of the Salford strikers in achieving tenure for agency workers demonstrates that the casualisation of work in not an inevitable process. Political will and action can halt the assault on our gains in the workplace.

ENDNOTES

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2. I Kirkpatrick and K Hoque, "A retreat from permanent employment? Accounting for the rise of temporary Agency Work in UK Public Services", *Work, Employment and Society*, Vol 20 No 4 2006, p653

3. *Ibid*

4. H Conley, "Modernisation or Casualisation? Numerical Flexibility in public services?", *Capital and Class*, 89 2006, p37

5. A De Ruyter, "Should I stay or should I go? Agency nursing in the UK", *International Journal of Human Resource Management*, 2007 Vol. 18, No. 9: 1666-1682

preference". It is rather the policies of successive British governments. For example, in the 1980s and early 1990s, Tory deregulation made the UK a magnet for Europe's call centre sector. Privatisation accelerated this process with ex-public utilities such British Telecom having call centres staffed entirely by temporary agency workers.⁷ The temporary staffing industry also received a boost in the mid-1990s with the abolition of statutory registration requirements.

Migrant labour – UK capitalism's golden goose

Today agency labour is becoming more and more reliant on migrant workers. Ethnic minorities are overrepresented in agency work, accounting for 19% of workers whilst only constituting 8% of the total workforce. Not all of these will be migrant workers, but a good proportion will be, especially at the low-economy end of agency work. In addition to black and ethnic minority migrant workers, there are a growing number of Eastern European workers.

The rapidly changing contours of the low-skilled, low-waged workforce are a deliberate consequence of government policy. Despite a tough line on immigration, New Labour has been careful not to restrict the ready supply of cheap labour to UK bosses. Three years after the 1999 Asylum and Immigration Act, the government came up with its policy of "managed migration", aimed at facilitating the arrival of migrant workers, or as the government put it, to "manage legal migration in the interests of the UK economy".⁸

Consequently, the number of work permits increased from 40,000 a year in the mid-1990s to 200,000 a year in 2004, aimed at filling vacancies in sectors identified by bosses' organisations, for example, hospitality and food processing. Clearly, years of attacks on welfare benefits had not succeeded in driving UK workers into low-paid jobs.

Behind the managed migration policy lies the government's commitment to a flexible labour market, enabling capitalists to drive down working conditions and wages. And, of course, not all migrant workers are equal. Those on high-skilled permits are granted the right to settle, whereas the low skilled (or more precisely those in low-skilled work) are subject to highly restrictive temporary visas, with no rights to benefits.

Since 2004, many temporary workers from non-EU countries are becoming surplus to requirements, due to the arrival of Eastern European workers.

It is becoming increasingly clear that there is a phenomenal range of nationalities working in the UK's low paid economy. Research carried out by the University of London highlighted an acute "migrant division of labour" in the UK's capital with a disproportionate number of London's low-paid jobs being carried out by migrant workers, many of whom are agency workers.⁹

Migrants make up 35% of London's working age population but they account for 46% of its lower-skilled workers. Even more striking is the composition of the workforce. The study identified 56 nationalities in their sample of 341 workers.¹⁰ Of the London Underground cleaners they interviewed, 95% were migrant workers. In all, 90% of the

interviewees in contract cleaning, hospitality, and food processing were foreign-born workers, with half having arrived in the UK in the previous five years.

The study also identified further segregation along ethnic lines: 75% of the interviewees working as cleaners on the London underground were Black Africans, whereas Latin Americans tended to be concentrated in office cleaning, with Eastern Europeans working in the hotel and hospitality sectors.

Pay and conditions for these workers are a shocking indictment of New Labour's reverence for modern capitalism. Red Ken may crow about London's transport system but subcontracted agency staff are cleaning London's underground on rates of pay which are below the Mayor's own London Living Wage, with no access to sick pay and no extra pay for overtime. Most do not receive an annual wage rise and were on an annual salary of around £10,000.

New waves of migrants tend to be employed on even worse conditions, thus creating tensions with in-house and other agency workers. Recent migrants working in the hotel sector are likely to experience significantly worse conditions than other workers. The TUC has begun documenting the Dickensian conditions and salaries of workers from Eastern Europe, with examples of workers earning £1.50 an hour.¹¹

Research by UNISON paints a similar picture of agency workers across a broad range of sectors, including universities and museums. Outside of London, the food and processing industry is increasingly staffed by migrant

Research highlighted an acute "migrant division of labour" in the capital, with a disproportionate number of London's low-paid jobs done by migrant workers

agency workers. In the South West for example, a survey of companies showed that migrant workers made up 21% of the workforce.

Migrant agency workers present UK capitalism with a major new source for super-exploitation, creating a layer of workers with virtually none of the protection accorded to workers on permanent contracts. East European workers have opened up new avenues of exploitation for profit-hungry bosses. The UK's deregulated labour market has facilitated the process of super-exploitation of these workers.

The gains for the bosses are huge: they can access a large pool of workers, many of whom have high levels of skills and qualifications. The employment status of these workers means they are unlikely to resist deteriorating conditions of work. They can also use the existence of a two-tier workforce to drive down the conditions of permanent staff. In addition, competition for scarce resources in local communities can divide workers further, create a climate of xenophobia and fear which hinders united class action.

A chance for the revival of grassroots unionism

Are we too fragmented and diverse to rebuild our organisations? Of course not. But to bounce back we need to take stock of the challenges facing us, understand the trends that are changing the face of the working class and act accordingly.

Recent union campaigns to support the rights of migrant agency workers, and to expose abuses, are long overdue. One of the reasons that temporary workers are notoriously difficult to unionise is the lack of interest from unions, due to their opposition to temporary work. However, union leaders are in no small measure to blame for the growth in casualisation. From selling out workers' struggles to joining in the New Labour mantra of "competitiveness", our union leaders have failed to prevent the spread of temporary contracts and the consequent the down grading of working conditions for all workers.

Nonetheless, the recent national union campaigns on this issue and the bill to extend rights to agency workers are welcome. But the real challenge is to find the means to organise workers to fight for their rights themselves – the only guarantee that they will not be short-changed.

Temporary agency workers, and in particular, migrant

workers, are a potential source of militancy given the excessive exploitation they experience. As in previous eras they can be part of the process of union revival. But we must be alert to the specific problems posed by the need to organise migrant workers.

For example, today's migrant workers face a very different situation from those of previous generations, many of whom found permanent employment in unionised workplaces, in particular in the public sector. But their employment and immigration status means it can be difficult for them to take the lead in challenging their conditions of work, either individually or collectively.

Historically the labour movement was built on the basis of rising to challenges. The case of the London Living Wage Campaign demonstrates the kind of movement that can integrate the most vulnerable agency workers into the wider labour movement and working class community. The campaign operated on a number of fronts, mobilising trade unions and community organisations, to organise workers in order to target the "real employers" of these workers – the NHS, finance organisations and universities.

As a result, subcontracted workers were able to fight for significant improvements in terms and conditions of work. These workers included 3,000 contract cleaners in

FACTFILE

The reality of temporary agency work

A TUC report published last year pointed out that the lack of parity between temporary agency workers and permanent staff amounted to institutionalised discrimination against the women, migrant and young workers who make up the bulk of the low-end of temporary agency work.¹

TUC research shows that more than half of agency workers are denied the same holiday rights as permanent staff, despite the fact that many agency workers stay for many months in one company. Similarly, two-thirds do not have any right to sick pay.

Problems accumulate for those at the lower end of the wage scale. Only a third of those on the minimum wage said that they were treated fairly by their agencies, and nearly two-thirds said that working for an agency hindered their ability to raise problems with their working conditions.

An undercover operation to

investigate agency work in the manufacturing sector by a member of Unite revealed a picture of a "shadowy and insecure world of work" where even skilled manufacturing workers were paid minimum hourly rates of pay and receive no workplace training or safety equipment. There are numerous similar examples throughout manufacturing:

➤ A&P shipbuilders, Tyneside: Agency workers, mainly Polish, are paid £5 an hour less than permanent staff. Their contracts can be terminated with a day's notice. The agency firm which supplies the agency workers is part owned by A&P.

➤ BMW: at its Hams Hall engine plant in Birmingham, there are 700 shop floor workers, two-thirds of whom are agency workers, paid £5 an hour less than permanent staff. At the Cowley plant in Oxford, out of a total workforce of 4,700, 1,200 are agency workers.

Some of the agency workers have been "temping" at Hams Hall for more than five years.

➤ Quebecor World Printing: Human resource strategy at the company seems to consist of replacing its lower skilled permanent workforce with Polish and Lithuanian agency workers, working longer shifts and on significantly less pay. Quebecor prints the Guardian and the Observer.

➤ Corus steel, Teeside: self-employed agency labour is recruited on zero hours contracts. Corus employs 23,500 workers throughout the UK, and uses up to 10,000 agency staff.

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the financial powerhouses of Canary Wharf, as well as 1,000 domestic and catering staff in hospitals.

For the initiators of this campaign, this was a new model of trade unionism in action – community unionism. Community unionism has emerged as a response to the challenge posed by a fragmented class and the marginalisation of the most vulnerable, brought about by rampant globalisation.

By stepping outside of the workplace and into the community, activists are able to reach workers who would otherwise not have access to unions, due to their geographical dispersal as well the ambiguous nature of their employment contract.¹² Community unionism brings together different grassroots organisations, pooling resources with the aim of enhancing workers rights and supporting struggles in various ways.

This intersection between workplace and community was visible in industrial struggles as recently as the 1984/85 miners' strike. The strike could not have been waged by the union had it not been for the support of the communities to which the miners belonged. However, successive defeats and the decline of the big bastions of the organised working class have eroded community based working class organisation.

Rebuilding working class strength and consciousness today will need an even greater emphasis on locally based organisations of struggle. Community-based union organisations - pooling the resources of different unions and bringing in local activists - could pave the way to unionisation drives amongst agency and migrant workers.

Such organisations could also take up related issues of services and accommodation, to support migrant workers and ease tensions where they occur within local communities by taking up the fight for improved public services for all.

Where communities are being transformed through capitalism's quest for cheap labour, the labour movement

needs to find a means of integrating new workers and uniting the class around its common interests. In doing this we will have to ensure that class is the unifying factor that brings together workers from different nationalities, ethnicities and religious cultures.

And on the basis of such steps forward we can lay the basis for the national organisation of such workers and their national integration into the wider movement.

The example of the London Living Wage Campaign demonstrates that it is possible to organise workers in the low-paid, flexible workforce, and that working class communities can, when united and strong, resist the race to the bottom that globalisation is foisting upon us.


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3. Department of Trade and Industry (2006), 'Success at Work: protecting vulnerable workers, supporting good employers'.
4. In fact, recent EU research on the changing nature of work found that in the period between 1995 and 2000, there has been a decrease in the complexity of work tasks. Workers have less possibility of choosing or changing their order of tasks and methods of working. In other words jobs have become more routine. See Birindellie, L. and Rustichelli, E. (2005), 'The Transformation of Work?'
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Table 1: Per capita GDP growth by region and economic grouping, 1981-2007

	Average annual growth			Overall growth 1981-2007
	1981-1989	1990-2002	2003-2007	
Developed economies	2.5	1.8	2	41.4
Developing economies	1.7	3	5	62.5
Of which:				112.5
Africa	-0.5	0.3	3	16.4
America	-0.3	1.1	3.5	22.7
West Asia				16
East and South Asia	5.1	5.3	6.3	117.5

Source: UNCTAD secretariat calculations, based on UNCTAD *Handbook of Statistics*, and table 1.1



What ever happened to the third world?

Strong world economic growth has transformed the economies of many countries in the global south, with large scale industrialisation, a reduction in debt and a growing working class. But, Keith Harvey asks, have these developments really broken the chains of exploitation by the major imperialist powers and their mega-corporations?

Introduction

Last autumn Martin Wolf, chief economics commentator for the Financial Times in London wrote: "For the first time, emerging markets are a safe haven during a global financial shock emanating from the world's hegemonic economic power. How times have changed and how, indeed, have the mighty fallen!"¹ Indeed, the sight of Chinese, Indian and Middle Eastern governments coming to the rescue of the world's biggest investment banks this year is a powerful symbol of the change of fortune of the global south in recent years.

In 1997 the Asian currency crisis tore through South East Asia, (and spread later to Latin America and Russia in 1998-2001). The International Monetary Fund (IMF) supervised a fire sale of stricken industrial and banking assets to Europe and North America. Unemployment rocketed as recession took hold of the region. Ten years on, on the back of strong economic growth, these countries are now using stockpiled cash – "sovereign wealth funds" – to recapitalise the US's largest banks which have sustained huge losses during the US housing crisis. In helping them stay in business they are at the same time taking significant part ownership in the flagships of global high finance.²

Moreover, the accumulated foreign currency reserves of Asian and Gulf States protect them from the shock of unexpected international capital movements and form a hoard of cash for paying off historic foreign debts held by western banks and the IMF. This new-found strength is deployed in trade negotiations; they are collectively able to resist demands for the removal of trade barriers and in turn seek greater concessions from the major industrial and financial powers. And in Asia and Latin America there are discussions ongoing about setting up regional banks so as to release them from dependency on G8 controlled capital markets.

Does the greater degree of industrialisation, lower debt, budget surpluses and better productivity record suggest that some or all of the "developing countries" or at least the BRICs³ can close the development gap that currently separates them from the major OECD and G8 countries?

The global south's new millennium boom

Thirty-five years ago, during a boom in global commodity prices, the Marxist economist Ernest Mandel recognised that: "The new upswing in prices . . . will enable the semi-colonial bourgeoisie to ameliorate their position as junior partners of imperialism, not only politically but also financially and economically."⁴

We are witnessing the same phenomenon today. There is no great mystery as to its cause. It centres primarily on the rapid and deep expansion of capitalism in China. While this process can be dated from 1978 (unleashing the market in the countryside), by the mid-1990s the majority of output was exchanged at market prices,⁵ a further major leap forward occurred with China's entry into the World Trade Organisation in 2001.

The massive filip to trade and investment that followed

has powered much of the global economy. It sucks investment in from the G8 to take advantage of its low cost labour and imports and to satisfy the growing purchasing power of its 1.3 billion strong population. By 2006 China consumed 32% of the world's steel, 25% of the world's aluminium, 23% of its copper, 30% of its zinc and 18% of its nickel.⁶ China's consumption of the planet's oil has increased from 4.7% of the total in 2000 to 7.1% today, but it accounts for a full 31% of the extra demand since then, which is the main reason the oil price edged to \$100 a barrel in late 2007.⁷

The breadth and depth of capitalist expansion across a host of other "emerging" economies has boosted world demand for capital, energy and raw materials, and led to high rates of growth in Russia, India and Brazil. The latter's oil, soya bean crop and iron ore has been in great demand and foreign investment into these sectors has shot up in the last couple of years on the back of it. Brazil's (highly competitive) steel industry has mushroomed, with plans to expand 40% in the next five years, alongside the country's ethanol sector.⁸

The exports of developing economies more than doubled between 1998 and 2006.⁹ Since 2000, and especially with the global upturn from 2003, the main motor of capitalist development has been found in the global south.¹⁰ Per capita GDP of developing countries increased by almost 30% between 2003 and 2007, compared to 10% in the G7 countries.

While GDP growth in the G7 has been not that impressive by historical standards, not least because of the transference of swathes of their manufacturing sector to the developing world, the huge uplift in growth for large economies in the global south has meant that world output during 2003-07 has grown faster than at any time over the last 40 years (see Table 1 below).

Real per capita income has picked up in recent years in Latin America, Africa and West Asia and as a result, for the first time since the early 1970s, some of the major countries in the global south have accrued large current account surpluses and a number of them have become net exporters of capital. But unlike in the past, this has not been at the expense of domestic capital formation when governments lodged their surpluses in foreign bank accounts. Investment has increased significantly in developing and transition economies since their recovery from the financial crises of the late 1990s.

Slipping the chains of debt slavery?

Debt bondage has been a key means of imperialist enslavement of the global south for much of the last 50 years. The issuing of loans to third world governments, much of it in the form of costly industrialisation projects foisted upon them by the World Bank or private sector banks in order to benefit western multinational corporations (MNCs) - especially those in construction and armaments¹¹ who then pocketed the ever growing interest payments - meant that despite the flow of repayments, the total amount of debt continued to grow, as new loans were taken on to meet the interest payments on old ones.

As a result of this debt Mandel noted that, "... an

increasing portion of the total returns on exports of the semi-colonies must be converted into interest and re-exported to the metropolitan states."¹² Further debts were racked up in the form of "emergency funding" from the IMF, extended to deal with the consequence of repeated balance of payments crises.

The steady stream of surplus value seeping abroad hampered domestic economic development. This debt noose allowed the IMF and World Bank to dictate aid terms to global south governments; the privatisation of state assets to foreign MNCs, the lowering of tariffs on imports that

The breadth and depth of capitalist expansion across a host of "emerging" economies has boosted world demand for capital, energy and raw materials

allowed western companies to destroy domestic competition, the paring back of welfare spending to release money for debt servicing.¹³ These were just some of the devastating demands made by financial overlords to qualify the governments for continued "assistance" in dealing with balance of payments crises.

But since the turn of the century, helped by rising demand from China and India, the price of oil and raw materials has risen sharply. Commodity exporters like Brazil and Nigeria have boosted their export earnings and no longer need to raise as much cash as before from the capital markets.

And with the rising export revenues, several of the bigger countries in the global south have set aside considerable cash to pay off some or all of their foreign-held debts. According to the Morgan Stanley Research, foreign exchange reserves rose ten-fold to \$3.23tr between 1990 and 2006 while short term debt increased by less than one-third from \$350bn to \$550bn.

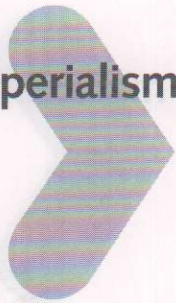
In early 2006 Brazil and Mexico, Latin America's two biggest economies, bought back billions in debt bonds. Brazil repurchased \$6.64bn - the total outstanding amount

Table 1: Per capita GDP growth by region and economic grouping, 1981-2007 (%)

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West Asia	-1.7	1.1	4.1	16
East and South Asia	5.1	5.3	6.3	317.5

Source: UNCTAD secretariat calculations, based on UNCTAD Handbook of Statistics; and table 1.1

Imperialism / The semi-colonial world



- and Mexico \$5bn. Since then the sums and the countries involved have increased. In 2007 Nigeria, once seen as one of the world's financial basket cases, cleared its entire \$35bn of foreign debt.

Ten years ago Russia defaulted on \$40bn of domestic debt when its finances collapsed. But since then it has used its windfall from high oil and gas prices to pay \$6bn off its foreign debt. Argentina, which defaulted on \$100bn

Since the early 20th century the world has been divided up into powerful industrial and financial states and a mass of weaker dependent semi-colonies or colonies

worth of debt in 2001, has since ended its relationship with the IMF by repaying the almost \$10bn it owed at the beginning of last year. As Table 2 (below) shows, many of the larger developing countries have significantly reduced the ratio of external debt to GDP, allowing more revenues to be used for domestic investment.

