



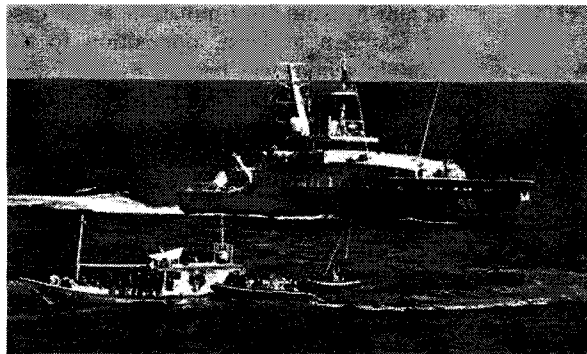
ALP Government Demands Sacrifice from Workers

Recession Australia: Unemployment, Racism, Militarism

MAY 30—As the capitalist economic crisis unfolds, millions around the world are facing immiseration. In Australia, over 600,000 are now officially unemployed and this figure is expected to double before the year's end. In its attempts to "save capitalism," the federal ALP government has spent more than \$80 billion in the past year. This, along with plummeting tax revenues, will contribute to a projected \$300 billion national debt within five years. While government ministers claim they are spending to save jobs, their real concern is kick-starting capitalist investment.

The May federal budget continues the onslaught against workers and the poor. Impoverished aged pensioners received a few extra dollars, to be paid for by raising the pension age by two years. While the employed are expected to work harder for less, the unemployed and others on pensions such as single mothers got no increase to their meagre payments. Meanwhile unemployed youth under 20 who haven't completed high school will lose their unemployment benefits, and their parents will have their family tax benefits slashed, if they don't pursue some form of "education"!

Under the reactionary rubric of "nation building," the prime minister, Kevin Rudd, cynically trumpets the budget's projected \$22 billion infrastructure expenditure as a pro-working-class measure to create jobs. In reality, it simply fulfils Labor's pre-election commitment to big business to make Australian capitalism more competitive by reversing the former Howard government's neglect of key communications, transport and port facilities. Meanwhile, the budget allocates a comparative pittance to the crumbling health and education systems which, along with public transport, have fallen into decay through years of capitalist neglect.



Chantal Parslow

Right: Labor prime minister Kevin Rudd announces plans for massive armed forces build-up, Sydney, 2 May. Above: Navy intercepts desperate Afghan asylum seekers, April. Earlier, five drowned and scores were injured when another Afghan refugee boat, seized by navy, exploded.



AP Photo/Rick Rycroft

The Laborite trade-union tops, who view the world through the lens of the bourgeoisie, are working overtime with their parliamentary "mates" to rebuild confidence in the capitalist system. Imbibing in Rudd's "nation building," in response to growing unemployment they are calling to bail out the bosses' industries using workers' taxes while telling workers to sacrifice in the "national interest," i.e., for the bosses' profits. For example, in April, General Motors Holden management and union tops cooked up a deal that halved shift times, cutting penalty rates for workers. Described by the federal ALP government as "a model," such deals slash wages, undermine hard-won union conditions and devastate the livelihoods of workers.

Alongside this, the government is slashing the immigration intake and heavily funding and enforcing xenophobic "border control" measures. They are expanding the cop and military takeover of Aboriginal lands to town camps around Alice

Springs and continuing to enforce racist welfare "quarantining" against besieged Aboriginal people. This all-sided reaction is buttressed by draconian "anti-terror" and anti-union laws, the latter almost identical to those of the Howard government apart from the name. The Labor government's despicable anti-immigrant measures include using the navy to target refugees fleeing the horrors of the imperialist occupations of Iraq and Afghanistan and the genocidal war against the oppressed Tamil minority in Sri Lanka. Prevented from landing in the country, refugees have been intercepted off shore and dumped at the government's Indian Ocean Christmas Island detention centre where many await deportation, which can mean death.

Defend the Chinese Deformed Workers State!

