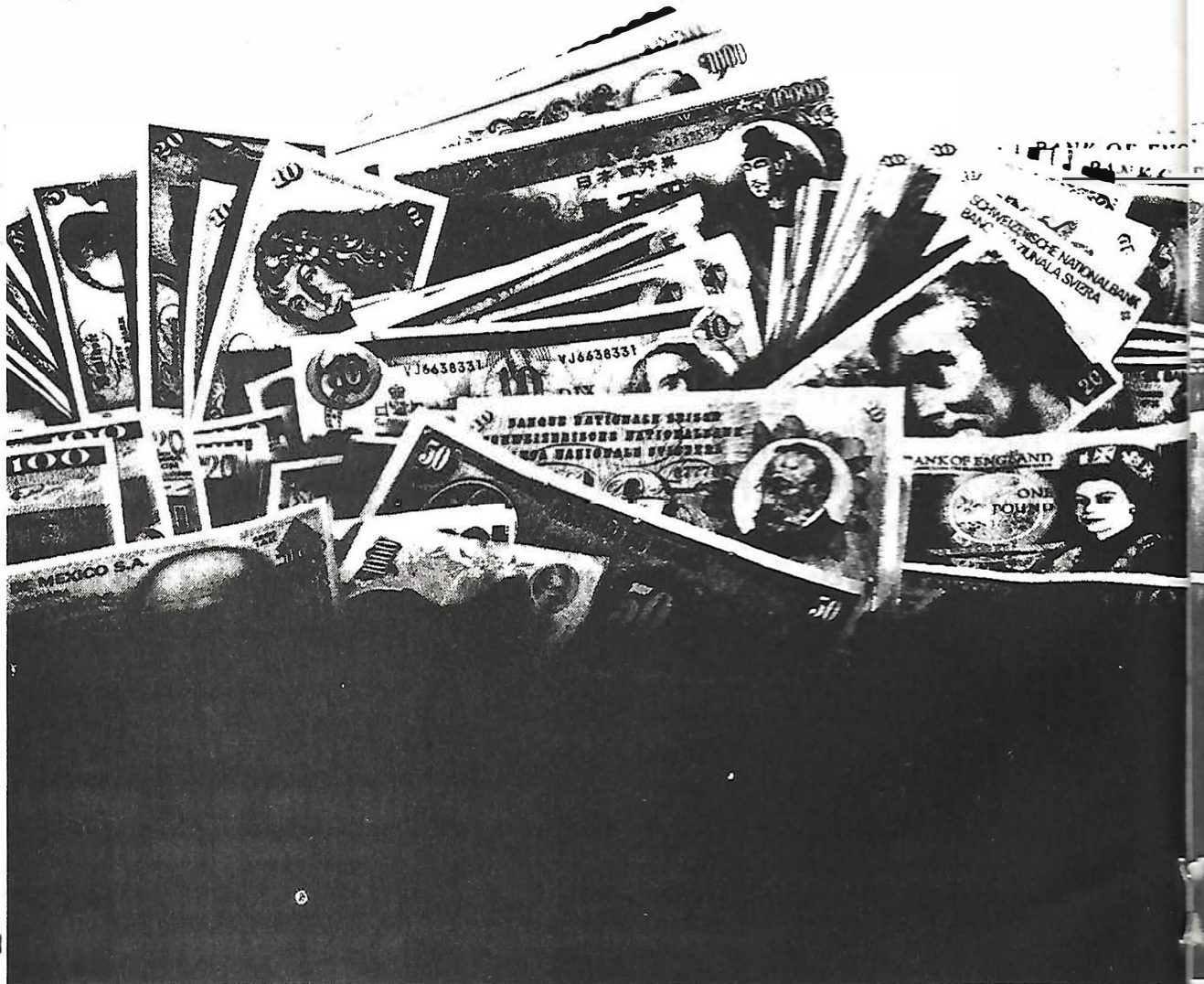


THE INTERNATIONAL MO

THE BIG CHICKEN COMES HOME TO ROOST



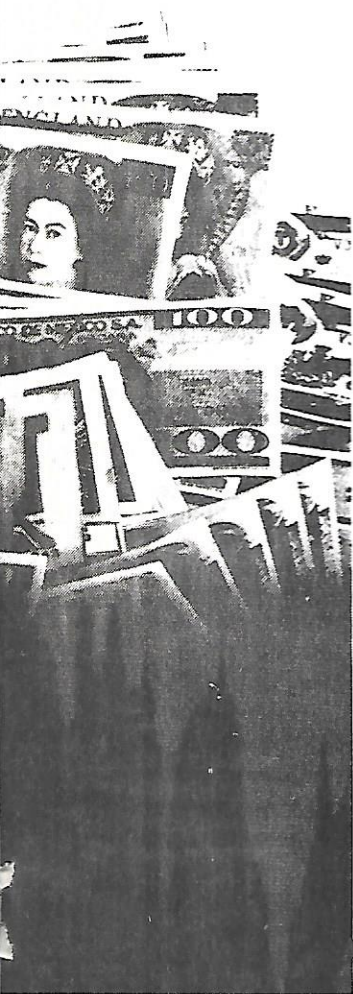
MONETARY CRISIS:

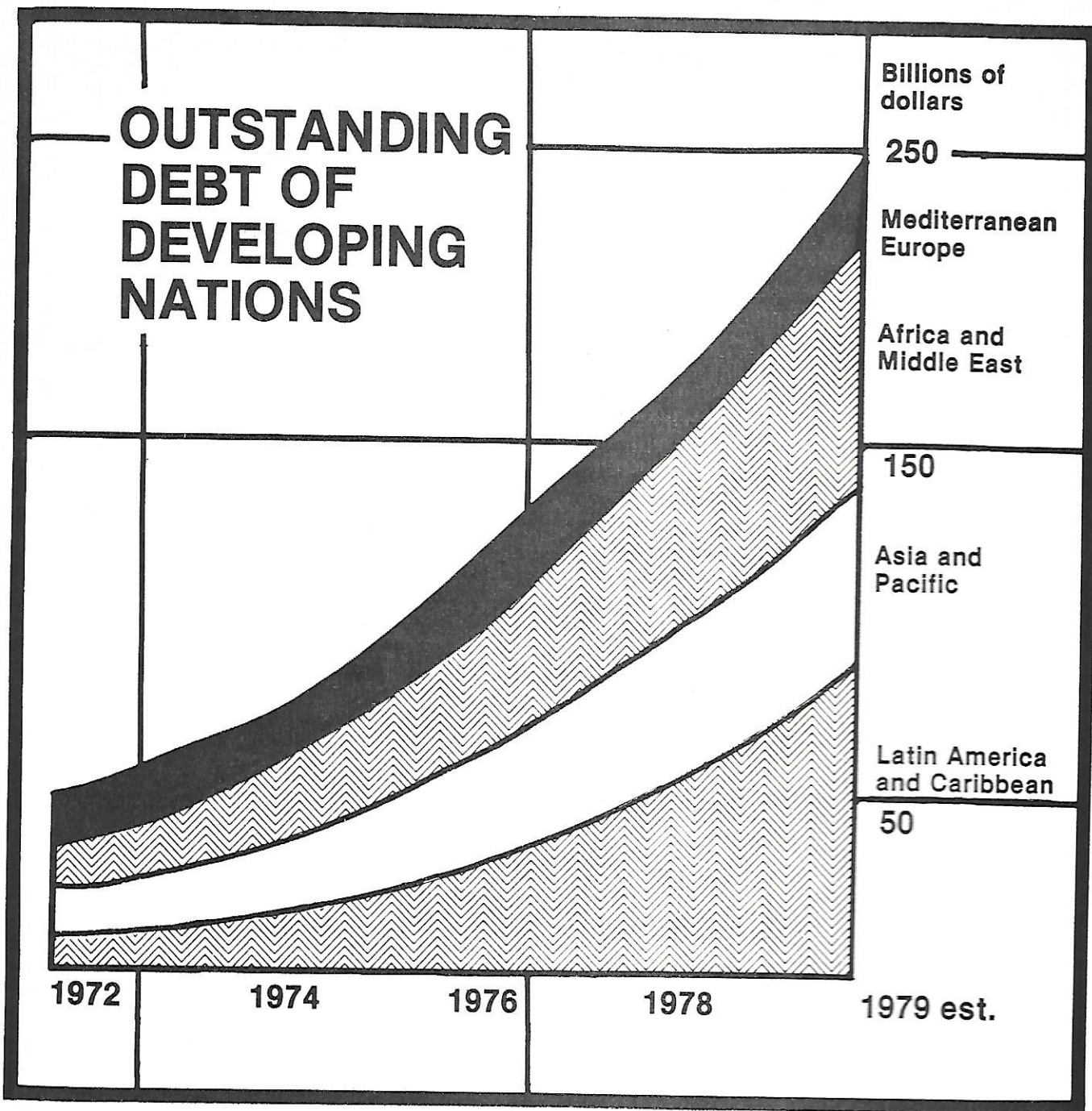
By Lynn MacWilliams

What we are witnessing today, at the beginning of the 80's, is the development of a deeper stage of U.S. imperialist weakness. After the defeat in Southeast Asia, the shift of U.S. policy around the 1974-1975 crisis from engaging in wars of aggression at the drop of a hat, to full-scale use of the International Monetary Fund (IMF) to economically enslave the third world through massive foreign loans and to prop up imperialist trade, has created new features of crisis for U.S. imperialism. Jamaica, whose national economy has been raped by U.S. imperialism, is threatening to default on loans of \$450 million that are due immediately. Brazil, with 87% inflation and \$54 billion in hock to the U.S., is also on the verge of default unless it gets more loans. Zaire, deep in debt, had its Finance Ministry taken over by IMF officials. Because of the decades of impoverishment, these and other third world countries find it impossible to pay off the *interest* on the loans, let alone the principal.

Precisely here, where the U.S. bourgeoisie appears to hold all the cards, they are most a paper tiger. Jamaica's debt repudiation, though forcing hardships for a period of time, would set conditions for its economic self-reliance, closer cooperation with third world countries, and internal development. Moreover, Jamaica's bankruptcy means crisis for the U.S. and its second world allies as the international financial structure scrambles to cover the losses and prevent its own collapse.

Today the third world's struggle for economic independence is a concentrated expression of their fight for political independence. While the third world universally calls for an end to imperialist tightening of conditions for international loans — a way of shifting imperialist crisis onto the third world — third world leaders can push for loans





and use them to help build their internal economies. Nicaragua is demanding its \$0.5 billion debt be re-scheduled over 25 years at 7% with seven years' grace, as well as new loans to help develop the imperialist-destroyed internal economy, and Zimbabwe has sought \$5 billion in loans to build up its internal economy with steel and heavy industry to complement its light industrial and agricultural development. The main question is self-reliance. If a third world country can use imperialist *crisis* to force imperialism to help them develop the internal economy, giving the country an economic base for its political in-

dependence, it objectively cuts off imperialist plunder and domination and is a good thing. Kimura of Japan's Import Export Bank reports, "Australia, Brazil, and Venezuela don't want to just ship out bauxite from their mines. They want to process it into alumina." And Kaku of Mitsubishi Corp., one of Japan's biggest monopolies, complains, "Arab countries demand one unreasonable thing after another. That does not happen in the U.S. In Saudi Arabia they [insisted] that Mitsubishi build a 450,000-ton ethylene plant and then they will give us crude oil. In Australia we have to invest more and more — they keep ask-

ing for bigger shares of participation. This is the tendency the world over." (*Business Week*, June 16, 1980)

The economic penetration of imperialism in the third world has come full circle, turning the international financial structure of the Western imperialists into a house of cards riddled with holes and waiting to collapse. These *new* features of imperialist crisis were not present during the Great Depression and further undermine the U.S.' ability to hold onto its slipping world position.

In this article we will not go into the situations of the other superpower, the Soviet Union, or of the COMECON countries. What we will show is how the international financial situation of the U.S. again shows how much deeper this crisis is for the U.S. than was the Great Depression of the 30's.

"If a third world country can use imperialist *crisis* to force imperialism to help them develop the internal economy, . . . it objectively cuts off imperialist plunder and domination . . ."

U.S. Hegemony After World War II Built on Aggression and Neo-Colonialism

U.S. imperialism prospered through wars. In the two world wars, the U.S. monopolies engaged in large-scale rearmament transactions and obtained windfall gains from war. In World War I, U.S. monopoly capitalists obtained \$3.8 billion as windfall profit; in World War II, they obtained \$117 billion as windfall profit and became the dominant power in the capitalist world. From then on, the U.S. monopoly bourgeoisie looked all the more to wars as shortcuts to prosperity and continuously waged aggressive wars. In their defeat in Korea, they obtained \$115.4 billion and they outdid that in their defeat in Vietnam, Kampuchea and Laos.

But right after World War II, the U.S.' concern was economic and political domination. And that

required establishing a U.S.-dominated imperialist monetary system. The 1944 Bretton-Woods agreement, signed by England, France, the U.S., and 41 other capitalist countries reflected the military and political domination of the U.S. in the capitalist world and established the dollar as the basis of the capitalist world's currency. The agreement set up the U.S. dollar and gold as the international standard for monetary exchange rates, fixed the standard of \$35 per ounce of gold and allowed the central banks of different countries to exchange their store of U.S. dollars for gold. The U.S. used this as a tool in its imperialist aggression and expansion.

The IMF was formed at Bretton-Woods to enforce the monetary agreements, to help enforce an era of "free trade" which the U.S. needed to penetrate Europe, create neo-colonies and fully enjoy its top-dog imperialist position. The IMF was given funding to loan to countries temporarily unable to maintain their exchange rates, and the power to make "recommendations" to those countries on how to correct the problem. Funds were provided by member countries and voting power made proportional to funds. The U.S. started by providing 36%, guaranteeing its hegemony over world finances.