As a group, the developing countries ran a current account deficit of \$89bn in 1998. But by 2005 this had moved into a surplus of \$248bn, according to the World Bank's latest Global Development Finance report. As a whole the external debt of the global south peaked at around 40% of GDP in 1999. Today is below 25%; for the BRICs it is 15%.¹⁴ Ironically, having loyally followed the instructions of the IMF and World Bank to run fiscal surpluses, these governments have lessened the leverage that the IMF et al have over their policies. As the Financial Times put it a year ago:

"In stark contrast to past periods of strong global growth and low interest rates, they are husbanding resources rather than spending them - many are paying off public debt, running budget and/or current account surpluses and building foreign exchange reserves. When they do issue bonds, governments are increasingly doing so locally rather than in international capital markets."¹⁵

However, despite as a whole being more dynamic than the global north and having on average improved their leverage and room for manoeuvre within the international capitalist system, these countries have not been able to break the relationship of exploitation and dependency that characterises their ties with the US, Japan and the EU.

Imperialist exploitation

Since the early 20th century the world has been divided up into a handful of powerful industrial and financial states on the one side (the imperialist nations such as Britain, the US, Germany and Japan) and on the other a mass of weaker, dependent countries, the semi-colonies or colonies. The key reserves of finance, centres of innovation and major industry have been located within, or under the control of, the imperialist states.

This divide was a function of the huge productivity differentials between the first-to-industrialise nations and the "backward", largely agrarian countries. The subsequent international movement of capital from the former to the latter reproduced and extended this differential.¹⁶ And it could only do so because the relationship was one of exploitation: surplus labour produced in one country was drained and used by another.

It is for this reason that Lenin, writing during the First World War, said that the "division of nations into oppressor and oppressed forms the essence of imperialism."¹⁷ The "developing countries" or semi-colonies in Marxist terms,¹⁸ were inserted into the world market in such a way that pre-capitalist relations, alongside semi-capitalist and capitalist relations, were sustained and reproduced by the imperialist powers that traded and invested in them.¹⁹

The pre-capitalist relations in agriculture, feudal or semi-feudal, allowed very low wages to be paid to the working class in semi-colonies since these wages did not have to meet the full cost of reproducing the labour power. Food produced by smallholdings in the extended family could be used, obviating the need to purchase it with wages. In parts of Africa, China and India today this practice still exists.

The export of capital - attracted by the large differences in the rate of profit between the metropolitan centres and the colonies and semi-colonies - drew the still large reserves of unutilised raw materials and labour power into surplus value production.²⁰ But this surplus value was siphoned off abroad in large measure and so restricted the development of the semi-colony as the pre-capitalist relations were prevented from disintegrating, perpetuating systemic and growing inequality. The devolution of political power to local and national elite classes after the Second World War allowed the local rulers to skim off more of the economic rewards for themselves, without altering the content of the economic relationship.

Table 2: Repayments by selected developing countries to official creditors, 2006

	Repayment in 2006	Official creditor	External debt/ GDP (%)		Foreign reserves (\$ billions)	
			2005	2006	Dec 2005	Dec 2006
Russian Federation	22	Paris Club	30.0	25.4	175.9	295.6
Argentina	9.6	IMF	60.2	45.6	27.2	30.9
Mexico	9	IDB/World Bank	22.1	19.1	74.1	76.3
Indonesia	8	IMF	50.6	37.9	33	40.9
Nigeria	7.5	Paris/London Club	22.5	5.9	28.3	42.4
Uruguay	2.5	IMF	90.5	64.5	3.1	3.1
Brazil	2	Paris Club	25.6	22.4	53.6	85.6

Source: World Bank Debt Reporting System and staff estimates

But the form of super-exploitation did undergo gradual change. Up to 1940-45 direct surplus value production carried out by foreign-owned enterprises in the global south and then repatriated as profits to the home country was the norm.²¹ But after the Second World War the general flow of industrial capital exports shifted in an intra-imperialist direction as low semi-colonial labour costs became less important than the high productivity labour in more technologically advanced industries that were emerging in the global north.

With decolonisation in the global south after the Second World War many former colonies boosted their agricultural and raw material exports to the west in return for consumer and light industrial goods. Extracting surplus value through "unequal exchange" between semi-colonies and imperialist powers then became the general rule during the post-war boom of the 1950s and 1960s and surplus value extraction from foreign-owned investment – although continuing – became less prominent during the 1960s and 1970s.

The essence of unequal exchange lies in the fact that semi-colonies had to exchange a greater quantity of social labour, embodied in their exports, for a constant or declining quantity of social labour contained within the imports from the west. In economic jargon the terms of trade of the semi-colonial countries declined. This occurs because the labour embodied in the manufactured goods is more intense (productive) than that embedded in the coal, cereals etc,²² and because the higher organic composition of capital of the economies of the imperialist nations, means that their output is sold above its value, whereas the lower organic composition of capital output of the semi-colonies means it is sold below its value.²³

Over time the composition of the goods exchanged in international trade changed, but without altering the essence of the inequality: the export of German machine tools in exchange for intermediate or consumer goods, for example. As Mandel noted:

"Ultimately the transfer of value is not tied to a particular degree of material production, nor to a particular degree of industrialisation, but to a difference in the respective levels of capital accumulation, labour productivity and the rate of surplus value."²⁴

A new paradigm?

For the duration of the imperialist epoch, from the beginning of the 20th century onwards, the division of the world, to borrow Lenin's phrase, into a small number of imperialist nations and their client colonial or semi-colonial states has meant that only the forcible redivision of the world's markets and resources has been able to shift the balance of forces between them.

Two inter-imperialist world wars, and several wars of national liberation from colonial rule in the 20th century, have effected major changes; changes which have seen Britain eclipsed by the US as a world power, and Japan and Germany first crushed and then rebuilt as major imperialist powers.²⁵ But for most of the 20th century one-sixth of the planet was removed from the direct sphere of capitalist and imperialist exploitation. As a

result of social revolutions and political counter-revolutions in Russia, China and Eastern Europe (and later, Indo-China) between 1917 and 1949, one billion people, a quarter of the world's population, existed in parallel to global capitalism.²⁶

Eventually, the pressures of the cold war and the deepening tendencies to stagnation inherent within these economies (which both suppressed the market and the creative

For much of the 20th century one-sixth of the planet was removed from the direct sphere of capitalist and imperialist exploitation

powers of the working class to run its own state), led to their collapse as ruling elites fractured and mass movements rose up against repression and social inequality. The reinsertion of these states back into the imperialist world market during the 1990s proved the biggest free gift to capitalism in world history, surpassing in its rewards the plunder of China and India and Americas in the 18th and 19th centuries.

The end of the Cold War also unlocked the previously highly staid and protectionist economies such as India and integrated their labour more centrally into the international trade and investment networks. According to the IMF the size of global working class involved in manufacturing export industries quadrupled between 1980 and 2003 as workers were drawn into production for global markets in the developing countries, and the restoration of capitalism in China and the old Soviet bloc added many more.²⁷

As an International Labour Organisation paper noted: "following the break up of the former Soviet Union in 1989 and the end of the Cold War, about three billion workers from China, India, Russia, and Eastern Europe – half of the world's labour force – joined the capitalist world economy, creating a labour supply shock on a scale unlike anything experienced before."²⁸

The impetus for the major shift during the last 20 years of globalisation has been to take advantage of this low cost labour: for example Chinese labour costs in 2005 were about 10% of those in US industry.²⁹ But at the same time, importing low cost consumer goods into the US from China helps reduce the cost of reproducing labour power in the US and hence boosts profits.

US labour costs account for about 80% of total company revenue in US manufacturing.³⁰ Even though real wages barely increased in the US between 1980-2004, living standards could improve because the same wages bought a greater quantity of goods and services. This is a form of labour aristocratic gain from super-exploited semi-colonial labour.

This expansion of the global workforce and the attendant lowering of the global cost of labour coincided with a new wave of internationalisation of production operations



by MNCs, so much so that: "The centre of gravity of much of the world's industrial production has shifted from the north to the south of the global economy."³¹ This is the result of the fact that nearly half of foreign direct investment in manufacturing goes to developing countries, a ratio that is still growing. A similar proportion of new green-field investment goes to the global south, whereas much of the foreign direct investment (FDI) that takes place

wildly; on the other hand, the sector is subject to intensive competition from other low wage economies as they are integrated into the world market. The continued rise in the number of workers exploited in this sector shows that it continues to be a core element of imperialist surplus value production. This is due to the ever lower cost of international transport and communication, and the increased ability to break down the labour process into different de-skilled elements.

There are a number of large Asian multinationals growing fast in world markets, using skilled labour to design and produce hi-tech industrial products

within the global north relates to mergers and acquisitions, which merely transfers ownership and hence the right to the surplus product. Most of the productive operations of these companies take place in the developing countries. So while official figures show as much as two-thirds of global FDI takes place within the global north,³² in fact most surplus value-producing investment takes place in the global south.³³

Of more recent appearance is the phenomenon of "global buyers" or "manufacturers without factories".³⁶ The monopolisation of retail and wholesale industries in the last 30 years has allowed the Tescos and Wal-Marts of global capitalism to become "gatekeepers to developed country markets" and so dictate terms to suppliers of the goods they sell. Gereffi argues:

"The penchant of global buyers for the off-shore production of consumer goods precipitated a dramatic flood of imports in developed countries, which were coupled with a steep decline in domestic employment in traditional manufacturing industries. East Asian manufacturers such as Taiwan, South Korea, Hong Kong, and the Philippines focused on the OEM [original equipment manufacturing] production of consumer goods, according to the designs and brand name specified by the buyer."³⁷

The shift in third world manufacturing

One hundred years ago the bulk of foreign investments by Britain to the third world was undertaken to allow raw materials to be extracted and transport systems (ports and rail) to be laid down to export them.³⁴ After the Second World War, while this continued, often in joint ventures with the newly independent governments of the global south, new patterns emerge. Specifically, the off-shoring of key aspects of industrial production to the semi-colonies became the hallmark of late imperialism.

But the nature of this off-shoring has evolved over the course of the last half-century. First, in the 1960s labour-intensive assembly operations migrated to the global south – mainly within the clothing, sports goods and electronics industries. These operations were usually wholly-owned subsidiaries of major MNCs, which provided the components and machinery. The developing country government provided the (abundant, cheap) labour. Often offering low skilled jobs to a mainly female workforce, the host state set up export processing zones (EPZs) providing economies of scale and tax incentives.

By 2002 there were 3,000 EPZs in 116 countries. In terms of employment, the number of workers in EPZs grew steadily in the post-war period, but with the addition of Chinese workers to the equation in the 1990s the global total roughly doubled from 22.5 million in 1997 to 43 million in 2002, with China alone accounting for 70-80% of the global EPZ workforce – approximately 30-35 million workers.³⁵

These industries and jobs are the least secure in the global south. On the one hand, the capitalist business cycle ensures that demand for these goods fluctuates

The key difference in this "upgraded" form of off-shoring is that "global buyers in developed economies control the orders, but developing country suppliers coordinate the supply of inputs, make the final product, and send it to the buyers."³⁸ Since the local factories producing for mega retailers like Tesco and Wal-Mart are not recorded in FDI figures (but only in trade figures), these operations are not recorded as producing surplus value for MNCs. Yet, through their bulk purchasing power they dictate the cost structure of the suppliers.

The difference between for example the very cheap cost of producing the shirt that sells under the George brand for Asda and its final selling price, appears as "value added" later in the distribution chain but in fact originates in the super-exploited labour of the developing country. The unproductive services (marketing etc) simply use a slice of those profits.

The more recent developments in off-shoring have had a dramatic impact on the global south, so much so that on the surface the gap between imperialist countries and parts of the semi-colonial world seems to be closing fast.

There are a number of large Asian MNCs growing fast in world markets, using skilled labour to design and produce hi-tech industrial products. This is a long way from the export processing zones. Yet the emergence of these large firms in countries such as Taiwan, Singapore and South Korea for example, was not as a result of rivalry with large G8 MNCs, but rather at the behest of the global giants in the electronics and car industries. Companies such as Solectron, Flextronics, Sanmina/SCI, Celestica, and Jabil Circuit in Asia have grown by acquiring out-sourced manufacturing plants from the large brand-name electronics companies like IBM, Hewlett-Packard, Lucent, Cisco Systems, Alcatel, and Ericsson.³⁹

The same has happened in the car industry as GM, Ford and others spun off their components businesses

Table 2: Repayment of external debt, 2006

Country	Repaid in 2006
Russian Federation	22
Argentina	9.6
Mexico	9
Indonesia	8
Nigeria	7.5
Uruguay	2.5
Brazil	2

Source: World Bank

and big European and US car industry suppliers in turn out-sourced production to large Asian firms. For the brand name car and electronics MNCs the new firms offer substantial cost savings while offering excellent manufacturing performance. But more than this, "the suppliers must be able to provide a wide range of value-enhancing services, such as product and component design, inventory management, product testing, packaging, and inbound and outbound logistics."⁴⁰

For the advanced developing countries this relationship offers the possibility of accessing new technologies that can provide a platform for native hi-tech industries, even rivals to their partners. The Taiwanese personal computer company Acer is an outgrowth of this development, having first been contracted in the 1990s to supply motherboards, monitors etc, to the likes of Dell in the US. Nevertheless, the relationship remains unequal, as the big global giants retain control over decisive aspects of the production process. For example although four out of five hard drive manufacture jobs are found in South East Asia, hard drive design remains rooted in the US.⁴¹

Gereffi concludes:

"The automakers and electronics lead firms are reluctant to have their suppliers learn too much, and thereby undercut the power of lead firms to set the knowledge parameters essential for product innovation. As a result, OEM and ODM suppliers are often limited by their customers to focus on detailed design and production only and not develop more profitable production of own brands or engage in breakthrough research and development activities."⁴²

Hence it is not the level of technological sophistication of the product per se, still less the ownership structure of the firms involved, that determines the gap between the advanced semi-colony and the giants of the global north, but rather the productivity and innovation gap that ensures the inequality in assets and profits can be reproduced through each business cycle. So, while China:

"... has recently greatly increased its high technology exports as well, increasing from just 5% in the early 1990s to over 30% in 2005 - heavily concentrated in office machinery, TV, radio and communication equipment - foreign-owned firms are the dominant and increasing source (25% in 1996 and about 70% in 2005) of these high tech exports, but they are generally less R&D intensive than domestic exports."⁴³

These hi-tech exports are dominated by imperialist MNCs and as a result, in a frantic attempt to make up the technology gap, the Chinese state directs R&D research towards creating its own Chinese-controlled export sector where the R&D intensity of its domestic manufacturers is far higher than that of its foreign competitors:

"In the communication, computer, and other electronic equipment area, for example, Chinese domestic firms have an R&D intensity that is about seven times greater than that of foreign-owned firms."⁴⁴

Even so, according to 2006 figures, 73% of the global total invested on R&D was spent by US and EU-based companies, the US accounting for 40% alone (£98.6bn). However, the frenetic pace of China's development means that its R&D, "... has increased at a stunning rate of 19% a year since

1995, and reached \$30bn in 2005, the sixth largest in the world, according to the OECD."⁴⁵ And when measured in PPP dollars, which try to take account of the impact of exchange rates, China's R&D is even higher:⁴⁶ "... China's spending is expected to grow by nearly 24% in 2008 to \$216.8 billion—about 18% of global spending, up from 14% just two years ago."⁴⁷

But China is the exception that proves the rule. In spite of its growth it comes as no surprise then that a UN study

As a result of off-shoring industrial jobs to semi-colonies most of the major economies of the global north have shifted towards service sector jobs

last year concluded: "There is a major technological gap between the developed and the developing world ... and this gap has grown over the years as a result of rapid technological advances in the developed countries and the relatively slow advances in most developing countries."⁴⁸

Service jobs next?

As a result of off-shoring industrial jobs to semi-colonies most of the major economies of the global north have shifted towards service sector jobs. In the UK for example, not much more than 3 million manufacturing jobs remain, while the labour force has grown to 23 million.

Many service sector jobs are immune to off-shoring since they depend on a personal tie: the commodity is

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consumed as it is produced in a face-to-face encounter. But the business service sector (finance, insurance, marketing, software development) employs tens of millions and is responsible for ensuring profits made abroad are repatriated and distributed, that patents and licenses are respected, that capital is raised and sold in secondary markets. Will these jobs too move abroad? The emergence of call centres, back-of-office accounts handling

As technological advances have allowed communications and control systems to be revolutionised, more of the “value-chain” has been located in the global south

and software engineering campuses in India have underlined the point that “from the perspective of MNCs, the off-shoring of business services is efficiency-enhancing and profitable.”⁴⁹

Yet the trend is in its infancy and may become less important than it now seems. According to a 2005 McKinsey report only 11%, or 160 million, of the 1.46 billion service jobs around the world could be performed remotely, and just a small fraction of those jobs will actually go offshore. McKinsey estimated that in 2003, only 1.5 million service jobs were exported to low-wage countries for clients in higher-wage countries, and by 2008, this number was expected to reach 4.1 million – just 1.2%.⁵⁰

In summary, over the last 40 years imperialist MNCs have increased the number and type of industrial jobs they have outsourced to semi-colonial countries in order to capture ever-larger amounts of surplus value. Exporting jobs to the third world reduces the cost structure of global manufacture and enhances profits.

As technological advances have allowed communications and control systems to be revolutionised then more and more of the “value-chain” has been located in the global south. This in turn has allowed a handful of countries in the developing world to broaden and deepen their industries and financial markets without being able to close the development gap that keeps them in a dependent position.

Uneven and combined development: marked differentiation within the global south

The rapid growth of capital exports and trade in the latest phase of globalisation has had a major impact on the global south. But as a category the term “developing countries” hides as much as it is meant to reveal. What it means to be “developed” has changed considerably, as many of the formerly exclusive characteristics of the developed countries have been surrendered or shared with a range of third world countries. The goal posts keep moving.

But the process of capitalist development has also been very uneven. The neo-liberal panacea of free trade has

set back large parts of the global south and widened the gap between them and imperialist states. Take the fruits of industrialisation under the impact of off-shoring by the major MNCs. Manufacturing value added (MVA) is an indicator of the amount of industrial activity in different countries; as expected in 2000 the top shares of global MVA went to the US (24.1% of the total), Japan (14%), and Western Germany (8.5%).