We Marxists stress that the future for workers in Australia lies in common struggle with the working masses of Asia against capitalist exploitation. Our fight for a workers republic of Australia is part of our perspective for socialist revolutions throughout Southeast Asia and beyond. Key to this proletarian internationalist perspective is our defence of China, a bureaucratically deformed workers state that issued out of the 1949 Chinese Revolution. This revolution overthrew capitalist class rule, liberating the Chinese masses from the yoke of bloody imperialism, and led to the development of a collectivised economy that laid the basis for massive social progress. However, the workers state was deformed from its inception under the rule of Mao Zedong's peasant-based Chinese Communist Party regime, a Stalinist-nationalist bureaucratic caste

resting atop the workers state. Despite capitalist inroads under decades of the bureaucracy's "market reforms," China's economy remains dominated by state-controlled banks and the core of its industry remains collectivised, an historic gain for the world's working class that the imperialists seek to overthrow (see article, page 12).

Unlike reformist groups such as the Democratic Socialist Perspective (DSP) who declare China capitalist in order to join counterrevolutionary causes from "Free Tibet" to "independence for Taiwan," we Trotskyists fight for the unconditional military defence of China and the other deformed workers states of North Korea, Vietnam and Cuba against imperialist attack and capitalist counterrevolution from within. In direct opposition to the imperialists' provocative threats against North Korea following its recent missile tests and underground detonation, we note that our defence of China and North Korea includes *supporting* their testing and possession of nuclear weapons as a necessary deterrent against the threat of annihilation by the nuclear-armed imperialists in Washington, backed by their lackeys in Canberra.

At the same time, we fight for proletarian political revolution to oust the nationalist, Stalinist bureaucracies whose appeasement of imperialism and bureaucratic mismanagement paved the way for capitalist restorationist forces. A genuinely communist government in China, based on workers and peasants councils and an internationalist program, would look to the extension of proletarian power through the struggle for socialist revolutions throughout the region, and particularly in the

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Australian

Centrelink welfare queue, Sydney. Capitalism devastates livelihoods of workers.

For a Revolutionary, Internationalist Workers Party!

More on Marxism and Religion

25 May 2009

Dear Comrades,

I very much liked the article "On Marxism and Religion; Socialist Alternative: God Delusional Opportunists" in the Autumn issue of *Australasian Spartacist*. Here in Melbourne Socialist Alternative's (SAlt's) capitulation to religion is sharply seen in their avid support to the campaign

for the restoration of a Muslim prayer room at RMIT University's main city campus. The campaign has also been supported by the Democratic Socialist Perspective.

The old prayer room was demolished during renovations in 2007. RMIT Administration now offer Islamic students preferential use of rooms in a new "multi-

faith Spiritual Centre." But the students say the Administration has reneged on their promise to restore a dedicated prayer room. As part of a campaign that began more than a year ago, they recently held a rally, which had the support of student unions and NUS. SAlt were up to the necks of their Islamic green campaign t-shirts in building this 23 March protest, describing it as "uplifting."

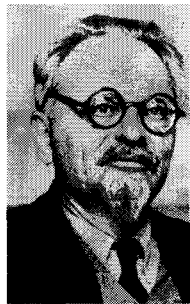
We can not know why the capitalist RMIT Administration made their apparent about-face on the prayer room. Of course, their claim to secularism is false, as illustrated by the provision of the Spiritual Centre. In response to RMIT's argument that the Muslim community need to provide their own mosques, SAlt say they have been prevented from doing so by violent campaigns, for example in the Sydney suburb of Camden. Marxists unambiguously oppose such bigoted anti-Muslim reaction, just as we opposed every instance of anti-Muslim discrimination. In the case of Camden at least, opposition to the Islamic school was backed by the Labor prime minister that SAlt helped to elect.

As the "On Marxism and Religion" article makes clear, the SL has been forthright in opposing the capitalist rulers' "war on terror," a phony justification for imperia-

list brigandage and shredding of democratic rights at home, which has particularly targeted Muslims for victimisation and racist attack. However, it is one thing to fight against the government's racist "war on terror," and quite another to call on the institutions of the state—the very same state that has whipped up an anti-Muslim witchhunt—to provide resources and facilities to *foster* religion (be it minority or "mainstream" varieties).