McNamara's Rise and Fall Shows Shifting Balance of Forces

The end of World War II also saw the beginning of a shift in the balance of power in the world against the Western imperialists. As we pointed out in *The 80's, Premier Issue*: "In the years following World War II, there was a marked and unprecedented upsurge of the oppressed nations of Asia, Africa, and Latin America. The Chinese, Vietnamese and Korean people's revolutions broke the chain of imperialism in Asia. In 1953 the Korean people defeated the armed intervention of U.S. imperialism. In 1954 the Vietnamese people defeated the French at Dien Bien Phu. In 1955 several independent countries and anti-imperialist organizations met at Bandung. Socialist China participated in this conference. This conference marked the first time that on a world scale the third world attempted to coordinate activities and forces against imperialism and colonialism. In 1954 the Algerian war of national liberation began. Throughout the 1950s, mass movements developed in the British and French colonies in Ghana, Mali, and Guinea demanding independence. The Cuban revolution in 1959 was a severe blow to U.S. imperialism. By 1965, most countries in Africa and the Caribbean had achieved formal independence. But many of these newly independent countries were still economically controlled by the imperialists, particularly U.S. im-

“Today the third world’s struggle for economic independence is a concentrated expression of the fight for those countries’ political independence.”

perialism. Under the guise of democracy, aid to developing countries and so on, the U.S. moved into control of their economies. Basically, independence was granted but the economy was still controlled by imperialists. This is what is known as neo-colonialism.” This is the system by which imperialists have tried to turn resistance against them into its opposite, into continued support of the imperialist system. While being a hidden and indirect form of control, neo-colonialism is backed up by force, invasion, CIA coup, and deep international debt slavery. It is in fact a more “perfect” and complete form of imperialist penetration, and has allowed a more complete impoverishment of the third world. Far from representing “enlightened” imperialism, or a

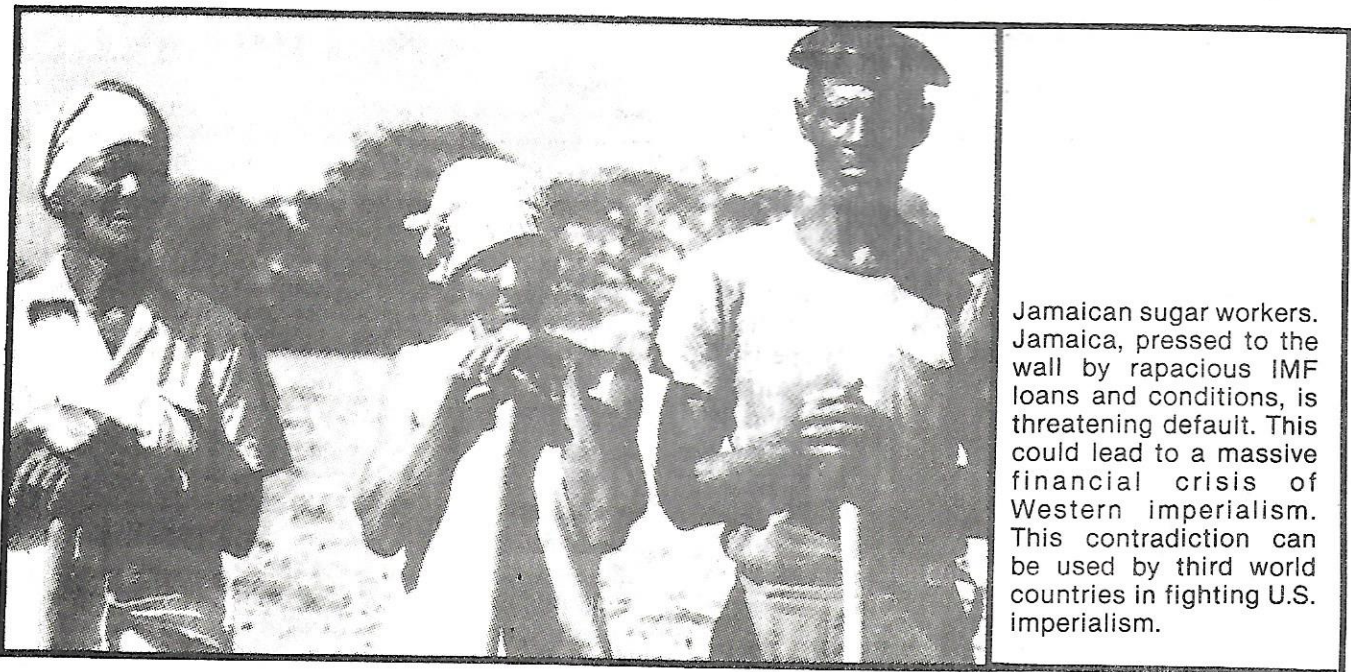
more benevolent imperialism, it is a further example of Lenin’s teaching: “Imperialism is reaction all along the line.”

However, the policy of neo-colonialism is proving a failure today. Robert MacNamara has “retired” from the World Bank, whipped twice and run out of office by the very third world people he despises so much. He has no “solutions” left for imperialism, but he cannot understand why. He does not grasp that oppression breeds resistance and that no matter how it is disguised, imperialism can only create its own doom. Today, MacNamara wears a fool’s grin.

MacNamara’s rise and fall show clearly that after 30 years of post-war imperialist temporary stabilization, the balance of forces has shifted dramatically. The U.S. monopoly capitalists, the most hated men in the world, the Rockefellers and the Morgans and their lesser cohorts, are being challenged in a big way.

Robert MacNamara, former president of Ford Motor Company, a thoroughly bourgeois manager, approached the decline of imperialism as another corporate problem. In total disdain for the national liberation movement of the Vietnamese people, as Secretary of Defense he proposed and planned a high technology “computer war” against Vietnam, from high altitude B-52 saturation bombing to jungle defoliation to helicopter “gunner ships” that killed Vietnamese patriots without looking into their faces. The liberation of Vietnam, Kampuchea and Laos cost the U.S. imperialists a huge amount politically, economically, and militarily, and defeated MacNamara’s solution to waging unpopular wars against a determined third world.

In the 70’s, MacNamara’s talents were put to



Jamaican sugar workers. Jamaica, pressed to the wall by rapacious IMF loans and conditions, is threatening default. This could lead to a massive financial crisis of Western imperialism. This contradiction can be used by third world countries in fighting U.S. imperialism.

financial aggression, replacing military aggression in a tactical zigzag against the third world. As president of the World Bank — a low-interest, big-loan, project-oriented affiliate of the IMF — he presided over the tremendous growth of World Bank loans and its entry into third world balance of payments bail-outs, the arena of the IMF. His new “solution” for the decline of imperialism was to use economic penetration, the policy of neo-colonialism, to the hilt, and strangle the third world with the carrot, the illusion of superpower benevolence.

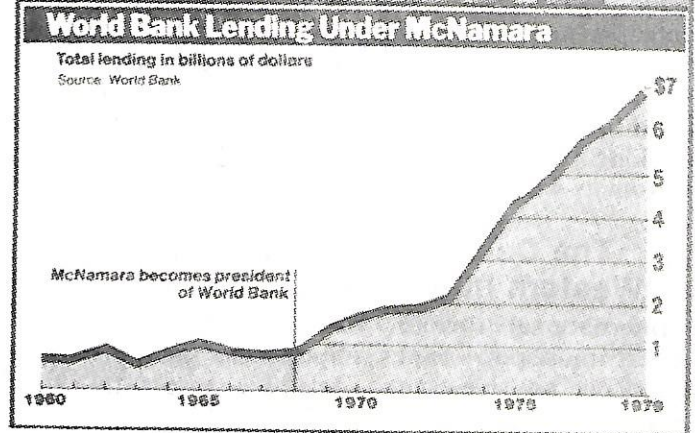
Revisionists and Trotskyites Cheerleaders for Imperialist Neo-Colonialism

Pushing the bankrupt theory of the “all-importance of the productive forces,” the revisionists and trotskyites lead the cheers for the imperialist penetration of third world countries. In their defense of imperialism, they see the world upside down. Third world resistance to imperialism is said to upset the balance of the world economy. Imperialist plunder is seen as progressive, in helping develop the productive forces of third world countries. In China, Deng Xiaoping, by pushing economic development as the main form of activity and redefining socialism to mean only building industry, has opened the door to imperialist penetration and the loss of political independence so staunchly fought for by Mao Zedong and historically by the Communist Party of China. The Soviet Union even talks about a “world division of labor” implying a natural harmony of economics in subjugation and brutal oppression.