Within the global south just six economies accounted for two-thirds of all MVA in the third world. China accounted for 30% (7% of the global total), followed by South Korea (10.8%), Brazil (7.9%), India (6.1%), Taiwan (5.9%), and Mexico (5.2%). Each of these six countries attracts a different mix of industries. China captured 40% of off-shoring in electronics and electrical equipment, apparel and footwear; and one-third of US production shifts in aerospace, appliances, household goods, and wood and paper products. Mexico received two-thirds of US off-shoring in auto parts and more than 50% in plastics, glass and rubber, appliances, industrial equipment and machinery, and wood and paper products. India accounted for all US production shifts in finance, insurance, and real estate, and one-third of those in communications and information technology.⁵¹

But at the other end of the scale, many of the least developed semi-colonies (LDCs) remain as dependent on their primary commodity sectors or low-tech manufacturing as ever. For the LDCs as a whole (32 countries) the share of MVA in total GDP was only 11% in 2000–2003. For half the LDCs this represented a decline on 10 years earlier and within manufacturing the proportion of medium and high technology output also declined.⁵² By contrast, primary commodity exports accounted for approximately 70% of LDC merchandise exports during the period 2000–2003 and for both minerals, metal and foodstuffs, less of it was processed before export than 10 years earlier.

Last year’s 2007 UNCTAD report was clear that in Africa the mineral extraction activities of MNCs are capital-intensive, have little impact on employment, are highly concentrated geographically, have high import content and result in exports of their output as unprocessed raw materials:

“Most of those operations are wholly owned by foreign investors (rather than joint ventures) and a large share of their foreign exchange earnings are retained abroad. Those operations tend to operate as enclaves since they are weakly integrated into domestic economies, as they have few forward and backward linkages in host economies.”⁵³

Much the same applies to the Latin American mineral and mining exporters. Another UNCTAD report last year noted that, as a group, the developing country exporters of mineral and mining products gained in their terms of trade by an amount equal to 5.7% of their GDP between 2004–06 – yet 80% of this gain went to the foreign MNCs as repatriated profits!

And for those Asian LDCs such as Vietnam, Philippines, Bangladesh and others that have been dependent on garment-related FDI, “the lack of embedding in the domestic economy and of technological learning in the garment industry means that garment manufacturing

in LDCs remains dependent on preferential market access conditions and is therefore vulnerable to their disappearance.”

Conclusion: closing the gap?

The global south has been the most dynamic part of the world economy this decade; its terms of trade, output and productivity have all seen significantly better than average performance in the previous two decades. The performance of the semi-colonial world, largely under the impact of FDI, has more than compensated for the domestic stagnation of the developed world, to ensure a record upturn in the main global indicators such as we have not seen for many decades.

As a whole, all parts of the semi-colonial world have seen growth and many a governments' financial and economic position has improved in relation to the imperialist world, be it in relation to balance of payments, external debt position, foreign exchange reserves or foreign investment holdings. Some of the transition economies and key Asian and South American economies have hugely increased their domestic industrial and transport investments. With this comes a greater degree of protection against external shocks brought about by capital flight and sudden exchange rate fluctuations.

These economic developments have had political consequences. There has been a degree of strengthening of the local global south elite in their dealings with multi-lateral agencies over trade pacts. Regional trading blocs that circumnavigate the US or EU have emerged, and several of the big countries, like China and Brazil, have taken the lead in the search for regional banking structures outside of the control of established imperialist powers. China is re-shaping the political map of South East Asia and of Africa.

But have these developments closed the gap between global south and the north? Much of the growth in the global south has been due to foreign investment, above all in China. This, together with significant capital accumulation by the state and domestic capitalists, has stimulated growth in other major semi-colonies in Asia and Latin America, attracting more foreign investment in turn. So a significant proportion of their growth is a function of the profit-maximising investment strategies of the imperialist companies and in this sense the semi-colonial growth has been dependent upon it.

One outcome of these trends has been that one essential feature of the epoch of imperialism - parasitism - has become more highly developed than ever. Parasitism means an increased tendency for imperialist countries to live off the surplus labour generated in the global south. This is done in various ways. The big MNCs directly employ labour in the third world and repatriate profits. The mega-retailers dictate costs to independent suppliers in the global south. The low-cost consumer goods imported into the west lowers the cost of reproducing labour in the global north and helps increase profit share of the main companies.

The main MNCs keep the productivity gap as wide as possible by using their superior resources to power ahead in research and product innovation, while confining their

suppliers to secondary developments. Meanwhile, the international agencies (e.g. the World Trade Organisation) they control supervise and enforce a system of patenting and licences that guarantees the period of monopoly profits lasts for as long as possible. In the financial sector the global banks and investment houses use their control over the capital and bond markets to capture surplus value in the circulation process.

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Also, this process of semi-colonial capitalist expansion in the last 10 years has been uneven and led to a greater differentiation within the global south. Africa has experienced huge growth, but most is a function of foreign-owned investment, and revenues are dependent on external demand. This continent is most vulnerable to external shocks (e.g. the end of the Chinese boom). The Gulf States (West Asia) have done best out of the commodity boom.⁵⁴ So some commodity - especially oil - exporting countries have improved their position. But for mineral exporters in Latin America and Africa most gains have been wiped out by the loss of national income to MNCs which own most of the capacity in those countries, resulting in income not being available for “national development”.

Finally, the impressive record of the last years has only marginally closed the growth and trade gap between the global north and south. Between 1981 and 2002 the average growth rate of developed countries was higher than that of most developing economies, while the per capita GDP of transition economies plummeted between 1990 and 2002. The UN has recently concluded:

“In relative terms, in the last 27 years there has been only a moderate reduction in the gap between developing and developed countries: in 1980, the real per capita GDP of developed countries was 23 times higher than that of developing countries, but it narrowed to 18 times in 2007. The performance of East and South Asia was almost exclusively responsible for this overall reduction in global inequality, given that their gap with developed countries was reduced, from 48 times in 1980 to 19 times in 2007. For Africa, Latin America and the transition economies, the relative gap is much wider today than in 1980, despite improvement in the last five years.”

This gap can also be seen in the disparity in financial assets held by the “two worlds”. While emerging market assets today stand at \$23.6tr, growing at more than twice the rate for the global north economies since 1990, they still only amount to just 14% of the world total, up from 10% in 2000 - less even than their 23% share of global GDP.⁵⁵

The three largest and most dynamic of the developing economies, China, Russia and India, face a dual challenge,

namely, to continue the development of globally prominent finance capital while overcoming the backwardness of their internal markets. China already has three of the 20 largest MNCs by assets in the world. India has one of the largest industrial conglomerates in the world – Tata. But both countries have a large and impoverished (and including non-capitalist elements) agrarian sector.

If these countries are to break-out of their dependency then the national bourgeoisies must prevent imperialism dominating capital development internally. China is significantly better placed to do this than India as a result of the origin of contemporary Chinese capitalism in the destruction of central plan in the mid 1990s. Its banks remain overwhelming 95%-plus owned by the Chinese state and domestic capitalists. It has almost no foreign debt and possesses foreign exchange reserves of \$1.5tr, its urban population has grown by around 190 million since 1990. It has a very rapidly expanding FDI⁵⁶ of its own, principally although not exclusively in foreign raw materials and extraction industries. Through state

directed investment in fixed capital infrastructure,⁵⁷ now exceeding \$1.5tr/year, it is undertaking a very quick development of communications and research and development, which surpasses even that of the US in the late 19th century.

If, like South Korea and Taiwan, a mainly urban, industrial society could emerge with a strong bourgeois national class and finance capital then China might develop as a sub-imperialism or more, with a powerful dominating and leading role in this region.

But the existing band of imperialist super-exploiters will not stand idly by and wait for their supremacy to be fatally undermined. For more than a century the big global north industrial cartels, finance institutions and the inter-governmental forums have orchestrated debt bondage and super-exploitation of labour. This system of imperialist plunder, has been overseen by the invisible hand of the market and, when necessary, the iron fist of military invasion and occupation.

There is every reason to doubt that this will change.

ENDNOTES

1. Financial Times, 9 October 2007
2. In contrast, just a few short years ago, several attempts at Chinese or Middle Eastern moderately-sized takeovers of US firms were contemptuously rebuffed by Congress.
3. Brazil, Russia, India and China. Goldman Sachs coined the term "BRICs" towards the end of 2000.
4. E Mandel, *Late Capitalism*, London, 1975, p371
5. OECD 2005
6. See Martin Wolf, *China changes the whole world*, FT 23 January 2008
7. Compared to 20% of global extra demand coming from North America.
8. See FT 18 January 2008
9. UNCTAD Report 2007
10. In 2007, as measured in PPP prices, China, India and Russia between them generated half of world growth.
11. See Noreena Hertz, *IOU: The debt threat and why we must defuse it*, London, 2004 chapter 3 for an account of the role of government-backed Export Credit Agencies in pushing loans onto Third World governments to help their own domestic industries.
12. Mandel op cit, p372. He cites figures for the 1960s for a range of Third World countries: e.g. India spent 22% of its export earnings on interest payments.
13. This accumulated debt totalled \$2.1tr by 2005 and required \$513 bn in servicing payments that year.
14. See M Wolf, *Financial Times*, 9 October 2007. However, the total external debt of the very poorest countries (the "low income countries" which have an annual average income of less than \$875 per person) was \$379bn in 2005. During 2005, these countries paid nearly \$43bn to the rich world in debt service or \$118m a day.
15. *Financial Times*, 9 February 2007. The IMF points to the implications of this: "Many [countries] pursued active debt management operations to reduce foreign currency debt and replace that with local-currency debt, thus making them less vulnerable to external shocks than in the past."
16. "... the relations of production and relative differences in productivity [are] the origin of the fundamentally divergent trends of development in the semi-colonies and the metropolitan countries ..." Mandel, op cit.
17. Lenin, *The Revolutionary Proletariat and the Rights of Nations to Self-Determination*, *Collected Works Vol 21* p407.

18. The distinction between colonies and semi-colonies lies in the direct administration of the former by a major power (e.g. Britain in India) whereas in a semi-colony the government is formally independent but the economy is dominated by the major power(s) and diplomatic and military pressure exerts a decisive influence over the state.

19. According to Mandel, it was the specific structure of the capitalist economy, especially in the age of imperialism but also partly prior to it, which assured that the accumulation of industrial capital in the metropolitan countries put a decisive brake on the accumulation of industrial capital in the so-called Third World. Op cit, p365.

20. See Mandel op cit p343-44 for an account of the main reasons for higher rate of profit which included: a lower organic composition of capital in third world industries; a higher rate of absolute surplus value; a falling value of labour power; a huge reserve army of labour; and the ability of the imperialist power to transfer the cost of colonial administration onto the non-capitalist part of society through heavy taxation.

21. Mandel gives estimates for Britain of the relative value of direct surplus value production and of profits derived from unequal exchange in the post-war period. In 1964 Samir Amin calculated global direct surplus value at \$12bn and unequal exchange profits a \$22bn. See E Mandel op cit, p346.

22. According to Mandel unequal exchange explains the relative enrichment of the metropolitan countries at the expense of the colonies and semi-colonies, by transfers of value resulting from the exchange of unequal quantities of labour on the world market. *ibid*, p361

23. Or in the language of Goldman Sachs: "As developing economies grow, they have the potential to post higher growth rates as they catch up with the developed world. This potential comes from two sources. The first is that developing economies have less capital (per worker) than developed economies (in the language of simple growth models they are further from their 'steady states'). Returns on capital are higher and a given investment rate results in higher growth in the capital stock. The second is that developing countries may be able to use technologies available in more developed countries to 'catch up' with developed country techniques." Goldman Sachs, *Dreaming With BRICs: The Path to 2050*, p6

24. *Ibid*, p368.

25. It has even seen the emergence of at least one new imperialist power – South Africa made the transition on the back of the post-



1945 economic boom and the domestic enslavement of its black population. See "Apartheid: from resistance to revolution", Permanent Revolution 4, 1986 first series. www.permanentrevolution.net/?view=entry&entry=1472

26. For a Marxist analysis of these states see *The Degenerated Revolution*, London 1982

27. IMF Report, October, 2007

28. Gary Gereffi, *The New Offshoring of Jobs and Global Development: An Overview of the Contemporary Global Labor Market*, International Labor Organization (ILO), Seventh Nobel Peace Prize Social Policy Lectures, Kingston, Jamaica, December 5-7 2005 p7.

29. Stephen Roach, 2003. *Outsourcing, Protectionism, and the Global Labor Arbitrage*. Morgan Stanley, Special Economic Study, 11 November.

30. In 2001, about 90% of all consumer electronics sold in the United States were produced offshore, as were 80-85% of footwear, toys, luggage and handbags, watches, clocks, games, and television sets, 70% of bicycles, 60% of computers, and 57% of apparel. United States International Trade Commission, 2001, Appendix C, Washington DC.

31. The average of GDP produced by manufacturing in the Third World moved from 78.3% of the First World average in 1970 to 99.4% in 1980, 108.1% in 1990 and 118% in 1998. Gereffi, op cit.

32. As the Economist Intelligence Unit explains: "The growth in global FDI in 2006, as well as in 2004-05, was in large part the result of very strong merger and acquisition activity (M&A), including cross border deals (which are the main form of FDI in the developed world)." (Economist Intelligence Unit 2007 World Investment Prospects to 2011 p8). These M&As simply transfer ownership between different sections of the imperialist ruling class rather than create any new profits in their own right; "From a host-country perspective, cross border M&As do not add to its productive capacity (at least immediately), but merely represent a transfer of ownership from domestic to foreign firms." (Ibid p71)

33. See John Smith's "What's new about 'New Imperialism?'" paper for the Historical Materialism conference November 2007, for the argument that official FDI statistics greatly under-represent the true amount of FDI in the global south.

Also FDI measured in current US dollars understates the degree to which the same sum captures different amounts of labour in the north compared to the south. Harvie and De Angelis calculate that between 1997-2002, the 19% of global FDI that was exported to the semi-colonies from imperialist nations commanded 63% of all the FDI-employed global labour. Quoted in Smith op cit

34. See Gerd Hardach, *The First World War 1914-1918*, Harmondsworth, 1977 p6.

35. G Gereffi, op cit, p9.

36. Ibid p10.

37. G Gereffi, "International Trade and Industrial Upgrading in the Apparel Commodity Chain", *Journal of International Economics* 48, 1: 37-70, 1999.

38. Between 1992-2000 estimates suggest up to 100,000 US jobs of this type each year went to China, Mexico and India. By 2004 it had risen to about 400,000 a year. See Kate Bronfenbrenner and

Stephanie Luce, "The Changing Nature of Corporate Global Restructuring: The Impact of Production Shifts on Jobs in the US, China, and Around the Globe", US-China Economic and Security Review Commission, October 14 2004, p55.

39. T Sturgeon and R Lester, 2004. "The New Global Supply-base: New Challenges for Local Suppliers in East Asia", pp35-87 in *Global Production Networking and Technological Change in East Asia*, eds Shahid Yusuf, Anjum Altaf and Kaoru Nabeshima, New York, Oxford University Press, p47.

40. Gereffi, 2005, op cit, p14.

41. According to the UN Industrial Development Report 2004, 16 countries were responsible in 2000 for 90% of the world's exports in hi-technology products. And while six of these were developing countries the jobs carried out in these six were less skilful than in the west.

42. Ibid p16.

43. Battelle Global R&D report 2008. Nonetheless, the report went on to note that, in spite of these sectoral advances, the OECD's analysis concludes that China still has a long way to go to build a modern, high-performance national innovation system.

44. Ibid.

45. "China develops research sector" by Richard McGregor, *Financial Times*, 28 August 2007.

46. Indeed according to the OECD in PPP terms China's R&D surpassed that of Japan in December 2006, to become the second highest in the world after the US.

47. Battelle Global R&D report, 2008.

48. UNCTAD LDC report 2007, p11.

49. Gereffi, 2005, op cit, p15.

50. McKinsey Global Institute, *The Emerging Global Labour Market*, www.mckinsey.com/mgi/publications/emerginggloballabor-market/index.asp

51. Kate Bronfenbrenner and Stephanie Luce, "The Changing Nature of Corporate Global Restructuring: The Impact of Production Shifts on Jobs in the US, China, and Around the Globe", 2004, p29.

52. Moreover, 40% of the total manufacturing value added of the LDCs as a group was located in one country, Bangladesh.

53. UNCTAD op cit, p11. Although China Aluminum Company's (Chinalco) January 2008 purchase of a \$14 bn, 9% stake, in Rio Tinto Group, the world's third largest mining company, is a sign of the shifts in the global economic order. This when combined with the Industrial and Commercial Bank of China's (ICBC) purchase of 20% of South Africa's Standard Bank for \$5.6 bn meant that by the end of the first month of 2008 China's FDI exports had surpassed that of the entire 2006 \$16bn.

54. The Gulf States stand to reap an enormous \$6tr windfall if oil prices stay at or above \$70 a barrel until 2011.

55. McKinsey, op cit.

56. China's sovereign wealth fund, the China Investment Corporation was established in 2007 with assets of \$300bn.

57. The Economist print edition, "China's infrastructure splurge; Rushing on by road, rail and air", 14 February 2008 http://www.economist.com/world/asia/displaystory.cfm?story_id=10697210



REGIME CHANGE IN IRAN

The threat from outside and the struggle within

Permanent Revolution interviewed Mehdi Kia, co-editor of Iran Bulletin Middle East Forum, about the threats to Iran from US imperialism and about the internal struggle against President Ahmadinejad's regime

FOR THE last two or three years the Bush administration has been beating the war drums in relation to Iran using the excuse of its supposed nuclear weapons programme. Recently the National Intelligence Estimate (NIE) report to the US Congress suggested that Iran had given up such a programme in 2003. Do you think this changes the likelihood of a military attack on Iran? Is it likely to have any effect on the sanctions regime imposed by the UN?

The issue of Iran's possession of nuclear weapons is clearly of vital importance to the Bush, or indeed any subsequent, administration. No US government, Republican or Democrat, can tolerate a nuclear Iran. It would totally upset the balance in the Middle East to the detriment of its chief ally and strongman in the region, Israel.

The fact that a nuclear armed Iran is no longer an immediate danger merely makes it more difficult to sell mass bombing to a battle-fatigued US public. But regime change by other means remains on top of the agenda for this and the next US administration. Sanctions are but one of several options. The US has a number of eggs in its basket – a “colour revolution” as in Ukraine or Georgia or the break-up of Iran through fermenting ethnic separatism – are but two. The use of overt or covert military action, including using the Israeli proxy military arm, has not been ruled out. Neither has limited military strikes to provoke Iran into retaliation. This last tactic, supported by amongst others, Dick Cheney, might help shift US public opinion back into supporting more aggressive policies. They have also shifted the focus from the nuclear issue to Iran's alleged role in arming the Shi'a militia in Iraq.

In Iran inflation is officially running at 19%, unemployment is rising, petrol is rationed. What would you say are the roots of these economic problems?

The Iranian economy is in a dire mess. According to

the Iranian parliament (Majles) inflation is actually 24%. Inflation in key consumer goods and housing is approximately 50%. The downward spiral has been compounded by a number of interlocking factors. A massive parasitical state bureaucracy and more importantly an enormous military-security apparatus swallows huge unaccounted petrodollars. Last year US\$34bn was handed over to the military without any accounting in the official budget. A further US\$9bn in foreign reserves was handed over to them bypassing the Majles. Then we have the most rampant corruption the country has ever seen in the last century.