Soviet officials have attacked OPEC control of their own natural resources by claiming the oil belongs to the people of the world. They are really suggesting the oil belongs to the imperialists of the world and OPEC should submit to imperialist conditions. And they fight third world countries, like Peru on the question of fishing rights, seeking to exploit the third world’s fishing grounds for their own profit.

Revisionists glorify the reactionary imperialism of the U.S. and prescribe it as the ideal for the socialist state. They have in fact lost all hope in socialism and have surrendered to the force of bankrupt imperialist ideas.

This is the vulgar materialism of Bukharin, passed down from revisionist to revisionist as the theory of the all-importance of productive forces. It is here that we see the unity of revisionists with trotskyites, who cannot see the contradictions of imperialism, who deny that the struggle of OPEC against foreign domination weakens imperialism, that the Iranian revolution has dealt heavy blows



Robert McNamara on tour in Africa. As the U.S. shifted from open and frequent military aggression after its defeat in Southeast Asia to stepping up neo-colonialism through using the IMF and World Bank, McNamara shifted from Secretary of Defense to President of the World Bank. Defeated by the third world, he left both posts in disgrace.

to imperialist schemes, and that the movement of the third world to strengthen their internal economies and cut off parts of imperialist plunder, push the death of imperialism closer. In the meantime, oppressed people should await imperialist development of the country. In the final analysis, the theory of the all-importance of productive forces is the theory of the imperialists themselves.

The realities of the 80’s are in stark contrast to

“The economic penetration of imperialism in the third world has come full circle, turning the international financial structure of the Western imperialists into a house of cards . . .”

the hopes of revisionism and trotskyism. The world's masses themselves are dealing death blows to the theory of the all-importance of productive forces, by resisting imperialism more and more vigorously. That is the main way for the proletariat to develop — in struggle against the two superpowers. The road of the 80's is more oppression by the imperialists bringing more resistance against them. This is the dialectic of imperialist entrapment that cannot be escaped. This resistance will bring a new social order around the world, and is helping us defeat imperialism to build the new social order, the dictatorship of the working class, in the U.S. This resistance represents what is progressive in the 80's.

The Deepest Ever Crisis of Western International Finance

International finance, the workings of the largest monopoly banks imperialism has produced, is no side-event, something across the ocean that may or may not affect us. It is at the heart of imperialism. In 1916 Lenin defined imperialism this way: “Imperialism is a specific historical stage of capitalism. Its specific character is threefold: imperialism is 1) monopoly capitalism; 2) parasitic, or decaying capitalism; 3) moribund capitalism. The supplanting of free competition by monopoly is the fundamental economic feature, the quintessence of imperialism. Monopoly manifests itself in five principal forms: 1) cartels, syndicates and trusts — the concentration of production has reached a degree which gives rise to these monopolistic associations of capitalists; 2) the monopolistic position of the big banks — three, four, or five giant banks manipulate the whole economic life of America, France, Germany; 3) seizure of the sources of raw material by the trusts and the financial oligarchy

(finance capital is monopoly industrial capital merged with bank capital); 4) the (economic) partition of the world by the international cartels has begun. There are already over one hundred such international cartels, which command the entire world market and divide it ‘amicably’ among themselves — until war redivides it. The export of capital, as distinct from the export of commodities under non-monopoly capitalism, is a highly characteristic phenomenon and is closely linked with the economic and territorial-political partition of the world; 5) the territorial partition of the world (colonies) is completed.” (“Imperialism and the Split in Socialism,” *Against Revisionism*)

Lenin succinctly points out that monopoly is the fundamental economic feature of imperialism, that it dominates economies through finance capitalism, and that it determines imperialist foreign policy, seizure of raw materials, economic partition of the world, and political partition of the world. The world of international finance is central to the workings of imperialism.

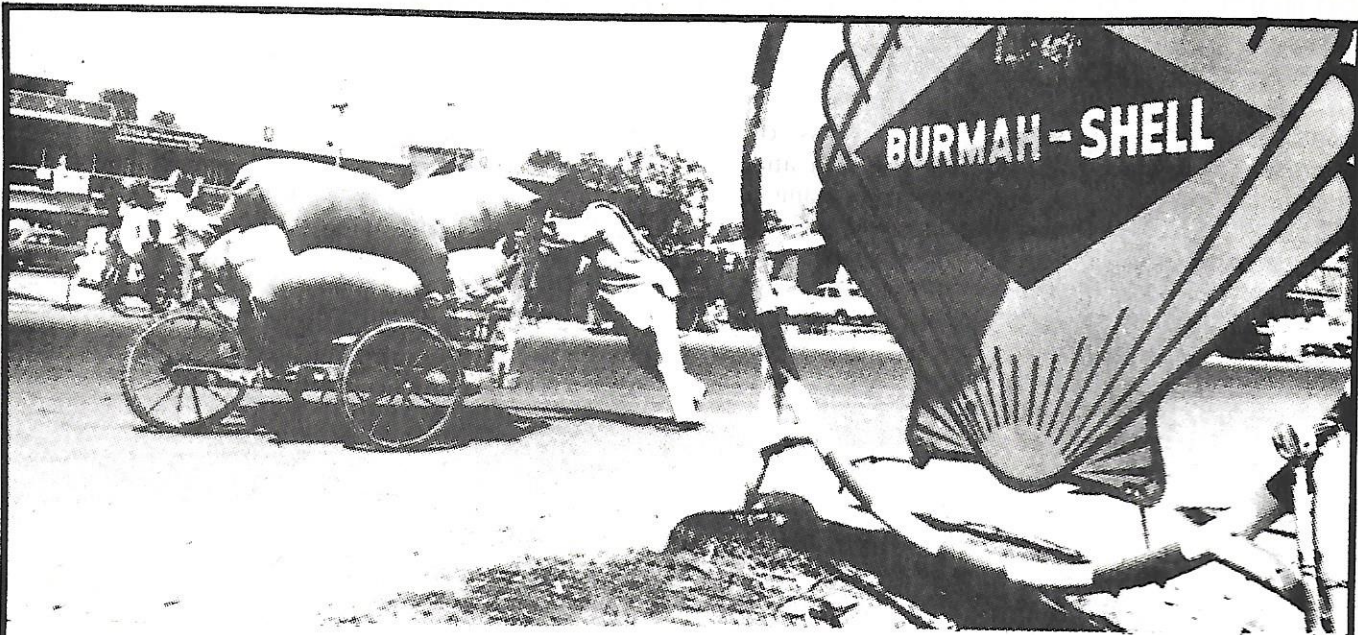
U.S. Imperialism Slips into Crisis

This truth is laid bare in crisis. The 1974-1975 crisis, the sixth post-war economic crisis was a severe financial crisis as well as a manufacturing and agricultural crisis. The crisis caught airlines owing \$14 billion to the banks with drastic drops in revenues and a net loss of \$52 million. The spectre of collapse was around the corner. The easy money world of real estate speculation, a parasitic aspect of capitalism pursued by the big banks with special subsidiaries, Real Estate Investment Trusts, owed \$11 billion when they lost \$240 million and failed to make payments. Chase Manhattan, Citibank and Franklin National lost millions in money market speculation, buying and selling foreign currency, putting Chase Manhattan and Citibank on the Federal Reserve's “sick list” and Franklin National out of business. San Diego National and 300 smaller banks went under. David Rockefeller, then the chairman of Chase