The Iran-Iraq war (1980-88) devastated the Iranian economy. After the war economy came to a close at the end of the conflict Iran began a process of “reconstruction” – implementation of neo-liberal IMF diktats. An entirely new class of super-rich known locally as aghazadeh (literally translated as “sons of squires”) was born out of the close family and friends of the ruling mullahs – through privatisation, currency speculation, massive government import credits at preferential rates, and land development etc. Some of these clerical oligarchs, such as Rafsanjani, are now in the top international wealth league. The economic consequences on the population became so acute that between 1992-95 we witnessed a chain of major riots in many of the major cities of Iran – classical “IMF bread riots”.

As Rabi'i, deputy-chair of the all powerful national security council put it, some of the regime's ideologues heard the “danger sirens”. Minor political reforms were introduced and the reformist Khatami became President on a massive two thirds of the vote. Yet the neo-liberal economic policies continued with even greater speed and the aghazadehs became fatter. It was during these years that a new parasitic oligarchy began to grow, centred around some sections of the military-security apparatus.

From the beginning massive smuggling operations had

been run by the military-security establishment. There are today several hundred piers along the length of the Persian Gulf smuggling anything from videos, DVDs, television sets, to alcoholic drinks – depriving the state from tax income. Moreover the revolutionary guards have been, and continue to be, central to the massive drug smuggling operations from Afghanistan, both to feed the huge internal consumption but also as a conduit to Europe. But more recently the military oligarchy has entered the more traditional economy by making successful inroads into such lucrative fields as mobile phones, construction of the new Tehran airport, the US\$9 billion gas pipeline to India, and the oil industry – pushing out the clerical-oligarchy.

With the utter failure of the reformist movement, the military-security services began an assault on all the electable organs of state culminating in the bloodless coup which brought Ahmadinejad to the presidency. Yet neoliberal policies have not only continued, privatisations have indeed speeded up. Under the “populist” Ahmadinejad, Iran has been singled out for praise by the IMF. Meanwhile manufacturing infrastructure is rotting away, with money diverted to land speculation and building – supported by pliant municipal administrations – consumer imports helped by government grants and currency speculation. Finally Ahmadinejad’s simplistic populist policies to placate the regime’s remaining, and fast shrinking, popular base – like halving bank interest rates – have merely made an already disastrous economic situation worse.

Iran has parliamentary elections this month (March) and presidential elections next year. How would you assess the ongoing battle between “conservatives” and the “reformers” in the Iranian state?

It is useful to go back ten years to understand the roots of the various factions within this regime. During President Khatami’s reformist government certain sections of the military-security establishment began to organise under the general title of “principled” (*usulgaran*). They were already strong in the more powerful non-elected structures of the Islamic Republic which is a top down pyramid controlling every key section of the country – the judiciary, the military and the security establishment – all under the control of the Supreme Leader. Their plan was to extend control into the organs which were up for election under the hybrid constitution imposed by the revolution on the post-revolutionary regime.

Initially they took control of the municipalities, then the Majles and finally the Presidency, with the election of Ahmadinejad. It must be stressed that elections in the Islamic regime are a highly controlled affair, with candidates vetted by the unelected Council of Guardians (CG) which is appointed by the Supreme Leader – Khamenei’. The CG also vets all laws passed by the Majles. The utter failure of the reformists to pass even a single serious legislative reform through parliament made the process much easier. Indeed the failure marked a terminal end to the “reformist” project which preached reform within the Islamic Republic. The next target of the “principled” was going to be the replacement of Khamenei’ with their own

religious leader (Mesbah Yazdi) putting an end to the factional nature of Iranian politics once and for all.

Today’s election contest is therefore between the traditional conservatives – the clerical oligarchy plus a few pliant ex-reformists – and the new military-security oligarchy, as represented politically by the “principled” grouping. One might well ask why then has the regime made such a huge effort to prevent the reformists’ rump from putting up candidates? The answer is in the rising popular discontent and popular anti-regime movements. The

Once it was clear there was no hope of lasting reform from within the Islamic regime opposition has increasingly taken place outside that framework

one thing they do not want is any public expression of dissent and hatred for the regime by tactical mass voting for people who are mildly critical of the state (a particular expertise of the Iranian electorate), or a voice in the Majles raising even the mildest concerns. The spectre of a popular uprising has brought both the rivals into agreeing on this exclusion. To guarantee this they have appointed a revolutionary guard commander to take charge of elections and have spent 300 billion rials (about US\$20 million) on vetting candidates. So far an estimated 3,000 nominated candidates out of 7,168 have been disqualified by the CG’s vetting committee – many of them reformists.

How likely is it that President Ahmadinejad will face a serious opposition candidate in next year’s election?

The same point can be made regarding the presidential election. The current battle between the old conservative clerical oligarchy and what some have called the neo-conservatives of the military-security oligarchy will have to be played out there as well. Last year’s election to the Assembly of Experts, which chooses the all-powerful supreme leader (*velayate faghih*), was a stalemate between the two rival grouping, saving Khamenei’s neck for the present. The outcome of the next presidential election would depend on the balance of power between the two oligarchies. For the people of Iran it will not bring any relief from the hardships as both factions are deeply bedded into neo-liberal economic policies.

Iran’s “democracy” is severely limited. How easy or difficult is it for an opposition to organise at the moment?

Once it became clear to all but the most deluded that there is no hope or prospect of any lasting reform from within the Islamic regime, opposition to the Islamic regime is increasingly taking place outside that framework. Despite intense difficulties, repression, kidnapping, arrests, torture and executions, the popular movements against the regime are gaining momentum.

These include the movements of women, youth, students, nationalities as well as the increasing self-organisation



and struggles of workers for their basic rights. Just to give an example, last year 100,000 women were arrested in one month in Tehran alone for "inadequate hejab" (Islamic covering). This shows both the depth of repression but also the extent of resistance. Of course there is a huge price to pay. In the first three months of the Iranian year the Islamic regime executed 179 persons – the highest official execution rate per population in the world.

There have been a number of student protests recently and repression has followed. What is the political nature of this student movement?

With the collapse of the reformist movement, of which the student movement was the spearhead, the student movement has increasingly separated itself from the regime. More interestingly, over the last year the left has been able to organise and lead significant sections of the student movement. They belong to a wide spectrum of left and Marxist views, some of which are affiliated to existing left groups but most are independent groupings. These are now organising independently of the regime and indeed in opposition to it. Their slogans are increasingly political.

The slogan of "bread, equality, freedom, socialism" certainly took the regime by surprise. Students have spoken of linking the student movement with the workers, the women, and other social movements and of their support for these movements. The student movement has recovered from the repressions of the 1980s and the illusions it had in the "within-regime" reformers in the 1990s. Now it is finding its real feet after nearly three decades of repression.

The regime was quick to recognise the threat posed by a renewed radicalised and independent student movement. The mass arrests of the last few months have now had an echo outside Iran. There have been persistent reports of torture, and at least one student, Ebrahim Lotfollahi, has

Over the last year the left has been able to organise and lead significant sections of the student movement. They belong to a wide spectrum of left and Marxist views

died in prison under suspicious circumstances. Lashings and heavy fines have been meted out and tens of student leaders, mostly from the left, remain in prison. It is noteworthy that the few reformist papers that have survived have supported the government clampdown on left and communist students. In left-bashing all factions of this reactionary regime are unanimous. Finally the regime has resorted to its most effective weapon – expulsion – excluding militant students from the student body.

As a footnote it is worth pointing out that there is a huge culture of blogging among Iranian youth and students. This means that news of developments travel fast. Moreover here is a very useful forum for exchange of

views and experience. It is difficult for the regime to suppress something somewhere without the country waking up to it very rapidly. Thus blogs can act as a medium for nationwide organisation.

Similarly there was severe repression of trade unionists last year, especially in the transport sector. What is the state of the trade union movement? Do you think it can offer a real challenge to the regime in the next period?

This is an important question since the working class of Iran is so central to any potential change in the future. It has been the most severely hit by the neoliberal policies. There have been mass redundancies. The minimum wage is well below what even the regime considers the lowest that can support a family. Wages have not been paid for months and even years. There is mass unemployment, particularly acute in the youth. These and other tribulations have meant that the working class is struggling for its very existence. And all this under the most savage repression of labour leaders and activists.

Under these circumstances it is amazing that the working class has been able to take the first steps at self-organisation. Four years ago a "co-ordinating" committee of labour activists obtained the support of 3,000 militant workers across the county – the first successful attempt to create a nationwide organisation in recent times. Last year, as you point out, the Tehran bus company workers organised the first union in modern times which led them in an extended strike action. More recently thousands of sugar workers of Haft Tappeh have been organised in what in effect is a union to oppose privatisation – and have taken on the sugar mafia.

But the majority of the Iranian working class is in a day-to-day struggle for mere survival. Over three quarters are contract labourers. Many have been forced to sign blank contracts that can be changed by management at its whim. The government also uses its power to allow bosses to expel militant workers "legally". Under these conditions, when the majority of the working class actions are defensive in character, independent workers' mass organisations that can defend their struggle are a critical necessity.

There are currently three main views among working class activists on how to organise the working class. One wants to confine it to the economic day-to-day struggle for immediate aims. Another group dismisses the economic struggle as being reformist and wants to create a mass political organisation of the working class devoted to abolishing wage labour. A third, which I find more sensible, while endorsing the importance of the political organisation of the working class believes that the way the majority of workers come into the political struggle is through participation in their day-to-day struggle. Hence the task of organising mass workers' organisations which can fight the economic struggles of the working class is of vital importance today.

Currently there is a major disagreement within the "co-ordinating committee" where those who advocate a mass workers' organisation to abolish wage labour as a substitute for trade unions, are accusing the others of

reformism and are threatening to split the first nationwide organisation of labour activists. Were this to happen it would be an unfortunate development.

Having been part of the mass movement that overthrew the Shah's dictatorship in 1979, the Iranian left suffered a major defeat at the hands of Ayatollah Khomeini's regime in the 1980s. Do you think the socialist left has recovered at all in recent years?

Certainly there have been socialist circles working together even in the darkest days, but they had little effect on the political scene. The recent resurgence of the left and socialists, especially in the student movement but also in the labour and women's movement is very encouraging. There has of course been a major hiatus between the older generation of Marxist activists (many of whom were either executed or are in exile) and the new generation of socialists. You will recall that tens of thousands of left activists lost their lives in the 1980s.

This means that the experience of the older generation has not been sufficiently passed over and internalised by the activist inside Iran. This can mean that some of the mistakes made in the past are in danger of being repeated. The increasing use of the internet and blogs has been very useful in filling the gaps between the two generations of left activists and theorists.

Two thirds of Iranians are under 30 which means they did not experience these defeats. How do you think this generation divides between supporters of the regime and its opponents?

There is absolutely no doubt that today the majority of Iran's youth are against the Islamic regime. They show it at every opportunity given to them, in the streets, during national celebrations, in the football stadiums and even in everyday life by openly flouting the regime's many restrictions despite the threat of arrest, lashings and imprisonment. It is an irony of history that the children of the revolution are its greatest foes.

The regime is well aware of this but its hands are tied by its inability, because of ideological reasons, to create structures that can engage the youth, or economically to create jobs that can employ the mass of unemployed young. I can say with confidence that the secular movement is stronger in Iran today than in any other Islamic country. The negative aspect of this frustrated youth is a massive rise in drug addiction, crime and prostitution. The Iranian people are going to pay a very heavy social and psychological price for the rule of this ultra-reactionary regime.

What role have women been playing in the opposition to the regime? What are the grievances that have led them to organise in opposition?

One of the central aims of the revolution was to push women back to the home. The preamble of the constitution of the Islamic Republic explicitly states that women's most important duty is motherhood and "bringing up of religious-minded men and women". The paradox is that Khomeini encouraged women to come out in their millions during the revolution to overthrow the Shah's

regime and no amount of cajoling and bullying was going to force them back.

Women have therefore been the single biggest thorn in the flesh of the regime. From the very beginning secular women protested in the streets against forced Islamic attire [hejab] and there has not been a time when they had not tried every means to flaunt these rules, and pay the price. I have already mentioned the scale of the defiance. Last month Zahra Bani-Yaqub was arrested with

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her fiancé in the streets of Hamedan. Two days later her dead body was handed over to her parents with signs of savage beating on her body.

Over the last years women circles have mushroomed everywhere. They have systematically fought for civic rights such as the right for divorce and for child custody – which hands over all but babies and toddlers to the father. Increasingly, particularly since the collapse of the "within-regime" reform movement, women have been organising independently of ruling factions.

For a number of years women have celebrated 8 March International Women's Day by organising rallies and demonstrations – which have been put down by force and scores of women activists have been arrested, and many remain incarcerated. The most recent campaign is the "One Million Signatures Demanding Changes to Discriminatory Laws". Many of its leaders have been arrested. Last month the reformist magazine Zanan was closed down. Iranian women remain a volcano under the regime of the Islamic Republic.

In Britain the anti-war movement has been divided over how to campaign on Iran. The SWP for example thinks you should place your main emphasis on opposing US intervention rather than on criticising the Iranian regime. This led to the exclusion of HOPI from the Stop the War coalition largely on the grounds that it was too critical. How do you think anti-war activists should deal with the "defence versus criticism" argument?

There are a whole series of issues raised by the anti-war movement that would require a separate interview. At its core however there is a simple truth. US imperialism and its allies on the one hand and the Islamic regime ruling Iran may apparently be at loggerheads, but in some aspects they are in a state of negative alliance. Let me explain.

The Islamic regime, and I would go further and include the Islamist movement as a generic whole, is structurally and fundamentally incapable of mounting a real challenge to the imperialist aggression. Their suppression of any independent movement, their repression of society, their division of all social groups into muslim



and others, the repression of women, the very fact that they stifle any free debate or association deprives those societies of the very forces that can stand up to imperialist aggression. One needs only to look at Latin America to see that wherever there are independent social and working class organisations and movements, and to the extent that these movements are given free reign to express themselves and effect policy, the weaker the imperialist hold on that country. This is the iron law of the anti-imperialist struggle.

It is only through the strengthening of the social movements, and particularly those of the working class and the toiling masses that it is possible to stop the war and to put a brake on imperialist designs in the region. The Islamist movement, no matter how superficially "radical" is incapable of mobilising this potential – worse it savagely blocks its organisational potential and splinters society into tiny fragments. We have seen that again and again, not just in Iran but everywhere the Islamist movement has taken root, including Palestine.

Moreover, the neo-liberal economic policies in Iran has made the majority of the Iranian population destitute. People struggling to keep their heads above water will clutch at any straw. Finally, through its repression of workers, women, nationalities, religious minorities and youth, it makes it easier for the imperialist powers to justify their aggression and wars to their constituents.

Undoubtedly the main task of the anti-war movement is to target its attacks on imperialist aggression and organise the widest possible protest movement to oppose war. By the same logic the anti-war movement must simultaneously and unequivocally support the working class and democratic movements within Iran. This will help the people of Iran to strengthen their struggle – since it is mainly through the struggle against the regime that they can gain strength. Indeed the imperialists have understood this and pretend to support all the democratic movements in Iran. We must counter imperialist propaganda and show real solidarity with their struggles. We need to show the people struggling under very difficult circumstances that the anti-war, anti-imperialist movement in Europe and the US is on their side.

Without this the enormous potential for a mass anti-war movement in Europe and the US will not be realised. It is difficult to mobilise millions here under the slogan "we are all Hezbollah", which dominated the anti-war movement in the UK in its latest protest marches. And without mobilising that potential the anti-war movement will be nothing but a runt. The SWP knows very well what it is up to. It is using the war as a means to fulfil its alliance policy and to recruit to its ranks. This opportunistic

policy has done immeasurable damage to the anti-war movement.

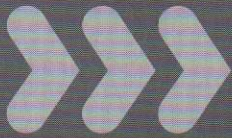
A genuine anti-war movement has to ask itself what happened to the two million who marched in 2003, even though today the majority of the people in all European countries and a significant section of the population in the US oppose the war. It is only through a principled anti-war movement which mobilises people along the following interlocking slogans – No to imperialist aggression; No to the Islamic regime; Support for the working class and democratic movements in Iran; Opposition to Israeli aggressive policies in the region – that a truly effective movement can be realised.

What do you think the priorities of British trade unionists and socialists should be in relation to Iran in the next period?

The task for socialists follows from what I have outlined above. It is the duty of socialists and trade unionists to organise a principled but powerful anti-war movement that can truly put spokes into the wheel of imperialist designs in the Middle East. Who else, but socialists should be in the vanguard of organising an anti-war movement which by the very nature of the wars today is anti-imperialist.

This also means that the anti-war movement must avoid becoming a rump movement of socialists that defines itself by its socialist identity rather than its ability to address the key issues of our time. Unquestionably the anti-war movement must support socialists, communists as well as the working class and the social movements organising in Iran and elsewhere. But this is not the same as being a "socialist" anti-war movement. I believe Hopi needs to take care regarding its identity – is it to be an organisation of socialists or is it an anti-war movement that supports socialists alongside other social and working class movements.

If we accept that today, more than ever, the global political order capitalism is forcing on our planet is inseparably linked to its model of accumulation of capital, then any successful effort at preventing the imposition of Pax Americana on the Middle East is a blow against capitalism. I challenge anyone to think of anything that can forward the struggle for socialism more today than doing just that. At a time when the imperial armies are imposing their will – and their hell – on large tracts of this planet, the anti-war movement has a very critical duty. To realise that latent potential and create a powerful anti-war movement, one that subscribes to the principles I outlined previously, is the most radical action socialists can do today. History will not forgive us if we fail in our task.



Pierre Lambert 1920-2008



PIERRE BOUSSEL, better known as Pierre Lambert, died in Paris on 16 January 2008, aged 87. Lambert was undisputed leader of one wing of French Trotskyism which, for over half a century, was known as “Lambertism”. This current revelled in a reputation for semi-Stalinist intolerance of opposition and for theoretical “orthodoxy”. Far from representing a continuity with the tradition of Trotsky, Lambert’s politics were entirely of a piece with the post-war centrism that distorted the nature of revolutionary Marxism and misled generations of militants.

Lambert first came to prominence in the years after the Second World War, when he argued vociferously inside the newly-formed Parti Communiste Internationaliste (PCI), in favour of a “Yes” vote in a referendum for the Constitution of the Fifth Republic. The leadership of the PCI had rightly argued for an abstention, but Lambert and the opportunist wing of the party were able to win the day. Although Lambert dressed up his support for a bourgeois constitution as a “yes for higher wages, for food, against wage control and piece-work”, his real concern was that the members of the PCI should “put [themselves] with the movement of the masses.”

The whole of Lambert’s political career can be summed up in this desire. As such, he did not differ fundamentally from any of the other opportunist centrists whom he viciously denounced – the difference was not one of method, but merely of the political force to which he chose to adapt. In Lambert’s case, it was the reformist trade unions.

From 1948-52, there was a growing crisis within the Fourth International (FI) as its political perspectives became increasingly divorced from reality. Clinging to Trotsky’s perspectives developed at the start of the Second World War,

that the war would lead to ever greater revolutionary and economic crises both in the capitalist world and the Stalinist states, the FI developed ever more catastrophic perspectives. They failed to recognise the economic dynamism of the USA and its ability to rescue Europe from economic stagnation after the war and initiate a long upward wave of capitalist expansion, the “long boom”. Instead of reassessing the economic and political situation, they clung to the idea of a renewed world war and growing economic stagnation.

The coming collapse of capitalism and the eruption of a revolutionary tide were seen as the

union for going on a union-sponsored visit to the country), nor over the development of the idea of strategic entrism into the Communist Parties. Instead, he carried on doing his trade union work – he was a social security clerk – linking up with reformist unionists through a PCI-sponsored newspaper, L’Unité, which deceitfully claimed to be a “free tribune”, without any political links.

In 1952, when the International’s leadership decided to criticise L’Unité, and instruct all PCI members to carry out “entrism” into the PCF, Lambert abandoned his previous confidence in the

The myth of Lambertist “orthodoxy” was born. What sparked his change of line was not political principle, but hostility to “interference” in his own area of work

inevitable outcomes of an unfolding objective process. Michel Pablo, secretary of the FI at the time, was to argue that the imminent “war-revolution” left no time to build Trotskyist parties; instead, deep entry into social democratic and Stalinist parties was the order of the day. The leaderships of these parties, or sections of them, would be driven by the objective crisis to “project a revolutionary orientation”. Tito in Yugoslavia, Aneurin Bevan in the British Labour Party, Juan Peron in Argentina, to name but a few, became leaders who could be pushed leftwards by friendly criticism, “roughly revolutionary instruments” that would substitute for revolutionary parties.

Lambert played no decisive part in any of the key debates that took place over the nature of Tito’s Yugoslavia (although he was kicked out of the Communist CGT trade

International Secretary Pablo, who would later become a Lambertist bogey-man. The myth of Lambertist “orthodoxy” was born. What sparked his change of line was not political principle, but his hostility to “interference” in his own area of work.

The result of these debates was a split first in the PCI, then in the FI, with the American SWP proclaiming the creation of an “International Committee of the Fourth International”. By 1955 Lambert had expelled the real brains behind the faction fight with Pablo – Bleibtreu – and oversaw the slow shrinking of his organisation, reduced to a rump of trades unionists in the Force Ouvrière (FO), then an anti-communist trade union federation.

In the 1960s, the self-proclaimed opponent of “Pabloite liquidationism” began to send members of his organisation to



carry out deep entry work in the revived Socialist Party (PS). These "submarines" were simply supposed to gravitate to important leadership positions, without ever revealing their politics or trying to gain support. This "tactic" – which had no practical or public political consequences – was relatively successful; amongst the many young militants sent into the PS by

fundamental instability in the French political system. The opposite happened. When, in 1986, Mitterrand agreed to "cohabit" with a right wing parliamentary majority, the Lambertists proclaimed that a massive crisis was about to occur. Nothing of the sort happened, but – like Pablo in 1952 – Lambert used his exaggerated perspectives to justify

and hence, to class collaborationism – was accompanied by a formal defence of "orthodoxy" that could be extremely muscular, both figuratively and literally.

At the same time, internal dissent was forbidden. As the wheels came off the Lambertist bandwagon in the 1980s, there were a series of damaging splits within the PCI. They lost their influence over UNEF-ID, which went over to the Socialist Party, and they expelled important sections of the trade union rank and file, and the intellectuals it had attracted, such as the historian Pierre Broué.

In the 1970s and 1980s, Lambertism lurched from one international lash-up to another, generally splitting over some fabricated "theoretical" difference (with Healy, there was a surreal debate over dialectical materialism versus the Transitional Programme, while differences of "180°" with Argentine Trotskyist leader, Nahuel Moreno, were cynically discovered a year after an international fusion which formed yet another "reunited" FI).

By the late 1980s, Lambert adopted a dual tactic towards international organisations – creating an International Workers' Entente composed of various reformist and nationalist forces, and declaring the FI refounded, yet again, in 1993. The impact of this supposedly decisive event was once again negligible.

Lambertism – like the SWP(US) – still exists, but this is merely an historical enigma.

It has no roots in the working class. It has produced no coherent body of political theory or practice which gives it a reason to exist. Instead, it has the organisational inertia of a sect.

Ex-Lambertists may look back with dewy eyes at the life and times of their mentor, but the gaze of history will be harsher.

By Emile Gallet

The Lambertists' latest foray into the Presidential arena in 2007 was marked by anti-European and localist rhetoric, with not a mention of the class struggle

Lambert was Lionel Jospin, who eventually became Prime Minister less than a decade after his last meeting with Lambert.

Of far greater consequence was the entrism practiced by the Lambertists in the post-1968 student union, UNEF-ID, which they controlled until the mid-1980s ("ID" stood for "Independent and Democratic", a typical piece of Lambertist double-speak). Through UNEF-ID, the Lambertists were able to win and train a new generation of militants, many of whom are now in the leadership of the organisation.

Above all, however, Lambertism came to be identified with FO. Exactly who in the FO leadership was a closet Lambertist was never revealed, but the links between the two organisations were extremely close. If rumours are to be believed, Lambert and many FO leaders were in the same lodge of the Freemasons. Through these shady networks, the PCI gained an army of full-timers and, according to the revelations in one trial, substantial sums of money.

In 1981, Lambert called for a vote for the Socialist Presidential candidate, François Mitterrand, from the very first round, rejecting the possibility of supporting any other workers' candidate. He dressed up this opportunism by the claim that this would lead to

a more systematic lurch to the right.

Because there was no mass workers' party that the Lambertists could openly influence, they set about creating their own – the Parti des Travailleurs (PT), complete with a set of anarchist, socialist and communist "tendencies". This was a Potemkin Village – a fake set up to delude the gullible, rather than actually building anything worthwhile. An attempt to convince the public of this approach failed dismally, when Lambert gained a mere 0.38% of the vote in the 1988 Presidential election.

Loyal Lambertists might have been fooled by the PT, but the working class was not. The Lambertists' latest foray into the Presidential arena, in 2007, was no more successful, but was marked by anti-European and localist rhetoric, with not a mention of the class struggle.

Like all the other components of the "International Committee" tradition – the SWP(US) and the British Healyites – the Lambert group's internal structure and public practice owed a great deal to Stalinism. Systematic accommodation to reformism –

DEREK WALL ON ECOSOCIALISM

How to deal with planning for the environment under capitalism

HELEN WARD'S article "A Question of Power" [Permanent Revolution 7] provides an excellent socialist introduction to the threat of climate change. In particular it throws up the central issues of power and political economy. Environmental problems have huge technological implications. However, without being anti-technology, we need to take a critical approach.

Social questions dealing with power are almost always reduced to technical matters within the capitalist society we live in. Yes, we can produce more energy more cleanly; I remember reading that "Scotland could be the Saudi Arabia of renewables" which is a phrase I like.

Helen notes George Monbiot's discussion of generating huge amounts of energy from deserts using solar, so I guess Saudi Arabia could be the Saudi Arabia of renewables too. However, a wasteful capitalist economy which can only function if we produce and consume at dizzying rates will always challenge the basic biochemical cycles of the planet.

Technological solutions should not become sticking plasters for a system of organised cancer. Equally, technology occurs in a social context. Our context is capitalism, so the solutions most favoured by the status quo are introduced and other alternatives are ignored. An oppressive society introduces oppressive forms of technology like nuclear power. The class struggle extends to the application of science.

Marxists, Greens, all of us need to debate the nature of technology. We also need to debate and refine our ideas about economics. The Green Party supports contraction and convergence and, taken together with Green Party policies on a range of issues from big cuts in regressive taxes like VAT, to

investment in public transport, insulation . . . C and C is progress.

Depressingly the whole approach, as Helen recognises, to climate change globally is based on the market. Carbon trading will make the rich richer and the poor poorer. Those with the cash can flaunt their waste and probably will. Over-consumption and waste as perverse ways of showing social status are a reality. Richard Branson is keen to introduce space tourism with biofuels, while poorer economies who want to industrialise, in contrast, will be penalised.

For carbon reduction to work at all we need to change structures and enable people to be green. A tiny example: where I live there is virtually no bus service, the local post office has been shut (a victim of neo-liberal free market deregulation!) and I don't drive but I risk death if I cycle to and from my nearest town because there is no cycle path. Being too incompetent to pass a driving test, this makes

the market, but the Marxist project is to surely restore them.

Commons is based on usufruct . . . an ugly word, but it means access to resources as long as those resources are put back in as good a condition as you found them. Commons has an inbuilt environmental aspiration and maintains free access to resources. Local commons have proved very successful in maintaining the environment, but where they still exist are under constant threat.

Workers' conversion plans are also an approach which is essential. They need to be introduced to create real prosperity without ecological damage. Incidentally one area of struggle is, as we all know, within the trade unions. In the 1970s the Australia building workers' union introduced green bans and prevented the construction of environmentally damaging buildings. In the 1980s the National Union of Seamen blocked nuclear waste dumping (<http://archive.greenpeace.org/comms/97/oceandump/radioactive/reports/history.html>).

So when I hear the word planning, I wonder if this is a little abstract. I am suspicious of "the central plan", but commons and

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life on occasions inconvenient! This is a trivial and personal example but the point is that the market will not solve climate change.

I am also sceptical about central planning. Planning is necessary and provides an alternative to the market. However we need to debate what this means if it is to a) work and b) work democratically. A central plan for the planet does not look practical and to me does not look like socialism. For the Marxist solution is the commons. Commons were assaulted to create

workers' action are vital. Maybe we have to plan at some kind of global level but more local economies that work seem to me to be the key. Workers' and community control will lead to a world which is less likely to be polluted.

It is probably fair to say that Helen's last few points were the ones I found closest to my view of political economy beyond the market and top down centralist plans:

"Once people get together there will be endless ingenuity in



reducing energy bills and ideas for transforming the way we live and work – and it will doubtless involve taking on the local council, transport chiefs, the bosses and other anti-social members of the community.”

The Latin American ecosocialist Hugo Blanco put it like this:

“At first sight environmentalists or conservationists are nice, slightly crazy guys whose main purpose in life is to prevent the disappearance of blue whales or pandas. The common people have more important things to think about, for instance how to get their daily bread . . . However, there are in Peru a very large number of people who are environmentalists . . . they might reply, ‘ecologist your mother’, or words to that effect . . . Are not the town of Ilo and the surrounding villages which are being polluted by the Southern Peru Copper Corporation truly environmentalist? Is not the

village of Tambo Grande in Pirura environmentalist when it rises like a closed fist and is ready to die in order to prevent strip-mining in its valley? Also, the people of the Mantaro Valley who saw their little sheep die, because of the smoke and waste from La Oroya smelter.”

(Hugo Blanco quoted in Guha and Martinez-Alier, 1997: 24)

From the need to fight against imperialist war to the need to prevent rainforests from being gobbled up for biofuel and soya, to ethical debates about the status of future generations and other species, discussion could be extended almost for ever.

However to sum up, we need to get involved in grassroots struggles now. John McDonnell’s support for the climate camp is one example, trade union climate action is another.

We all need to debate ecology in greater depth, in a scientific sense, so our solutions are actually

solutions, not like biofuel which adds to the problem. From Marx we should take the essential principle of an economy based on use-values, not ever increasing blind accumulation of exchange-values. We need an economy that is democratic, ecological and for me that means socialism. Marx noted:

“From the standpoint of a higher economic form of society, private ownership of the globe by single individuals will appear quite absurd as private ownership of one man by another. Even a whole society, a nation, or even all simultaneously existing societies taken together, are not the owners of the globe. They are only its possessors, its usufructuaries, and like *boni patres familias*, they must hand it down to succeeding generations in an improved condition.”

(K Marx quoted in Kovel 2002: 238)

Derek Wall is male principal speaker for the Green Party

Fine portrait of an American Revolutionist

JAMES P CANNON AND THE ORIGINS OF THE AMERICAN REVOLUTIONARY LEFT 1890-1928

Bryan D Palmer

University of Illinois/ 2007 / £29.00

THIS IS a labour of love by Bryan Palmer. And it's clear throughout that it's the work of a man with a real love for Labor. There is no academic "distancing" from the subject. Palmer is rooting for the workers from page one.

Two warnings: first, there are not enough anecdotes; second, there are far too many footnotes. But we'll forgive both these faults because obviously Palmer got the money to write this book via the universities and he had to make it look like one of those stuffy pieces of research that have crusty historians heaping praise on the references while ignoring the themes. But that's life and Mr Palmer is fully justified in making these concessions in order to get this book published.

James P Cannon (1890 - 1974), the subject of this biography, is treated not just with sympathy but with political respect. Palmer draws justified attention to Cannon's achievements in both the wider class struggle of the US working class and the struggle in the narrower confines of the organised left to try and make the Communist Party a means of advancing that wider struggle towards the goal of socialist revolution.

This in itself makes the book a worthy read. The truth of the matter is that many leftists of a certain age learnt about Jim Cannon from his role within the Trotskyist movement. We learnt about his tenacious fight to create a serious Trotskyist organisation in the USA in the 1930s, culminating in the foundation of the Socialist Workers Party (US) in 1938.

We studied his fight for a

working class based party shaped by the first mass struggles led by Trotskyists in Minneapolis in the early 1930s. And we analysed and re-analysed his role and his guilt in the seemingly endless round of splits that gripped the post-war Trotskyist movement from the 1950s on.

But there were very few people around in the 1980s and 1990s who knew much - in detail at least - of Cannon's work in the US Communist Party. It was as though Cannon's political life only really began with his expulsion from that party in 1928 because of his support for Leon Trotsky's Left Opposition within the Russian Communist Party and the Communist International. Everything before this was merely a warm-up act.

Cannon himself penned a volume called *The First Ten Years of American Communism* in 1962 and the Prometheus Research Library published a selection of his writings

It shows how the struggle in that party became a means of awakening Cannon to the broader political problem of Stalinism that destroyed the Comintern

and speeches in 1992. But on the Trotskyist left these never attained the status of "must haves" in the way that Cannon's *Struggle for a Proletarian Party* or *History of American Trotskyism* did. His exploits in the world of Trotskyism always held greater fascination for the post-1968 revolutionaries, furnishing them with a fair few quotes and epithets to fling at factional opponents when internal struggles grew hot.

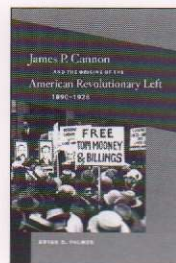
Palmer's book shows what many of us have been missing. It takes us

through Cannon's early life and the influences that pushed him towards his lifelong commitment to socialism. It examines his apprenticeship in mass work as a talented organiser for the Industrial Workers of the World (IWW - the Wobblies) and the factors that pushed him first towards the left wing of the Socialist Party.

It recounts Cannon's important contribution to the fight with the Socialist Party right wing and how that fight culminated in the formation of a Communist Party in the USA. And it tells the tale of how Cannon fought to make that party a real revolutionary weapon in the hands of the US working class.

Last but not least it shows how the struggle in that party became a means of awakening Cannon to the broader political problem of Stalinism that destroyed the Communist International, caked the name of communism in filth and opened the way to terrible defeats for workers' movements around the globe.

James P Cannon was the son of Irish immigrant workers who ended up in Rosedale, Kansas, as mid-western a town as you could wish to find. His father was a sometime active trade unionist and his family





opened school, a choice partly influenced by the openness to ideas and change that were occasionally filtered through his father's loose associations with the Socialist Party.

He read Upton Sinclair's magisterial socialist work on the meatpacking trade, *The Jungle*, as well as works by Jack London. The ideas he found in them proved a stronger pull than the saloons and pool halls frequented by his fellow gang members.

The IWW liked what they saw in Cannon. He was a working class young man in 1911, but educated, sharp, experienced in hard work and a very good public speaker

At school he became a keen debater and was soon learning the craft of rhetoric and thrilling audiences with his passionate eloquence. He fell in love with, and later married, his school mistress Lista Makinsom. He joined the Socialist Party in 1908 but the organisation had already travelled a long way from its radical roots and was fast becoming a reformist electoral machine. When his father suggested he go to an IWW meeting being addressed by a bricklayer called Tom Halcro (his father and Halcro had formerly worked as labourers together) Cannon agreed. He liked what he saw:

"A 'new organisation' the IWW seemed to have the answers Jim Cannon was looking for: 'get all workers into one big union and put an end to this whole damn capitalist claptrap. Make a society run by the workers and fit to live in.'" (p53)

The IWW liked what they saw in Cannon. He was a working class young man in 1911, but educated, sharp, experienced in hard work and a very good public speaker. Public speaking – especially in the free speech fights of the time – was pivotal to the Wobblies' work. They would often wait until a preacher had gathered a crowd on 'skid row'

and then set up a rival soap box winning the audience over with a combination of wit, verse, song and damn fine oratory.

Cannon's talents endeared him to some of the most important IWW leaders at the time, especially Vincent St John. "More than any other single individual St John put Cannon on the track of being a professional revolutionary." (p58)

With the Saint's help and encouragement Cannon became just that. He spent time working at

a print shop, learning how to produce a left wing paper, and a longer time riding the rails, hobo fashion, as a Wobbly organiser leading strikes, building the IWW and, inevitably, enduring jail terms.

Palmer's point in telling Cannon's IWW story is twofold. First it is demonstrate something essential that Cannon brought to Communism in the US: native radicalism. The IWW may have been led by workers from every race, creed and country, but it was American as apple pie. It was like a red version of the frontier spirit. And Cannon imbibed – and never lost – that spirit, that Americanism.

Second, Palmer aims to show what Cannon learnt from the IWW in political and organisational terms. He learnt that for a movement to get anywhere it needed to be in the thick of the fight, tied to the masses not lecturing them from afar. But equally it had to combine that with clarity of politics that would enable it to survive not only repression but also the crises that politics throws up.

The IWW had the former but lacked the latter, leading to it being thrown into disarray when the US entered the First World War. And this, Palmer notes, led Cannon to

"refer to himself and others in the Communist and Trotskyist movements as 'Wobblies who had learned something.'" (p86)

The sharp learning curve for Cannon and others came with the Russian Revolution. The first successful revolution seemed to offer something the Wobblies lacked – organisation and politics, the party. Along with other left wingers the Russian Revolution prompted Cannon to try and set up a party in the US, first through a struggle with the left wing and then through a struggle amongst the communist fragments for unity.

The central core of the book tells the story of the formation of the US party. It's a good story. Read the book if you want to find out about it. Here the main thing to note is the theme that Palmer develops from his understanding of Cannon's formation as a "native radical".

The party, in its early days, was dominated by foreign language federations. It clung to the "principle" of staying underground, regardless of the lessening of repression after 1919-20 (when the infamous Palmer Raids literally tried to smash the young party with the full force of the state apparatus).