“MacNamara's rise and fall shows clearly that after 30 years of post-war imperialist temporary stabilization, the balance of forces has shifted dramatically.”



Mao Zedong talking with steelworkers while inspecting factories in Anhwei Province, 1959. Under his leadership and line of mainly relying on themselves, China made tremendous headway in developing its economy, in turn strengthening its political independence.



Neo-colonialism is in fact a more "perfect" and complete form of imperialist penetration, and has allowed a more complete impoverishment of the third world. Far from representing "enlightened" imperialism, or a more benevolent imperialism, it is a further example of Lenin's teaching: "Imperialism is reaction all along the line."

Manhattan, commented, "We hope we don't ever have to live through that again."

During the 1960s, U.S. imperialism's massive spending for wars of aggression in Indochina, for loans to neo-colonies to complete the degeneration of their internal economies and dependence on foreign trade, and spending for counter-revolutionary reforms at home to buy off enough misleaders to control the domestic struggles, far exceeded the bourgeoisie's willingness to pay, and the U.S. multi-national working class' ability to pay above and beyond their increasing impoverishment. The U.S. used Keynesian deficit financing — printing money, government bonds, and notes of all kinds. By 1971, U.S. public debt was \$424.1 billion. The results were severe inflation as money was printed and dumped into the economy instead of being introduced through production, as the law of value demands.

The post-war capitalist monetary agreement at Bretton-Woods made the U.S. dollar more than domestic money, it was international money as well. The U.S. bourgeoisie based on its political and military domination was therefore able to *export much of its inflation*, spreading it around the world through its system of international finance and trade. Between 1963 and 1970 the cost of living increased 26.8% in the U.S., but increased 35.3% in Britain, 30.9% in France, 20.6% in West Germany, and 44.4% in Japan.

By the 1970s the crisis of international finance was acute. The 1969-70 recession was the first time that a capitalist country ever fell into crisis in the midst of a war. The results were huge trade

deficits as money kept pouring into the Vietnam war and the surrounding area. In 1971 the U.S. trade deficit hit \$30 billion, the highest ever. The McCracken Report, from a group headed by Paul McCracken, former head of the Council of Economic Advisors, called this problem "the most important mishap in recent economic history." It was the turning point. U.S. imperialism had pushed against a changing world. The U.S.' own allies in the second world fought back hard, forcing it to swallow this money by devaluing the dollar in December 1971, and finally abandoning the gold standard altogether in February 1973. The collapse of the Bretton-Woods agreement signalled the end of a relatively stable period of fixed rate of exchange between the capitalist countries' currencies, characterized by U.S. hegemony, and the beginning of a "floating rate" of exchange and a new higher stage of imperialist crisis, currency speculation, and monetary wars.

Devaluation of the U.S. dollar was not the solution Europe was looking for. They held billions of U.S. dollars in their banks as assets and foreign exchange to finance imports. The devaluation meant they lost 10 to 20% of their holdings in a short time. But it was a price they were willing to pay to confront U.S. imperialism. For OPEC countries the devaluation had immediate effects, for most of their holdings were in U.S. dollars. This theft of savings, on top of the robbery at the oil well, and the monopoly prices of imports from the U.S., combined with the blatant support of Zionism in Israel, pushed OPEC into an historic

showdown with the U.S. and the continuing fight for equal exchange on their major natural resource, oil. This is the backdrop of the 1974-1975 crisis of imperialism. The loss of footing in the world pushed the crisis deeper and deeper. Today the same forces are even stronger and the crisis deeper.

Finance Capitalism Speculating on Its Own Future

In the age of imperialism, an imperialist bank is an international bank. Throughout the 1970s, they tended to become even more international. Citibank's foreign deposits increased from 31% in 1971 to 50% in 1980, while Bank of America's jumped from 44% to 75%. While the U.S. is fighting against its own allies and its third world colonies and neo-colonies, it is centralizing capital in the hands of a few U.S. imperialists. The world imperialist economy is more tightly bound together, meaning that crisis in one country will bring crisis to all. The U.S. imperialists are trying to lessen resistance by tying the world economy more tightly to the survival of imperialism, but the effect is that they are more vulnerable to every crisis around the world.

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They are particularly vulnerable to crisis in the third world. Throughout the 70's, a larger and larger part of bank loans went to third world countries. In 1976, U.S. bank loans to Brazil and Mexico equaled the combined capital of the 12 largest U.S. banks. In the rush to squeeze super-profits out of third world countries pushed to the brink by imperialist control, banks have been exceeding the loan-to-capital ratios deemed essential (and developed through a 100-year history of imperialist crisis) to prevent bank failures. Chase Manhattan's loans are 31 times its capital backing, twice the average 1970 banking ratio. Chemical Bank stands at 33 and Bankers Trust at 37. Japanese banks pushing hard to compete have higher ratios. Dai-Ichi Kangyo is at 42 and Fuji Bank is 36. (*Forbes*, June 23, 1980) These loans, which stretch the banks very thin, are increasingly being made to the third world. Total loans to these countries jumped from \$64.1 billion in 1971 to \$250 billion in 1978, to an estimated \$325 billion today. (*Newsweek*, May 26, 1980)

This flood of money shows that none of the problems which created the 1974-1975 crisis have been solved. The recovery of the 70's was made possible by shifting the burden of crisis to the third world and loaning them the money to make ends meet.

“Recycling Petrodollars: OPEC Lets Loose with Both Barrels”

As third world countries become poorer and poorer because of imperialist plunder, they must continually be propped up with loans just to carry on. These are not loans for building productive enterprises or building the economy. As imperialism robs its neo-colonies through unequal trade, it creates balance of payment problems. Raw material production at an imperialist-owned mine or plantation produces enormous wealth, but it is imperialist wealth because profits, export and sale of the raw materials are imperialist-controlled. Conversely, impoverished third world countries pay through the nose for imported consumption goods like food, clothes, soap, etc. So a country that produces more than it consumes is always running out of money, foreign currency, to maintain the trade on which the economy runs. These loans to third world countries in fact cover the loss of foreign currency, and cause the deeper impoverishment of the country.

One way the U.S. tries to shift the burden to the third world is through “recycling petrodollars.” Norman Gall describes the process: “Western Europe buys oil from OPEC. It then sells enough goods to the poorer countries to cover the deficit with OPEC. The poorer countries pay for Europe's goods with money borrowed from commercial banks. The banks get the money from

Iranians at a Teheran demonstration. The Western finance capitalists fear Carter's seizing of Iranian assets in U.S. banks more than the Iranian revolution itself. It could threaten the whole "ethical" system of international finance.



OPEC. This is called recycling. You could also call it a confidence game." (*Ibid.*)

The point is that imperialist nations are shifting the burden of dying capitalism wherever they can. If OPEC resists, they try to shift it to non-oil-producing third world countries. If the country can't pay the burden, they loan the money. Many "developing" countries have debts so high they don't even think about paying them off but worry about paying the interest. And countries like Jamaica or Zaire take out new loans just to pay the interest.

But to call this "recycling" is to blur the implications. That's why Gall calls it a confidence game. He thinks the imperialists are conning themselves. While two OPEC states in particular, Saudi Arabia and Kuwait, do not use all their oil earnings to build their internal economies, and

keep their savings in U.S. and European banks, the fact that the bankers loan the money back to the third world does not affect OPEC ownership of the money. This creates a big stick over the imperialists' heads, adding to imperialism's great hatred of OPEC. The money can be withdrawn at any time, causing the U.S. economy to crumble in a matter of months.

For instance, when the revolutionary Iranian government threatened to pull its \$8 billion out of U.S. banks, the reality of ownership came home to the imperialists. Carter froze the Iranian assets, something many finance capitalists think he shouldn't have done because it caused other OPEC countries to pull some of their money out and worry about putting any more in.

But more importantly, his actions undermined

the credibility of the U.S. in honoring its business commitments, and threatened every aspect of capitalist dealing which relies on the day-to-day operation of "ethics" and respectability to govern the aggressive wheelings and dealings of the various imperialists. To other third world countries, loans based on OPEC credit represent increased leverage against the U.S. because the imperialists must take the threat of default seriously and work out a compromise, so as to make their own payments, and preserve their oil imports. Thus "recycling petrodollars," while allowing the U.S. to delay the financial crisis for a short time in the late 70's, increasingly *undermined* imperialism's ability to blackmail the third world and further shifted the balance of power away from the U.S. and towards the third world.

There are trots who think "recycling petrodollars" means that the OPEC countries are helping the U.S. imperialists solve their crisis. They draw the conclusion that Khomeini and the OPEC countries are reactionaries in league with the imperialists. This shows two things. First, they simply forget who owns petrodollars, that is, OPEC countries and not the U.S., and therefore the profits go to whatever purposes the OPEC countries want. Second, they do not even understand as much as the bourgeoisie themselves do how deadly "recycling petrodollars" can be. Of course, being trots, they never let facts get in the way of their reactionary politics. This is one reason we have said that "You can't understand the unprecedented depth of the economic and political crisis in the U.S. and the tasks of the Communist Workers Party in preparation for the dictatorship of the proletariat in the 1980s without understanding the Three Worlds." (C.W. Li, "The Third World and U.S. Proletarian Revolution in the 80's," *The 80's Special Edition*, p.4)

The Crisis is Coming Home

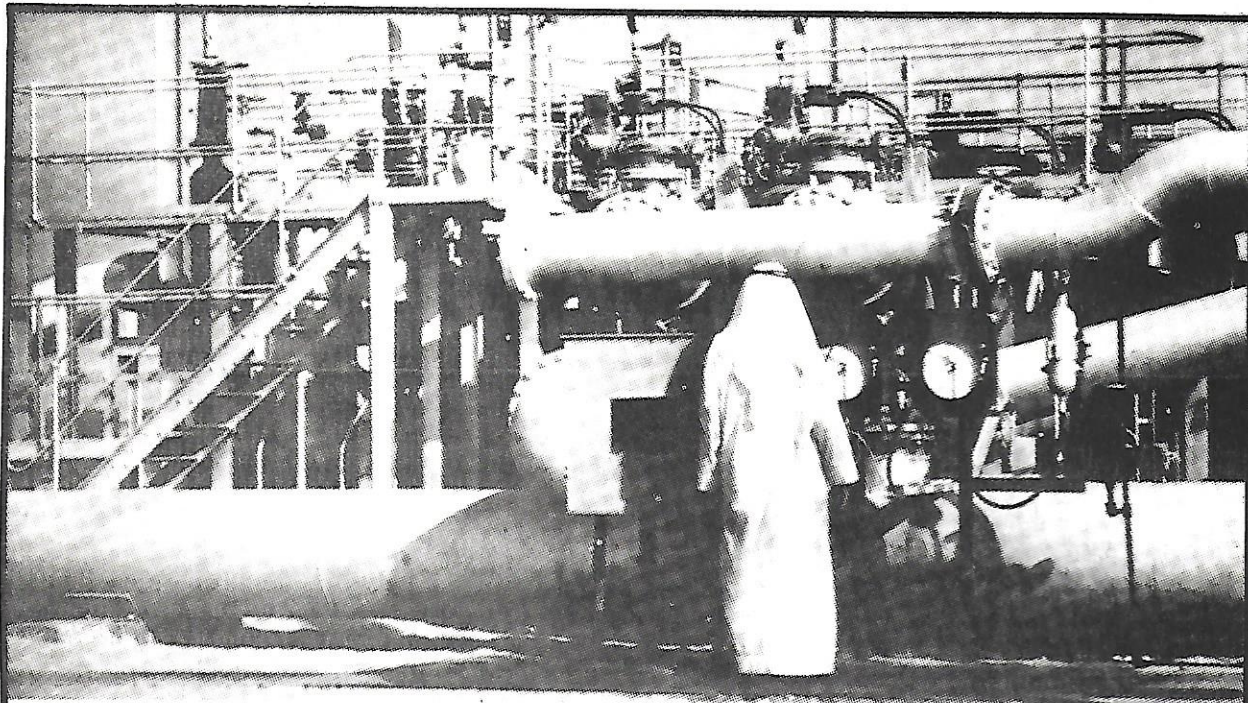
For the finance capitalists, profits must be continual. Lack of productive investments internationally is being replaced by betting on the survival of the third world debt pyramid. As the stakes grew through the 70's, the survival of the whole banking system became more and more entangled in speculation. James H. Gipon, formerly with Batterymatch Financial Corp., recently lamented his masters' problem. "Brazil illustrates the economic risks faced by U.S. banks. To avoid a catastrophic default by so large a borrower, U.S. banks have no choice but to roll over their old loans and to make large new ones. The real risk in foreign loans is a once-in-a-lifetime wave of defaults by many borrowers at the same time, an event that would render many banks insolvent." (*Forbes*)

In June, Bank of America president A.W. Clausen pleaded with the IMF for a way out. "I think there are risks that require insurance as the problem gets stickier," he said, arguing for a special IMF fund to cover the loans. (*Wall Street Journal*, June 4, 1980) But the IMF is more concerned with pressing debtor countries into severe destitution and starvation to solve their payments problems than maintaining the recycling of debt. Their hope is to slow the imperialist inflation through such harsh measures, and thereby stabilize the monetary exchanges and postpone the collapse of imperialism. Besides that, the IMF total assets are only \$50 billion, the highest they have ever been, but they wouldn't cover one-fifth of the outstanding loans Clausen is worried about. The IMF doesn't have the money, and most bankers are looking to the U.S. government to bail them out. The struggle of the third world for economic independence is quickening the fall of imperialism, caught in its increasingly limited ability to export crisis. The crisis is coming home.