This "foreign" domination and "undergroundism" sealed the party from the mass of the American working class and caused it to turn revolutionary politics into ultraleft sloganising about soviets and insurrection. It was reducing the party to total irrelevance.

The importance of Cannon, argues Palmer, is that having learnt the lesson of the Russian Revolution – the need for a Leninist party to lead the revolution – he dedicated himself heart and soul into translating that lesson into the American vernacular. He wanted to find a road to the class so that the party could, like the Wobblies, place itself in the thick of the struggle but unlike them take it forward to revolution through a political programme.

Cannon's importance as a founder of the Trotskyist movement is generally accepted. By showing how he fought, through endless factional struggles, to take the

American CP towards becoming a mass revolutionary party, Palmer makes a persuasive case for Cannon's historical importance as a leader of the Communist International during its early years.

The merit of the book is that he makes this case without resorting to hagiography. Palmer does not claim that Cannon could see what was going wrong in the Comintern from the moment it started going wrong. He does not claim he was free from indulging the factional gang warfare that blighted the early years of the CP in a way that sometimes left a lot to be desired. Cannon's errors are not covered up or excused.

But Palmer's essential case is that Cannon's struggle to Americanise the party was a correct line of march and that it was this struggle that finally led Cannon to identify with Trotsky and the Left Opposition.

Cannon was not fundamentally interested in politics as a career maintained through an endless round of shabby factional manoeuvres. It was a means to an end – the destruction of the existing social order by the working class. Lose sight of that and you cease to be a communist. You slip, as so many did, into Stalinism.

That was what was happening in the gang fight that characterised American Communism at this time. The factions were fighting more and more for position, not principle. Trotsky's critique of Stalinism in a document that Cannon accidentally got sight of at the Sixth Congress of the Comintern, explained why this was happening, it explained the terrible retreat from revolutionary principle that underlay the manoeuvres. It opened Cannon's eyes and he made his mind up to fight alongside Trotsky whatever the cost.

But what does "Americanise" mean, and was Cannon right to fight for it?

In political life you will quite often encounter something that is rightly referred to as "toy Bolshevism". It usually applies to soulless bureaucratic wretches who have lost the will to fight only to

replace it with the will to control everything that moves. It involves a haughty invocation of rigid organisational norms usually as a means of punishing someone who is in political disagreement with you. If they sleep in through a paper sale, for example, they will be denounced in front of a party meeting as objectively petit bourgeois or some such.

Well there is another phenomenon too. It is called "toy internationalism". It involves similar nonsense but couched in different terms. In the name of "international democratic centralism" all sections of an organisation will be ordered to act in a similar way around similar themes and slogans. It is of scant importance to the "toy internationalist" whether or not their edict is in any way likely to lead to a particular national section making greater headway within its working class for the cause of communism. Any deviation is characterised as a lapse into "national centredness" and any failure is blamed on this crime.

Like toy bolshevism this toy internationalism is complete and utter trash. Real bolshevism is not about how rigid you can make your organisation. And real internationalism is not about

Cannon said bluntly that if it was called that in the States it wouldn't get anywhere. He was right. He Americanised it. And he turned it into one of the most successful branches of Comintern work – defending workers in the US and across the globe – anywhere. And that is all he really meant by Americanising the movement.

What Cannon understood was that Bolshevism, in 1917, demonstrated that a party, armed with a revolutionary programme, rooted in its working class and organised to carry out its goal in a collective, disciplined and effective way could lead a revolution. The language that party spoke, the organisations it used to extend and develop its influence and the way in which it fought for its programme would all vary according to national circumstance.

And each party of the international had to find its own way of doing this. The Comintern could not – and before its degeneration most emphatically did not – try to dictate a common way of doing this. It was, after all, dealing with real grown up revolutionary socialists not schoolchildren. Internationalism consisted of identifying with the common goal, organising internationally in pursuit of that

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making every party in an international do exactly the same thing.

Take International Labor Defense, probably Cannon's greatest achievement in this period (and the chapter on it is one of the best in the book – anyone who doesn't cry at the story of Sacco and Vanzetti is a wretch who has no place in any progressive movement!). It was supposed to be (by Comintern decree) International Red Aid.

goal and indefatigably solidarising with those engaged in the fight for that common goal.

Internationalism was programmatic above and before all else.

Cannon recognised that for the American Communist Party to win it could not be underground. It could not simply transpose the slogans of a revolutionary crisis in Russia in 1917 to the everyday class struggle in the US. It could not



make headway by being a fearful copycat of its elder brother in Russia. It had to stand on its own two feet and speak in the American vernacular.

No less an internationalist than Trotsky thought he was 100% right in this approach and developed a collaboration with him that was to lead to ten years of truly edifying internationalism culminating in the formation of the Fourth International.

None of this is to say that there aren't dangers of national centredness and of invoking "exceptionalism" in order to dodge a fight that the International has rightly agreed has to be had. But in an International such dangers can easily be kept in check through the spirit and norms of genuine democratic centralism and collective leadership. These norms lasted all too briefly in the Comintern.

It has to be said that Palmer does not draw any of this out. It is not part of his brief. But it is a lesson that can be learnt from the story he tells. And that makes the book valuable. In fact Palmer's main motivation is in rebutting the one

sided argument advanced by early American Communism's most noted historian, Theodore Draper, that the whole thing was ultimately shaped by Moscow and that native radicalism played no – or only an insignificant – part in the whole thing. That's a good motivation and the case for Cannon's importance as a native radical combatant is well made.

And from this point we can add another. If it had not been for the part Cannon played in the formation and development of American Communism he may well have not played the part he did in helping revolutionary communism, Trotskyism, survive and grow during the midnight of the century, the 1930s. Cannon stood for all that was good in communism during those dark years when many others sold their souls. He did it because in his soul the "rebel workers" as he liked to call them, lived on.

We are all a little bit politically richer thanks to those rebel workers and to the man who spoke for them in a mid-western twang – big Jim Cannon. As I said before, read the book.

By Mark Hoskisson

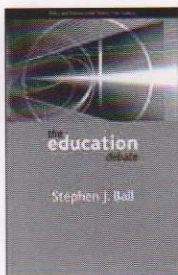
organisational forms and preoccupations within education policy that have been inherent in the English education system since its beginnings in the 19th century."

Social class is still a significant feature; there is still a deep fear of the urban working class and schools are more and more being run by religious groups, charities and private organisations. Whilst New Labour's rhetoric is about the need for radical change which will do away with social division; in reality, Ball demonstrates, it has created a system which is as divisive as ever. New Labour's education policy flows from its economic policy. Britain must be educated to compete in the global economy, the public sector must be modernised and education must be fashioned to meet the objectives of the employers.

Privatisation is, of course, a key element in government policy. Not only does this mean that educational institutions are run by bodies which are unaccountable to parents, students and the electorate but it also changes the way we view those institutions and our expectations of the education system. So we expect 'results', 'target-setting', 'choice'. The business model plays "a role in wearing away professional-ethical regimes and their value systems, and their replacements by entrepreneurial-competitive regimes and new value systems."

New Labour's reforms change the relationships between parents, teachers, students and LEAs. Parents and students think of themselves as consumers of a commodity over which they can exercise a choice. Teachers become providers who are monitored by managers who place emphasis on performance and results rather than the education and development of the whole person. Teachers live under a system of terror, constant monitoring, blame, appraisals, peer reviews, inspections etc. Children too are subjected to constant and oppressive testing from a very young age.

Government policy, Ball points out, has changed the language of



Education under Labour – as divisive as ever

THE EDUCATION DEBATE
Stephen Ball
Policy Press / 2008 / £12.99

IN AN interview with Stephen Ball in 1989 Keith Joseph made clear his views on the state education system: "We have a bloody state system I wish we hadn't got. I wish we'd taken a different route in 1870. We got the ruddy state involved. I don't want it.... If we could move back to 1870 I would take a different route."

In his new book 'The Education Debate' Stephen Ball sets out to show that in fact Joseph (chief architect of Thatcherism) has almost had his wish come true as

the English education system has seen the re-emergence of elements characteristic of its beginnings in the 19th century. Indeed in New Labour's education rhetoric they are re-inventing the values of the Victorian era: entrepreneurship, individuality, choice, flexibility. Non-state sponsors are back on the agenda – with faith groups and businesses playing an increasingly dominant role.

As Ball notes: "Despite the undeniable and very basic reforms in the way in which education is governed, structured and organised it is still possible to see the contemporary traces and current re-emergence of social patterns and

educational discourse. We talk about school league tables, 'failing schools', performance testing as if they are an empirical part of the education process and not a policy which has been imposed on it. New Labour's use of language becomes an ideological tool to justify policy. Unsurprisingly, its rhetoric is at its most poisonous when it is attacking progressive education, as can be seen in the various New Labour representatives who have vilified

comprehensive schools in order to justify reactionary developments such as Academies and Trusts.

In *The Education Debate* Stephen Ball's thorough research makes clear the link between the policies begun by Thatcher/Joseph and the policies currently being put in place by Blair/Brown. It successfully exposes the incoherences and contradictions in these policies.

Eleanor Davies

The October Revolution: a desperate first year

THE BOLSHEVIKS IN POWER
Alexander Rabinowitch
Indiana Uni Press / 2007 / £18.99

ALEXANDER RABINOWITCH has, on the back of his earlier works "Prelude to Revolution" and the "Bolsheviks come to Power", justly established a reputation as a shrewd and insightful commentator on the Russian Revolution. He has "challenged prevailing Western notions of the October revolution as no more than a military coup by a small, united band of revolutionary fanatics brilliantly led by Lenin." (p x)

Not only did Rabinowitch, simply by dint of his historical honesty rather than any political affiliation to the Bolshevik heritage, develop a stout and brilliant defence of October, he also refuted the notion that the Bolshevik Party had anything in common with the current perception of Leninist organisations as rigidly hierarchical, top down monoliths, with passive memberships. In 1917 the Bolsheviks were a mass political party, with distinct left, centrist and moderate right wings, whose success was due to its "organisational flexibility, openness, and responsiveness to popular aspirations . . . [and] its extensive, carefully nurtured connections to the factory workers,

soldiers of the Petrograd garrison and Baltic fleet." (p x)

What makes this book different is the opening of the Soviet era archives through the course of the 1990s making available for the first time the extensive stenographic records of many of the Bolshevik and soviet committees. "Taken together," Rabinowitch says, "these newly available sources have made it possible to examine, for the first time, Bolshevik internal debates and decision making in Petrograd from top to bottom". (p xii)

The unlimited access to original source material is the book's strength, but also its weakness. In Rabinowitch's earlier works, there

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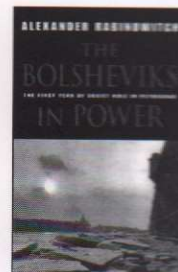
was more of a feel for the mass struggle, as he sought to re-create the mood of the streets and how the Bolsheviks reflected and developed in relation to it. In this book there is less of the street and more of the committee meeting, with everything that means for pace, colour and life.

The October 1917 insurrection ended the rule of the capitalists and landlords in Russia. Its success was achieved with very little bloodshed. The Bolsheviks were aware that their ability to defend the new workers' state depended on the revolution's immediate spread across the European mainland and in particular to Germany. How to maintain and defend the revolution in Russia faced with immense material difficulties long enough for the European working class to come to the rescue, is really the story of the revolution's first year.

The opening session of the Soviet Congress on the 25/26 October implemented the key planks of the Bolshevik programme, decreeing; the right of nations to self determination, pledging an end to secret diplomacy, offering an immediate truce prior to negotiations to end the war, abolishing private ownership of the land, and calling for an uprising of workers across the world. However, the unanimity of support for the key elements of the Bolshevik programme was by no means reflected in agreement around the next steps for the revolution.

Year one of the revolution saw an ongoing debate around the conditions for participation in the government, the relationship of soviet power to the constituent assembly, the terms of a peace agreement, whether it was possible to sustain a revolutionary war, the legitimacy and extent of

revolutionary terror, the pace of the expected European revolution and the extent to which tactical retreats were legitimate. The make up of the government was fiercely contested by parties, and fractions of parties, ranging from moderate Bolsheviks, most notably Kamenev and Zinoviev, to the pro-soviet Left





Socialist Revolutionaries and the anti-soviet Right Socialist Revolutionaries (SRs), the Mensheviks and the capitalist and landlord party, the Kadets. Consequently, the Council of People's Commissars (Sovnarcom) and multi-party Central Executive Committee (CEC) were wracked by dissension and disagreement at every turn.

It becomes clear in reading Rabinovich's account of the first year of soviet power how the desperate situation faced by the

repeated across the country, and they weren't.

So what to do? While the Bolsheviks may have been split around their tactics towards the constituent assembly, there was no disagreement over fundamentals: if the constituent assembly opposed soviet power then it would be dispersed. What's more this position was, according to Rabinovich, "fully shared by the Left SRs." (p73) Ekaterina Kats speaking at the Left SRs first congress explained, "the

the guard, later identified as the notorious Kronstad Anarchist-Communist Anatoli Zhelezniakov. "The guard is tired." Zhelezniakov declared. "We have been ordered to clear the hall!" After a couple more hours of the empty talk the delegates drifted away, not that anyone particularly noticed at the time.

A Right SR, Sviatitskii, observed that the Constituent Assembly had died "as a consequence of the indifference with which the people responded to our dissolution, which permitted Lenin to dismiss us with a wave of his hand: 'Let them just go home'" (p124) The dissolution of the Constituent Assembly was confirmed that same day, the 6 January.

The Bolsheviks were the only major Russian political party who called for peace in 1917. Their demand for an end to the grotesque slaughter of World War I was a key reason why they were able to rally the mass of workers and peasants to support for the socialist insurrection in November. The Second All Russian Congress of Soviets on 26 October called on all warring nations to begin peace negotiations (p131). When Entente failed to respond positively the soviet government began negotiations with the Central Powers on 20 November 1917, in the city of Brest-Litovsk. A 10 day armistice followed by a 28 day extension was agreed, while a peace treaty was negotiated.

But support for a unilateral peace deal, separate from a joint treaty with France and Britain was far from unanimous amongst the revolutionary parties. The Bolshevik left around Radek and Bukharin opposed "deals with the capitalists". They were supported by the Left SRs.

Formal peace negotiations began on 9 December, lead by Adolph Joffe, as the head of the Russian delegation. Joffe presented the peace terms of the Bolsheviks, including "the speedy withdrawal of foreign troops from all occupied territories; the restoration of independence to all nations who had lost it since 1914; and

The Bolsheviks had called for a constituent assembly to determine Russia's constitution as part of their programme for the bourgeois revolution

young soviet state led to a closing down of these multi party debates and the weakening of soviet democracy.

The Bolsheviks had called for the convening of a constituent assembly to determine Russia's constitution as part of their programme for the bourgeois revolution. The seizure of power by the soviets meant that this demand was superseded by events.

Russia's constitution was already determined by the fact that the rule of the capitalists and landlords had been overthrown by the popular revolution and establishment of soviet power. Nonetheless the scheduled elections for the assembly on 12-14 November went ahead, including the participation of the capitalist parties, like the Kadets, who now saw the constituent assembly as an opportunity to rally the opponents of soviet power.

In Petrograd nearly 80% of eligible voters, around 942,333 citizens voted. The Bolsheviks were the winners with 45.2% or 424,027 of the vote, completely dominating working class districts and winning 75% of the soldiers vote. But Russia was a peasant country. Petrograd's results were hardly likely to be

Constituent Assembly must take account of the will and tactics of the soviets." Prosh Proshian went even further: "... if the Constituent Assembly starts off by attempting to organise state authority ... we won't allow it." (p73)

The counter revolutionary nature of the Constituent Assembly was further revealed on 28 November when a march of many thousands of "mostly well-dressed citizens... many having come from special thanksgiving religious services, marched from the City Duma," (p75) in support of the Assembly and calling for an immediate end to soviet power.

The convention of the Constituent Assembly on 5 January 1918 played out entirely predictably. After another anti-soviet march ended in violence, the Assembly's delegates met at the Taurida Palace. The SRs split with 244 votes for the rightist Chernov and 153 for the Left Spiridonova. When combined with the other anti-soviet parties, this meant the majority opposed soviet power, which prompted a Bolshevik walk out. The session continued until the early hours of the morning, until "Midway in his presentation, Chernov was tapped on the shoulder by the captain of

completely free referendums on the political futures of all subject nationalities desiring independence from existing states of which they formed a part." (p133)

After initial hope it became clear that the Germans rejected every one of the Bolsheviks demands. But would the Russian army continue to fight? Any doubts on that score were removed for Lenin at a long meeting he held with military representatives on 17 December. On 8 January Lenin summarised the results of his assessment in a set of theses, where he argued against the Left's notion of a revolutionary war, as the "... peasant army at the front was utterly incapable of fighting and, in any case, would not support a revolutionary war." (p142)

Trotsky argued that Germany was incapable of launching an offensive, so while Russia could not fight either, there was effectively a balance of incapacity at the front. Lenin vigorously opposed this view, essentially as reckless revolutionary phrase making. Nonetheless, at a succession of meetings and conferences Lenin was in a small minority. Trotsky returned to Brest on the 17 January and on the 28 January he delivered his bombshell formula of "no war, no peace", walking away from the talks, announcing that although Russia refused to sign a peace treaty it regarded the war as over.

Lenin was immediately vindicated, as the Germans set the date for their renewed offensive for the 18 February and demanded the government immediately re-open peace negotiations. He lost again but, "Within hours, the enemy had captured Dvinsk and Minsk and was advancing on a broad front towards Petrograd... panicked Russian soldiers were offering no resistance..." (p162)

The Russian army collapsed in disarray. Once again Lenin proposed the Russians sue for immediate peace and finally won, with Trotsky providing the swing vote. A short time later the Left SRs approved the dispatch of a surrender message drafted by Lenin and Trotsky. How did the other parties react? The SRs, Kadets and

Mensheviks condemned the acceptance of the peace terms and demanded the reconvention of the Constituent Assembly.

On the 22/23 February the Russians received the German terms:

"In addition to the conditions previously insisted upon at Brest, the Germans now demanded that Russia turn over control of Livonia and Estonia; evacuate and recognize the independence of Finland, Ukraine and Georgia; immediately demobilize the old Russian army, the newly forming Red Army and the Red Guards; intern or disarm the Russian navy, restore the trade treaty of 1904."

Further, the Russians were to pay an indemnity and refrain from spreading revolutionary propaganda in the territory of the Central Powers. The Germans gave them 48 hours to accept.