The Collapse of Imperialist Economy

The overextension of banks, the increasing use of third world countries as recipients of loans, the feuding between the U.S. and Europe over monetary and lending matters and the rise of the third world in opposing U.S. imperialist political

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Arab worker at an OPEC oil terminal. Unlike the Trotskyites, the bourgeoisie themselves recognize that "recycling petrodollars," dollars owned by OPEC, in fact weakens the imperialists themselves.

control and economic plunder have brought the world imperialist economy to the reality of the 1980s. So far this year the Bank of Montreal has not been able to pull together a group of banks to put up \$350 million to keep Brazil afloat. The crisis is so deep in Brazil that along with mass poverty, inflation runs 87% and is expected to hit 100% before the end of the year. Even the Pope had to come and plead with the people to passively await social reforms. No banker wants to shoulder the risk of Brazil not surviving the next few years.

And negotiations are going on with Poland now, with 13 countries standing in line, each with more desperate financial troubles than the next. The demand for loans from third world governments will only increase as the crisis deepens, putting the finance capitalists between a rock and a hard place.

"The smaller and medium-sized European and U.S. regional banks now are refusing to go into syndicated loans. A year ago there were about 250 banks participating in international lending, while today there are only 60 or 80. This leaves the burden of lending to the giant banks, many of which are reaching their limit of lending to the countries that borrow most," reports Hans Berndt of Badische Kommunale Landesbank. Just like the Chrysler bailout, these smaller banks are scared they will be sacrificed for the preservation of the larger monopolies. Lacking the political clout of major banks, they know they will be treated more like Franklin National than First Pennsylvania. In the event of collapse, they will be

driven out of business while any assets they own **will be** turned over the major banks to shore up their losses, just as Manufacturers Hanover bought the viable parts of Franklin National from the government after its collapse and some profitable financial sectors of First Pennsylvania sold as part of its \$500 million bailout. Remembering that Franklin Roosevelt campaigned on reforms in the banking system and then let banks fail for three years while in office, the smaller banks are simply pulling out now, quickening the crisis.

The Shape of the Crisis

This crisis affects international finance in two ways. First, it rips apart the alliances that help it function. As the crisis pushes the capitalists into fiercer competition, they rush deeper into disaster while agreements between different factions to help overcome difficulties become more and more impossible. The system of international finance cannot survive the 1980s, and banks are cutting each other's throats in the struggle to survive, making the whole thing more vulnerable to crisis than ever before. Today bankers are more scared of Carter's panicky reactions to the Iranian revolution than of the revolution itself because of third world solidarity against his provocations. They cannot forget that OPEC withheld oil to fight U.S. support for Zionist aggression and repression of the Palestinians. And last year when Carter froze \$8 billion of Iranian assets in U.S. banks, finance capitalists watched OPEC nations among others shift their money into gold, pushing

the price from under \$300 to \$850 an ounce in a few months. Any spark, any revolutionary move by the third world, or even the complete bankruptcy of U.S.-backed regimes, threatens to bring the whole paper and air system of international finance down to the gutter.

Besides the day-to-day fear of disaster, the system is falling under its own weight, and international trade will drop dramatically over the next few years. The trade levels sustained in the 70's were based on enormous increases in international lending, which went from \$64.1 billion in 1971 to \$250 billion in 1978. The major banks won't even try to sustain this kind of loan growth in the 1980s, because it's a deeper and deeper hole, a hole of no return.

Because of the impoverishment of the third world, the only way it can continue to trade with the U.S. and Western imperialists, trade that drains the country, is for the imperialists to front the money necessary to maintain their plunder. This huge international debt, and its basis, the combined inability and unwillingness of the third world to carry the burden of the crisis of Western imperialism's collapse, is a new feature of imperialist crisis, one that will prove devastating.

On the one hand the IMF is trying to patch holes in the international banking system (such as the Eurodollar market), by which money is lent without government regulations. This will bring all banking under more centralized control, strengthening the U.S.' position to pressure third world countries harder on loan conditions.

But pressed hard by the declining ability to extract superprofits, imperialists are increasingly threatening each other. Japanese autos flood the U.S. as the domestic auto industry collapses. Europeans push the Airbus plane to airlines around the world, threatening the U.S. aerospace industry's traditional dominance. U.S. finance capitalists look for loose ends in world trade, like

“In the rush to squeeze superprofits out of third world countries, banks have been exceeding the loan to capital ratios . . . deemed essential to prevent bank failures.”

“To other third world countries, loans based on OPEC credit represent increased leverage against the U.S. because the imperialists must take the threat of default seriously . . .”

electronics and exotic machine tool exports, to tie up. With the Toyotas, Volkswagens and Renaults unloaded at U.S. docks every day, world trade *seems* to be on the upswing, but it is the calm before the storm, market-grabbing before the crash. *Business Week* sums up the recent push of Japanese overseas investment: “If anything, the main source of government pressure on Japanese multi-nationals has come from the Ministry of International Trade & Industry's steady prodding to invest more abroad before foreign trade restraints or quotas are imposed.” (*Business Week*, June 16, 1980) They see the handwriting on the wall. They know the 80's will deepen the imperialist crisis, causing deeper economic crisis within each imperialist country, further depressing world trade and spreading the crisis everywhere imperialism reaches.

The decline in world trade means world crisis. Because of the inter-connectedness of Western imperialist world economy, every nation will suffer. In the U.S. millions of jobs will be lost, from the Chicago Commodity Exchange (where they speculate on imported and exported agricultural and mined raw materials) to the few remaining steel jobs (where exports have played an important role, propped up by foreign aid procurements which buy nearly 40% of all steel exports according to a U.S. Steel official). “. . . under capitalism the home market is inevitably bound up with the foreign market. Capitalism long ago created a world market. As the export of capital increased, and as the foreign and colonial connections and ‘spheres of influence’ of the big monopoly combines expanded in all ways, things ‘naturally’ gravitated towards an international agreement among these combines, and towards the formation of international cartels. This is a new stage of world concentration of capital and

“The system of international finance cannot survive the 80’s . . .

production, incomparably higher than the preceding stages.” (Lenin, *Imperialism*, p.79) What Lenin points out is that foreign trade is the activity of monopolists. Rest assured that they will use all their political connections to avoid going bankrupt and shift their losses onto the unemployed and working people through higher prices for any goods, domestic or foreign, and higher taxes to bail themselves out.

That’s the optimistic outlook. The increasing vulnerability of the international financial system means whole groups of banks can collapse overnight. Because of the deep penetration of finance capitalism in the entire system, the effects would be far-reaching. Smaller business will fall from cash flow problems (paying creditors and workers before selling products), throwing many more out of work, and killing the only portion of imperialist industry that has expanded since the 1974-1975 crisis. Speculators will fall from the need to sell and settle accounts, plunging the artificial prices as they try to sell to each other. Aside from a few pockets of “gentrified,” rehabilitated, petty bourgeois urban neighborhoods — the fractional real estate market based on speculation — the

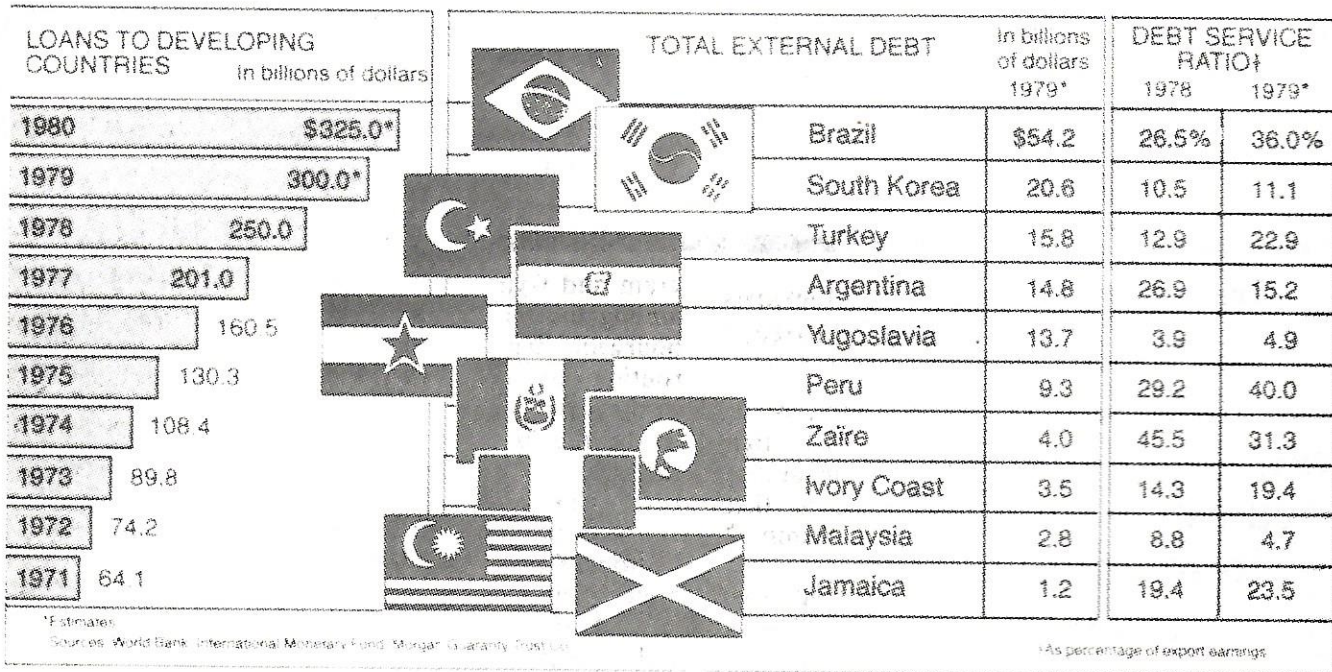
value of land and houses will fall as only a handful can afford to buy, wiping out homeowners’ lifetime savings and farmers’ chances to sell out and liquidate their debts. Such is the bright hope of the “American way” in the 1980s.

Capital Rules the Capitalist, Independent of His Will

For the bourgeoisie, the subjective factor cannot free them from the laws of political economy. The mad rush into the debt trap of financing impoverished third world countries is not a question of their own stupidity, but of their own helplessness.

First driven to the third world by their monopolization of the most profitable industrial sectors of the home market, and the continual impoverishment of their “own” working class, then driven to loan the third world money to pull them into the imperialist orbit and secure the conditions for massive investments, impoverishing the world’s masses, finally they are driven to hold on at all costs.

Failure to continue funding any one of the major third world importers, as we have shown, will bring home the crisis of imperialism like never before. This means losing neo-colonies either to the Soviet Union, which is eagerly gobbling up new colonies to maintain their own economy and face down U.S. imperialism for hegemony of the world, or to the forces of social revolution and the national liberation of oppressed people, either through anti-imperialist revolutions, such as Iran and Nicaragua, or through socialist revolutions



The international debt became enormous during the 70s as Western imperialism loaned the third world money to further impoverish their economies.

for workers' rule as the U.S. will see.

Thus we see that the drive for the highest profit has consistently driven them first into imperialism, moribund capitalism, and finally to the deepest imperialist crisis ever.

Bourgeois Individual and Larger Interests Collide

The decline in foreign trade will break the struggle between the U.S. imperialists and the European and Japanese imperialists wide open. Pressed to maintain their economies they will be at each other's throats for the remaining foreign trade using tariffs, loans tied to trading agreements, and diplomatic pressures of all kinds. Those who can hold onto colonies will be in much better shape than those who can't. Among the major second world allies of the U.S., England, France, and Italy look ready to absorb the worst of the crisis, because of their lack of colonies and their inability to shift crisis.

Agreements among the Western bourgeoisie are necessary for them to hold off the Soviet Union on the one hand and rising revolutionary tide on the other. Countries like Poland and Yugoslavia with large international debts need to be supported to prevent consolidation of the Soviets' sphere of influence. Countries like Zaire, Thailand, and Jamaica need to be supported to maintain the U.S. imperialist superprofits, and to stem Soviet movement through the third world, the building of their imperialist base. Countries like Brazil, Peru and Philippines need to be supported to prevent their masses from controlling their own destinies.

With no one imperialist willing or able to undertake these bailouts, the problem of forming a coalition of major imperialist nations to finance this stares finance capitalism in the face. Last month different banking officials went to the IMF

“International trade will drop dramatically over the next few years . . . With the Toyotas, Volvos and Renaults unloaded at U.S. docks everyday, world trade seems to be on the upswing, but it is the calm before the storm.”

and the World Bank to press for a plan, but they were unsuccessful. The IMF has never been able to solve problems between the U.S. and the second world, which end up in direct government negotiations. The recent Hamburg meeting of the IMF in April failed even to address this question, letting it slide because of short-term stability (as in the dollar's recent strength).

The yearly economic summit of the U.S. and major second world countries is becoming all form and no substance, a media event, as the two sides struggle for economic stability in the midst of crisis.

How can the U.S. consolidate its second world countries around this sort of plan when the U.S. imperialists can't pull themselves together to push out "industrial redevelopment" at home? The goose is cooked. The big chicken is coming home to roost. □

Self-Criticism on the Article, "Elections 1980: The Battle For Moral Authority," The 80's, Vol. 1, No.2

In our last issue, in the article on elections, I said: "The masses respect the CWP's tight organization, boldness to express their deepest sentiment and attack the bourgeoisie at their political weak point..." (p. 46, column 2, paragraph 3).

This is incorrect. Instead of "political weak point," substitute "political strong point."

During the elections, the bourgeoisie takes the offensive, actively promoting their views and pro-

gram and trying to whip up a greater following among the masses. Election campaigns promote bourgeois democracy better than the day to day routine of corruption, repression, hearings, studies, etc., etc. Therefore, the elections are actually the bourgeoisie's strongest point, even though it is most fragile and weaker than ever before due to the masses' disillusionment.

The historical significance of the Democratic National Convention is that the CWP took on the bourgeoisie at their strongest point, in a frontal attack. This is what shatters them psychologically and what the masses respect.

Nathan Goldstein