Lenin won acceptance of the German terms at the Bolshevik Central Committee vote, by a majority of 7 to 4, with 4 abstentions, a decision that was endorsed at a joint meeting of the Left SR and Bolshevik CED factions by 122 to 86 with 22 abstentions. That agreement hung in the balance, illustrating another fact: the new treaty meant the revolution would starve. "In 1917 more than half of Russia's grain

the German capture of Petrograd meant that the soviet government was evacuated to Moscow and alongside it as much means of production as could be transported to safety, radically undermining the revolution's social base among the Petrograd working class and opening it up to the threat of counter-revolutionary conspiracies. Worse still, this followed the weakening of party organisation in the city itself as:

"... large numbers of party members and unaffiliated factory workers had already transferred from their jobs to serve with Red Guard detachments supporting consolidation of the revolution around the country or fighting counter-revolutionary forces on the Don." (p183)

Nonetheless, the seventh, albeit diminished, Congress of the Bolsheviks confirmed Lenin's victory, as did the Fourth All Russian Congress of Soviets convened on 15 March, a body which also proved the Bolsheviks' growing support, 814 of the 1,172 voting delegates were Bolsheviks, 238 Left SRs.

Not that this was any comfort: "In the late spring and early summer of 1918 these problems worsened and new ones emerged, among them military moves towards Petrograd by Finnish

After initial hope it became clear that the Germans rejected every one of the Bolsheviks demands. But would the Russian army continue to fight?

reserves come from the Ukraine (350 million of 650 million puds)" this grain was lost altogether. German occupation blocked a further 110 million puds. "The best Soviet Russia could then hope for was around 150 million puds of grain, mostly from Western Siberia." (p223) Coal supplies fell by 25%. The sowing of grain by 40-70%. Not only was the revolution's supply of grain cut off, the threat of

Whites supported by the Germans, endangering the still formidable Russian Baltic Fleet, a rebellion by disgruntled workers from the large Obukhov plant, supported by Baltic Fleet personnel; and a devastating cholera epidemic." (p 213)

On 10 March the Soviet government and Bolshevik Central Committee left Petrograd and a Petrograd Cheka was established to co-ordinate anti-counter-



revolutionary activity led by Uritiskii. A policy which was confirmed by the Left Communist Bolshevik Commissar for Justice, Kretinskii, appointed in April, who limited the right of organisations to undertake summary execution.

Discontent increased as unemployment soared. Between 1 January and April 1918, 46% of Petrograd's industrial labour force became unemployed, 265 factories were idle, and as food shortages became acute workers fled to the countryside. Party work had almost

(67%) were Bolsheviks and 13 (6%) Left SRs.

The discontent of Petrograd workers was heightened through the spring and early summer by the threat of German occupation and the possibility of a German attack against Fort Ino, located on the Finnish coast northwest of Petrograd. (p239)

This situation was exacerbated by the work of British intelligence agents and the growth of white guard counter-revolutionary forces. Volodarskii, a key Bolshevik

remained separated by key tactical differences, which in the summer of 1918 would lead to a shattering separation.

In March, the food supply crisis in Petrograd worsened. The loss of the grain producing heart of the former Russian empire, under Brest Litosvk, was exacerbated by the collapse of industry. This meant that the cities had few goods to exchange for grain. So supplies began to dry up.

On 9 May Lenin proposed the introduction of forced requisitions from the countryside. The Sovnarkom agreed to "respond to coercion against the starving poor by those possessing grain with coercion against the bourgeoisie." (p269) All grain surpluses beyond those needed to feed their own families and sow the next year's harvest were to be handed over. Armed workers and Red army units were dispatched to the countryside to implement the seizures.

These seizures, necessary as an emergency measure, nonetheless had very serious consequences. They destroyed the structure of soviet power in the countryside, as local peasant committees refused to implement the policy, further drained the cities of experienced cadres and political workers and encouraged the infiltration of gangsters and criminals into the requisition gangs.

The Left SRs prohibited their party members from joining the food procurement detachments and there is evidence that Left SR countryside soviets impeded the collections. Indeed less than a year later Lenin conceded in March 1919 that the Bolsheviks had made "terrible errors" in their dealings with the countryside. (p287)

What finally ended any prospect for a continued coalition however, was the decision of the Left SRs central committee to assassinate Count Mirabach the German Ambassador on 6 July, in the hope that it would spark a new German Russian war. The assassination was only prevented from achieving this by German reverses on the Western Front. The repression of the Left SRs by the Bolshevik government and

In the summer of 1918, Red Terror, the systematic repression, imprisonment and execution of suspected counter-revolutionaries became a matter of policy

collapsed (p218) as Bolshevik cadres were transferred out of the capital "... to an ever increasing degree, a good part of district soviet work was performed in the hands of hastily recruited, sometimes corrupt, paid administrators, clerks, militiamen, agitators, foremen and technical personnel." (p225)

Out of this flux developed the Extraordinary Assembly of Delegates (EAD), which, while it originated from moderate socialists - Mensheviks and SRs organising in factories in the south western Nevskii district) - represented a significant portion of Petrograd's important factories and plants. (p226)

The EAD aimed to mobilise working class discontent against the Bolsheviks and in favour of a reconvened Constituent Assembly, under its pressure the Bolsheviks organised the First City District soviet from 25 May - 5 June 1918, who's delegates reflected the real strength of the Bolsheviks within the Petrograd working class, Rabinowich says:

"... even Bolshevik opponents seemed to concede at the conference's close that, on the whole, it had been fairly run." (p234)

Of the 201 voting delegates 134

Petrograd leader was assassinated on 20 June. The next day the Obukhov plant declared a general strike. Even so Uritiskii, head of the Petrograd Checka restrained "hotheads" keen to revenge Volodarskii's murder.

On the 22 June Volodarskii's funeral was transformed "into a mass demonstration of support for Soviet power", including 500 Kronstadt sailors. But there was no concealing the terrible state of Bolshevik Party organisation, membership had dropped from 36,000 in February 1918, to 13,472 in June. Even so as the Menshevik Novaia Zhizn explained:

"... many workers have not yet rid themselves of Bolshevik 'Communism', [as they] still consider Soviet power ... representatives of their interests, [and] associate their fate and the fate of their movement with it." (p251)

As if this wasn't enough, on 1 July the expected cholera epidemic broke out, with 4,305 deaths by September. (p257)

The Bolshevik-Left SR alliance had been an essential part of establishing a government of pro-Soviet parties, wider than the Bolsheviks themselves. But they

their internal collapse, finished them off as an organisation and exacerbated the trend towards Red Terror.

The activities of British agents, the occupation of various parts of Russian territory by invading foreign and white guard armies, the attempted Left SR uprising, the starvation and internal discontent and the assassination of Volodarskii, meant that in the summer of 1918, Red Terror, the systematic repression, imprisonment and execution of suspected counter-revolutionaries became a matter of policy.

Urkitskii the head of the Petrograd Cheka had in particular opposed summary execution. His assassination by a disgruntled white guard officer Leonid Kannegisser, on the 30th August removed the last block on its implementation.

The very same day, as Lenin addressed a group of factory workers he was shot. One bullet struck him in the chest, another passed through his left arm and lodged in his neck. Lenin's condition was critical. (p329) From the night of 30 August to 1 September, around 500 prisoners and those caught in swoops, mainly former army officers and Right SRs were executed. The Petrograd Cheka arrested 6,229 and executed up to 800 in all. (p333)

Bolshevik membership continued to decline, by September it had

reached around 6,000, a fall of about 50%. Soviet power hung by a thread, but "on the night of 9/10 November, as the spectacular celebration marking the first anniversary of October ended, word reached Petrograd that Kaiser Wilhelm had abdicated and that a Soviet government on the Russian model had taken power in Berlin." (p400)

Il'in-Zhenevskii an official at the Commissariat for Military Affairs, was in a theatre at the time "It is hard to convey what followed...The announced was met with a kind of roar, and frenzied applause shook the theatre for several minutes... Here it was, it had come, support form the proletariat of Western Europe . . . It seemed that everything would develop differently from now on . . . our thoughts were far away, over there in Berlin, where red flags were flying in the streets, where a soviet of workers' deputies was in session, where another knot had been tied in the world proletarian revolution." (p400)

Rabinowich's *Bolsheviks in Power* is a triumph. At times a little slow and occasionally lost in a tide of committee meeting minutes, it nonetheless proves how in spite of seemingly insuperable obstacles, the Bolsheviks were able to take and hold power and how the German revolution held out the hope of vindicating their struggle. That it didn't is another story.

Bill Jefferies

Labor's fallen house: rebuilding from below

US LABOR IN TROUBLE AND TRANSITION

Kim Moody

Verso / 2007 / £19.99

FOR ANYONE concerned with the prospects for revolutionary social change the fate of the organised working class in what remains the world's most powerful

imperialism should be of keen interest. With the possible exception of Britain no trade union movement in the advanced capitalist world has witnessed such a steep and seemingly relentless decline as the USA's since the late 1970s.

A recent book charts the contemporary 'fall of the House of Labor', and offers a detailed and

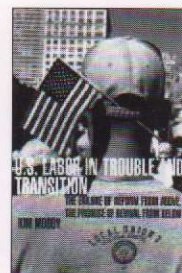
often illuminating analysis of the reasons behind the exceptionally severe deterioration in the balance of class forces at the workplace and in US society as a whole. Currently based in London, author Kim Moody is a former telecoms engineer and union activist in the US, who founded the influential *Labor Notes* publication, which has proved a critical and dynamic friend to various reform currents in the US unions for nearly 30 years.

Trade union density (the proportion of the workforce actually belonging to a union) has plunged from a high of roughly a third in the 1950s to a figure hovering between 11 and 12% in the middle of this decade. Meanwhile, from the late 1970s onwards the absolute number of union members began to decline as well, with some nine million fewer members among private sector workers in 2005 when compared with 1970. Meanwhile, real wages for production workers fell by more than 12.6% between 1972 and 2006.

The number of strikes across the US economy as a whole has also slumped sharply since the early 1980s, a period which Moody identifies as a crucial turning point. The early months of the Reagan years cruelly exposed the limits, both ideological and organisational, of a highly bureaucratised (and frequently corrupt) "business unionism". As he puts it, "In the years that immediately followed [the crushing defeat of the air traffic controllers], unions turned to labor-management cooperation schemes in hopes of saving jobs and to an acceleration in union mergers as a means to institutional salvation" (p1).

Moody begins with a useful exposition of the background to the decline, pointing to the particular significance of a critical fall in the rate of profit as a decisive driver behind the capitalist offensive that began in the mid-1970s. In particular, he points to the:

- acceleration of global economic integration
- exploitation of new technologies to boost productivity per capita and slash jobs





- › changed industrial geography of the United States itself, with the increasing relocation of high value-added production to the “anti-union” Southern states
- › demographic transformation of the workforce, which gathered pace in the 1990s as migration from Mexico and elsewhere in Latin American approached historic highs
- › self-perpetuating impact of decline, with unions proving incapable of defending members’ jobs, living standards and conditions at work.

He rightly notes that although the USs in the 1960s did not witness an upsurge of working class militancy comparable to France’s May 1968 or Italy’s “hot autumn” of 1969, there were significant workplace rebellions in key industries like car manufacturing.

Overall, the number of strikes approached the levels seen during the dramatic strike wave which followed shortly after the end of the Second World War.

Union bureaucracies spent substantial time and resources marginalising and sometimes crushing outposts of militant resistance, not least among African-American workers in the Detroit car industry.

Though Moody’s style is clear and accessible, there is the occasional danger of the thrust of his argument disappearing in a welter of statistics. Still, the chapters dealing with the historic decline are perhaps the most impressive in the book and compare well with the significant work of Michael Goldfield in the 1980s (*The Decline of Organized Labour in the United States*, 1987).

The second third of the book is rather familiar territory. Moody discusses concession “bargaining”, the ever greater emphasis on partnership with the employer and the all too frequent abandonment of organising drives in non-union workplaces, regions and industrial sectors. This section includes an extended critique of both the John Sweeney presidency of the AFL-CIO since 1995 and the reign of Andy Stern, Sweeney’s successor in the

SEIU and the principal architect of the Change to Win split from the AFL-CIO that became formal in July 2005.

For a number of years Stern has inspired paeans of praise for achieving remarkable growth in the context of an especially harsh climate, not least from Tony Woodley of the T&G component of Unite. In sharp contrast, Moody paints a damning picture of a ruthless, centralising autocrat, who gives dissident branches and internal democracy short shrift. While not being entirely dismissive of the SEIU’s growth through both recruitment and mergers, Moody brands the SEIU as the principal exponent of “bureaucratic corporate unionism” that will exercise at best “shallow power” (p184), where partnership with employers and across industrial sectors is the preferred alternative to building the union’s own workplace organisation.

For the author there is not a choice to be made between the AFL-CIO and Change to Win federations “but between three types of unions: the old business unionism, the new corporate unionism, or a democratic social movement unionism born of struggle with the employers” (p197).

Moody’s final chapters recount some recent struggles both within particular unions and in direct battle with employers. He refers to the 1 May 2006 “Day Without Immigrants”, an effective walk-out

by migrant workers nationwide, and recounts some of its antecedents, from battles by construction workers through to New York cabbies from South Asia and migrant lorry drivers at the Port of Los Angeles. He also highlights significant outbreaks of militancy, which have garnered little if any mainstream attention. One inspiring example comes from the largely African-American reform current in the historically corrupt and right-wing International Longshoremen’s Union that emerged from a bitter fight with the employers and local cops in Charleston, South Carolina.

Moody’s book marks a valuable contribution to understanding the current balance of class forces in the United States and points to some signs of how that balance might be transformed. He does not pretend to offer a definitive answer to the challenges faced by existing union activists and the huge swathe of the unorganised.

He does not, for instance, invest a desperate optimism in the transformative power of “new social movements”. He does, however, remain confident that there will inevitably be a new upsurge, which will require “a clearer vision with a wide enough base and an experienced grassroots leadership to push beyond the limits of the ideology, practice and personnel of business union in its old and new forms” (pp 246-47).

By George Binette



How big business destroyed journalism

FLAT EARTH NEWS
Nick Davies
Chatto & Windus / 2008 / £17.99

▶ HOW LONG would it take you to write a one line précis of a story, a four paragraph version of the same story, send an e-mail to your boss to inform them of the

story, upload it onto two different websites, and contact at least two people (whose numbers you probably don’t have) to confirm that the story is accurate? If you worked for Radio 4’s flagship Today Programme under Rod Liddle’s editorship, you would have to do the lot in just five minutes.

And that is at the heart of the problems identified by Nick Davies in his hard-hitting, and terrifying, book describing how our news media – all of it – has been debased since it's "corporatisation".

The speed with which journalists are supposed to churn out stories make them mere regurgitators of information passed to them, rather than investigators and originators of stories. No longer "journalists" they are now largely "churnalists".

This leads them to writing "flat earth" stories, where "a story appears to be true. It is widely accepted as true. It becomes a heresy to suggest that it is not true – even if it is riddled with falsehood, distortion and propaganda".

He offers the fuss over the "Millennium Bug" which supposedly threatened to make almost all the computers in the world crash, but actually, after thousands of words and millions of pounds were wasted, had virtually no effect whatsoever – neither in the countries where millions were wasted, nor in those where no action at all was taken. The fact that many (most obviously mortgage) companies had been dealing with dates going beyond the millennium for decades was simply not considered.

Someone (with no computing expertise) suggested a catastrophe would happen, someone else (with a financial interest in a panic) said it was outrageous no one was taking the story seriously, and one by one all the papers picked up the story and ran with it. And ran, and ran, and ran.

For left wingers, like the readers of this journal, most of the gist of the book is unsurprising, but in the detail that Davies gives us in profusion, it is shocking, and deeply disturbing. Davies does not blame "muck-raking" or "lazy" journalists for this debasement of the press, but clearly identifies that it is corporations, epitomised, but by no means limited to, Rupert Murdoch's New International, and their desire for profits rather than a genuine interest in news, that is the problem.

Corners are cut, facts skirted around or ignored, to make sure the product comes out ahead of their rivals' versions. Thus journalists are reduced to simply copying out vast chunks of press releases from PR companies or from the Press Association (itself once a proud and honest company, now a much reduced shadow of its former self) wire service. In both cases, it is highly unusual for the actual source to be credited, and the

book. Despite what we might assume, newspaper newsdesks are now better staffed than they ever have been. However, the papers are also now much, much bigger – approximately three times the size they were twenty years ago. And they need filling.

Whilst it is possible to give one or two star journalists enough time to carry out complex investigations, these are the exceptions, not the rule. Overwhelmingly staff must

Davies identifies ten rules by which the modern media operates, and which work together to produce an almost meaningless morass of nonsense

impression is given of it being original sourced and researched material.

Although he recognises that there was never a "Golden Age" of journalism, Davies is somewhat vague about when this process began, and when it effectively took over the whole of the media (in an analysis carried out by Davies and the Journalism School of Cardiff University, the BBC's Today Programme was actually found to be the single source most reliant upon PR), but it is apparent that it was already underway in the seventies, and exploded in the eighties.

That this coincided with the emasculation of the print unions is no coincidence. Both printers and journalists had been able to refuse to print blatant propaganda and untruths in earlier times, but now both are fearful for their jobs and overwhelmingly succumb to pressure from time and executives.

And although Davies makes much of the malign influence of Murdoch, he does not simply blame him for what has happened, it is an almost inevitable consequence of treating everything as a simple commodity, to be packaged and doled out at as low a price as possible.

There are many surprises in the

simply re-write official statements or PR releases. In the period Davies and the Cardiff students analysed, 60% of "stories consisted wholly or mainly of wire copy and/or PR material, and a further 20% contained clear elements of wire and/or PR copy with more or less material added [and] 8% of uncertain origin".

For example, the story of Paul Hucker, who had insured himself against emotional trauma should England "do badly" in the 2006 World Cup ran across the "quality" and tabloid medias, as well as on the BBC and commercial TV. Five minutes googling would have shown that the Hucker was actually the boss of a promotions company, who shared offices with the insurance company selling the policy. And that he had run a similar campaign a few months earlier. A simple PR story that no one bothered to check.

Davies identifies ten rules by which the modern media operates, and which work together to produce an almost meaningless morass of nonsense.

Overwhelmingly the media owners don't want stories that are likely to end up being too expensive. Hence, as far as possible all stories should be: cheap, safe, largely uncontroversial, as



“balanced” as minimally necessary, context-free, and to go with the latest media fad or moral panic.

Two other key features combine to ensure that the stories we do read are not just bland PR puff, but are explicitly inclined toward a conservative (small c) outlook.

The first is the fact that if you repeat something from an official government source, you cannot be sued, not matter how dishonest or untrustworthy that source actually

Jordanian Islamist, implacably opposed to, and by, bin Laden should serve as a warning.

Following his promotion by the US government, and therefore by a compliant media, he won himself enough power to spread his wings, make peace with bin Laden, and actually become a leading al-Qaida fighter. But, of course, this has served as no warning whatsoever, neither to the military nor to the media.

to do anything about this dishonesty. This is a body that routinely dismisses over 90% of complaints without carrying out any investigation at all. They seem more concerned with protecting the media's right to falsify and distort. Even if a complaint is investigated, it is highly unlikely to be upheld. It's hardly surprising that the Daily Mail has almost as many complaints against it as there are in total against all other papers.

If you have read about Flat Earth News already, it is likely that the part you have read is the 17 pages concerning how and why the Observer, and especially its editor Roger Alton and political correspondent Kalal Ahmed, came to support the war against Iraq. Which is a shame, not just because it is a tiny proportion of the book, but also because it is probably the weakest section of the book.

This is because it relies overwhelmingly on “things my colleagues at the Observer told me – as long as I didn't reveal their names.” This is probably unavoidable (and it is notable that most of the complainants are people who worked with Alton at the title – Peter Preston's utterly disingenuous, and internally contradictory review in the Guardian being a prime example).

But it is in stark contrast to the vast majority of the rest of the book, which is documented in great detail. Another Observer correspondent, David Rose, also made some appalling factual errors in his reporting of the build up to the war, which are clinically dissected. To his credit though, Rose has since admitted that he was hoodwinked and speaks of his shame at some of what he wrote.

Although it is somewhat weak, the Alton and Ahmed story is too potent for Davies to ignore – quite understandably. Neither had any experience of political reporting prior to their appointments to the most left wing “quality” Sunday newspaper, and it left both wide open to manipulation by the government's arch-manipulator Alastair Campbell. Politicians reportedly ran a book on the most

The release of official “news” from the military describing their “successes” in the wars in Afghanistan and Iraq is wholly distorted, and unchecked

is. It is, therefore, an entirely safe piece of material that doesn't even need to be checked. The wording can be subtly altered and simply inserted – in a manner that, if copied by a university student, would see them expelled for plagiarism.

Whilst this will often be fairly uncontroversial reporting of a government department's response to a day's events, or an announcement of some new funding, it is also often a lot more than that.

For example the Department of Education under Blunkett became notorious for “double-announcing” (or quadruple announcing in one case) “new” funding. In one case, some £244 million of funds were announced, and dutifully reported and re-reported for over eighteen months, before anyone checked and found that actually it was actually barely £100 million that had been announced, in whole or in parts, four times.

Similarly the release of official “news” from the military describing their “successes” in the wars in Afghanistan and Iraq is wholly distorted, and unchecked. The story of how Abu Musab al-Zarqawi became known as one of the most important al-Qaida leaders, despite actually being a very small time

It is well known that the CIA and MI5 etc placed “their” people in prominent roles in various publications, but the degree to which they did so is shocking. The CIA owned rafts of magazines around the world, such as Paris Match, and had agents working directly as correspondents of papers such as the Christian Science Monitor (who, in 2005, published the fake documents supposedly showing George Galloway receiving funds from Saddam Hussein – a pure coincidence I'm sure), hoping to exert influence over the rest of the media by getting them to pick up these fake stories and reprint them as truth.

That such activities went on was always known, but the sheer extent of it is astounding. CIA documents openly admit to this behaviour up to the 1980s, and there is no reason to believe that it doesn't carry on to just as great an extent today. Oddly, the only journal they ran in such a manner in this country was an obscure literary magazine called Encounter, presumably they were happy for MI5 to run such an operation here, and just let them get on with it.

Allied to these points is the miserable failure of the supposed overseer of newspaper standards, the Press Complaints Commission

ridiculous story they could get him to print (such as Mandelson being transferred from Northern Ireland back to London, or a special motorway lane just for buses!). And of course, he simply repeated every "story" that Campbell gave him concerning the "undeniable" existence of Iraq's WMD's. Meanwhile, the far more experienced Ed Vulliamy's stories, which could quote from a secret CIA source acknowledging that there was no truth to the WMD stories, was dismissed, sat on, and only made it into print in an almost throwaway paragraph at the end of another story.

Alton and Ahmed made their mistakes because the Observer had fallen victim to the same pressures as every other newspaper. Their lack of knowledge was exposed, and they relied upon so-called experts, whilst failing to recognise their innate biases. Basic journalistic practises went out of the window in order to create a bigger story to sell

more papers. Because that is all most journalists are for in the age of "flat earth news". They are no longer meant to uncover "the truth", nor even to actively question and investigate the information they are passed, simply meant to churn out "product."

There are faults with the book: Davies is too dismissive of the non-"quality" titles, even though plenty of investigations are carried out by the likes of the Mirror. And, in an apparent effort to not be seen as a "loony lefty" he has a pop at so-called "left wing conspiracy theories". He also downplays the degree of direct influence some owners do have (even whilst pointing out how Murdoch controls the political and social direction of his papers).

But these are small criticisms of an important, highly readable, and engrossing book that anyone with an interest in the British media should read.

by Richard Belkin

her a ticket to defeat the ticket inspector and she gives powdered milk to a neighbour to feed the stray kittens found in the laundry room.

Otilia knows her way around the system. She negotiates with the abortionist and books the hotel room where the abortion will take place. But the film is not just about the dangers of flouting the law and the horrors of having to undergoing an illegal abortion, it's also about the way people under pressure betray each other.

Gabita lies about how many months pregnant she is, and her cowardice means they don't have enough money to pay for the abortion forcing Otilia into negotiating terms with the male abortionist within the confines of a seedy hotel room.

As the sinister abortionist Mr Bebe (Vlad Ivanov) – an ironic name if ever there was one – and the two women discuss the terms of the abortion, going round and round in ever increasing circles as he becomes more and more threatening and implicitly violent, it is tacitly agreed that payment must be made by the only thing left to them, Otilia's body.

Afterwards as Otilia frantically washes herself in the bathroom and we wonder if she too will get pregnant, fully aware of that possibility she meets up with her rich boyfriend and confronts him about what he will do to help her if she does get pregnant. Bemused, his response is that he doesn't agree with abortion and anyway it's illegal. For him marriage is the right thing, he can't see the reality of life for Otilia and her friends, women who are desperately poor.

The success of this film lies in the interweaving of silence and dialogue; the lack of sentimentality and tear-jerking music and the moving from long static shots where action may be taking place out of frame, and we must concentrate on what we are allowed to see, imagining what we can't; the use of anxious hand held camera as Otilia becomes more and more distraught, running between the hotel and her boyfriend's family

Unsentimental memories of a dark age

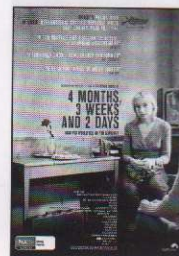
4 MONTHS, 3 WEEKS AND 2 DAYS
Dir. Cristian Mungiu / 2007

FOR BLEAKNESS of content, 4 months, 3 weeks and 2 days by the Romanian writer/director Cristian Mungiu is hard to beat.

Set in 1987, in the days of Ceausescu's Romania, it tells the story of Otilia (Anamaria Marinca), a young student who helps her friend Gabita (Laura Vasiliu), get a late-term abortion at a time when abortion and contraception were illegal. It is the antithesis of the sepia-tinted, Hovis eating, nostalgic world of kindly mother, Vera Drake by Mike Leigh. A title at the end of the film points out ironically that it is based on a book called Memories From the Golden Age, underlining the point that this particular era

was anything but, although perhaps some Romanians, struggling with the current dire political and economic situation, may be viewing the 'good old' Ceausescu days through rose tinted glasses. This film should kick that idea into touch.

From the opening frame we are introduced to the harrowing realities of life in a large Romanian city, possibly Bucharest. Through a maze of petty bureaucracies everyone is portrayed as on the take and keen to pass on their own frustrations to those lower down the pecking order. There is a solidarity of sorts amongst the poor: while Otilia and Gabita prepare for Gabita's illegal abortion, Otilia, buys cigarettes and soap from the improvised "shop" of one of her neighbours, a boy on the bus slips





lavish birthday celebrations.

Unlike a Hollywood film things are left incomplete and the film ends abruptly without the happy

denouement of a Hollywood film. It is an ending – but it feels like the start of something as well.

Jill Daniels

the larger-than-life performance that Day-Lewis delivers in *There Will Be Blood*, Affleck reminds us that great acting can be as quiet as a whisper too.

The film was shot mainly in the bleakly beautiful prairie lands of Alberta, Canada and its story unfolds at a slow and elegiac pace, which is perfectly in keeping with the unhurried surroundings. But it is a gripping thriller nonetheless and one that ruthlessly eschews all the romance and mock-nobility of the mythologised West to reveal men whose achievements are few and whose lives are brutal and short.

The craggy visage of Tommy-Lee Jones is a wilderness all to itself and it is exploited to excellent effect in *No Country for Old Men*. Jones gravitates towards characters who silently lament the futility of man's inhumanity to man. He likes to occupy the still, silent centre of the films he makes (which becomes something akin to sleep-walking when the film is of the calibre of *Men in Black*). He is as much an observer of events as a participant in them and he has much to scowl at here.

The film has a very high body

Painting it black in uncertain times

NO COUNTRY FOR OLD MEN

Dir. Coen Brothers

THERE WILL BE BLOOD

Dir. Paul Thomas Anderson

THE ASSASSINATION OF JESSE JAMES BY THE COWARD ROBERT FORD

Dir. Andrew Dominik

IN HOLLYWOOD it is times of doubt, anger and uncertainty that bring out the best in its filmmakers. It is also true that upbeat or cheerful cinema can be unbearably saccharine, leaving its audiences craving something with a little more bite.

For America, the artificial jollity that had served its purpose during the depression and the Second World War gave way to film noir – realist American literature brought to life on the screen often by European émigré directors.

Then in the early Sixties Hollywood languished in the doldrums while the focus shifted to the New Wave of European cinema but it wasn't long before a sparkling array of talented producers and directors turned their angst and fears about Vietnam, Watergate, and the Cold War into some of the greatest films in cinema's history: *Taxi Driver*, *The Godfather*, *Chinatown*, *Bonnie and Clyde* and many more.

So now, as uncertainty and anger are on the rise again, while the pensionable hacks of yesteryear like Stallone and Willis reprise their tired old franchises, the best of contemporary American cinema is painting it black.

This time it is television that has led the way, specifically the production company HBO,

responsible for the two outstanding series of the last decade – *The Sopranos* and *The Wire*. These unflinching dissections of America's current social problems are played out in an urban and domestic setting, with the political subtext bubbling just beneath the surface (conspicuously so in *The Wire* – set in and around "The Housing Projects" of Baltimore and a scathing attack on the racial and class divide in America).

Cinema, however, works well in a broader landscape. The dusty scrub lands and deserts of America's west offer a miles-wide horizon against which protagonists appear small and at a loss to control their fate; a

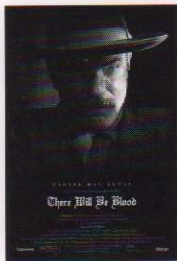
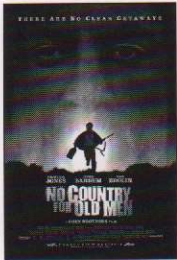
The dusty scrub lands and deserts of America's west offer a miles-wide horizon against which protagonists appear small and at a loss to control their fate

perfect landscape, then in which to forge a counterpoint to the American Dream.

In recent months three outstanding films have exploited this vista, the least regarded of these three, but perhaps the best of the lot, is *The Assassination of Jesse James by the Coward Robert Ford*.

The film is directed by Andrew Dominik and is his second feature (the first was *Chopper* made in 2000). It stars Brad Pitt as James in his finest role to date but an even greater performance comes from Casey Affleck as Robert Ford. Amidst all the furore surrounding

count and the Coen Brothers play upon the wilfully petty motives of their protagonist, Anton Chigurh (Javier Bardem) thus further underlining his complete disregard for life. Woody Harrelson says of this psychopathic killer that "even if you give him the money, he'll probably kill you anyway, just for the inconvenience you have caused him". However, psychopathic though the villain is, the film eventually suffers for the mayhem being quite so pointless. Like a Tarantino movie, *No Country for Old Men* is highly entertaining and expertly shot with some cracking



dialogue but it is a rather empty vessel for all that.

And then there is *There Will Be Blood* – an extraordinary and problematic work. Another psychopathic character is at its heart, Daniel Plainview (played, as you will, by now have gathered by Daniel Day Lewis). Plainview is a much more complex character than Chigurh, self-destructive and driven towards the goal of unparalleled wealth by a myriad of submerged motives that must eventually bring about his demise – the “type” we recognise from Kane onwards.

Day Lewis uses his astounding mastery of body language to give us a glimpse from the start of the mania behind this apparently self-assured business and “family” man, and he lets the destructive forces emerge slowly in as controlled a piece of acting as you will find anywhere.

There are similarities to Sergio Leone's *Once Upon a Time in the West*. Set in a similarly lifeless landscape made lucrative by man's own devices, Leone's masterpiece is also a study in hopeless and self-defeating greed. Both films allow plenty of space in between short staccato bursts of dialogue, a style that lends itself to the wide expanse of the desert skyline (in neither film does anyone breathe a word until quite a way in).

But the differences between these two films are instructive too. Leone had Ennio Morricone compose a soaring and romantic score, a soundtrack that is the equal of Monument Valley where Leone lingered over his beautiful landscape shots. Claudia Cardinale acts as a counterpoint to the grubby half-shaven villains all around her.

And his ending offers a glimmer of hope. Leone laments the debilitating effects of corporate greed on the human soul – the despoiling of a pre-capitalist Eden represented by the arrival of the railroad. But, true to the traditions of the Western that the young Leone soaked up in Rome's post-war picture houses, there remains throughout the nobility of the lone cowboy, beyond the reach not only

of the law and the domestic hearth (as he always was) but of the grubby little capitalist too.

Once Upon A Time In The West was made during Hollywood's brief era of subversive cinema in the late Sixties. Forty years on Paul Thomas Anderson's film has no room for any female role of significance with which to break up his unremittingly male world. And in place of Morricone's soaring romantic themes we have Johnny Greenwood's harsh and very modernist music (denied an Oscar nomination on a technicality, but, in any event, the finest film score in years).

While Leone maintains the languorous pace of his film throughout, self consciously delivering an epic, these days we have wearied of such grandiose statements, now too often associated with bloated and expensive blockbusters. Anderson seems a little too aware that his film too might be tagged as an epic.

It seems to me that about two-thirds of the way through the pace of the film notably quickens towards its conclusion, forcing a dramatic but still slightly perfunctory resolution to the plot. It left me with the feeling that I had been drawn into its world brilliantly but then rather unceremoniously cast out of it before I was quite ready to leave.

However, *There Will Be Blood* is most certainly brilliant and sits alongside a growing number of superb films that are making this such a richly rewarding time for the filmgoer. Will this current crop of films come to be as highly regarded as either the Film Noir era of the 1940s and 50s or the marvellous groundswell of work, which marked the period between the mid sixties to the early seventies? That remains to be seen. However, we do seem to be tapping into a rich well of fine movies currently and long may it continue.

David Boyer



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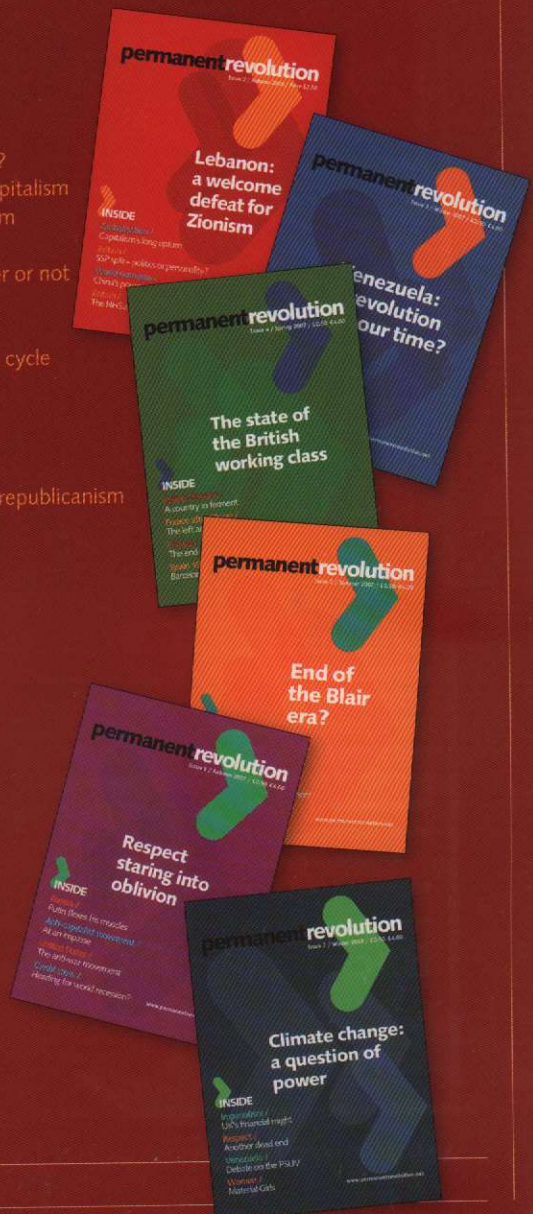
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GEORGE BUSH promised in 2003 that: "Victory in Iraq will bring something new in the Arab world – a functioning democracy that polices its territory, upholds the rule of law, respects fundamental human liberties and answers to its people." Five bloody years later Iraq is still crisis wracked, with a weak and divided government ruling in name only; real power remains in Washington DC.

After flooding the country with extra troops, "the surge", the body count is on the rise again. According to Iraq Body Count, there were 947 civilian deaths in Iraq between 1 and 27 February – up 180 on January's total. This is at least partly due to the US forces' increase in the use of aerial bombardment over the last year – four times as many sorties in 2007 than 2006. Jauary 10 saw the biggest bombing raid since March 2003, when 40,000 pounds of explosives were dropped on southern Baghdad killing dozens of local men, women and children.

American commentators have suggested that in fact the real aim of

the "surge" was to get Iraq off the front pages, to keep things ticking over until the whole mess can be dumped onto the next presidency – the implications of withdrawal being too awful to contemplate. Therefore, buying off some of the militias the so-called Sunni "Awakening movement" is an integral part of the short term strategy. But as Sgt. Richard Meiers of the 3rd Infantry Division noted recently in the Washington Post: "We're paying them not to blow us up. It looks good right now, but what happens when the money stops?"

Will the money ever stop? A new book by former Clinton economic advisors Joseph Stiglitz and Linda Bilmes estimates the total cost of the war in Iraq so far as a staggering \$6 trillion – \$3 trillion is the bill to the US alone, with Britain and the rest of the world accounting for the rest. The US currently spends \$16bn running the war in Iraq each month. And regardless of who moves into the White House in January next year we're unlikely to see a rapid change in the situation.

Just think. If that huge amount of money had been spent on housing, healthcare, education and jobs, as well as facilitating the creation of an independent Palestine, then the justified grievances against Washington and Israel would not have exploded as they have; and fewer young men and women would have thought that the only solution to their terrible daily lives was to strap on a belt of explosives and walk into a market.

But when we march and protest we must focus on the hypocrisy of our own government.

Not only did it follow Bush into this senseless and unjust war but it is complicit in the blockade of Gaza, in Israel's collective punishment of the Palestinian people – over a hundred died in the first days of March during Israeli bombing raids.

Bush and Brown claim to be building a new Middle East – the real imperialist vision can be seen in the death and destruction they have brought to Iraq and Palestine.

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