The SL's guiding principle on the prayer room question is the bourgeois-democratic demand for separation of church and state. When we say that religion should be a purely personal matter that means the state should neither intervene to discriminate against *nor to promote* a particular religion or religious beliefs in general. The Spiritual Centre at RMIT city campus, like prayer rooms and chapels at all other state-run campuses and universities, should be turned into spaces to facilitate scientific education of students—a good start would be a dedicated space for the study of the historic achievements of Charles Darwin. That the state-capitalist SAlt prominently promote the campaign for a Muslim prayer room at RMIT illustrates their hostility not only to Marxism, but even to the pronounced aims of the Enlightenment and the bourgeois-democratic French Revolution.

Comradely greetings,
R.N.



TROTSKY

Tiananmen 1989: Incipient Proletarian Political Revolution in China

June 4 this year marks the 20th anniversary of the suppression of mass student and worker protests centred on Beijing's Tiananmen Square. Contrary to the line pushed by both the Stalinist regime and the imperialists, the uprising was not a movement for "Western democracy," i.e., for capitalist counterrevolution. Rather, its character was decisively marked by the pro-socialist workers who joined the students. This

was an incipient proletarian political revolution. Then, as now, we stand for the unconditional military defence of the Chinese bureaucratically deformed workers state against imperialism and internal counterrevolution, for a government based on elected workers and peasants councils and committed to revolutionary proletarian internationalism. The following excerpts from *Workers Vanguard* (WV), newspaper of the Spartacist League/U.S., show how we Trotskyists responded to the unfolding events. On 3 June, Deng Xiaoping mobilised regime-loyal army units stationed outside Beijing to implement the order of martial law declared two weeks earlier. What followed was a bloody massacre that was aimed especially against the workers who joined the protests. WV headlined "Beijing Massacre—Civil War Looms; For the Unity of China Under the Leadership of the Workers!" (WV No. 479, 9 June 1989) and "Defend Chinese Workers! Stop the Executions!" (WV No. 480, 23 June 1989). For a more thorough analysis see "The Spectre of Tiananmen and Working-Class Struggle in China Today" (WV Nos. 836 and 837, 12 and 26 November 2004).

The imperialists would like to see in the Beijing spring the flowering of a pro-Western mass movement. Some of the students' appeals are clearly aimed at the American media, such as the banner proclaiming (in English) "Give Me Liberty or Give Me Death." But as an April 27 march of 150,000 students attracted the support of an even larger number of workers, the marchers responded by chanting "Long live the proletariat!" And over and over they sing the *Internationale*, the historic anthem of the socialist working class. Again on the weekend of May 20-21, as the regime headed by Deng Xiaoping and Prime Minister Li Peng ordered troops to remove student hunger strikers, workers streamed into the square to stand with them. But while the workers have been massively present in the protests, they have not yet mobilized behind their own class program—to oust the bureaucratic misleaders of the Chinese deformed workers state and establish the rule of proletarian soviets....

Most dramatic is the immobilization of the army. Li Peng's order for a military crackdown was essentially ignored. Not only were the units which ventured into the capital surrounded by the populace, subway workers and management refused to transport them underground. The 38th Army, which is based in Beijing and includes many draftees from the capital, reportedly refused to move on the crowds. (The commander's daughter is supposed to be among the hunger strikers.) Now a letter has surfaced from seven former high-ranking military leaders, and signed by more than 100 officers, opposing bringing troops into the capital: "The army absolutely must not shoot the people" (*New York Times*, 23 May). The *Paris Libération* (18 May) quotes a former officer saying, "the situation in China currently rather resembles Hungary in 1956, except there is no possible Soviet intervention to save the regime."

... What the Chinese working people urgently need is *genuine communism*, a genuinely Marxist and Leninist communist party to replace the bureaucratic regime with *workers and soldiers soviets* at the head of the poor peasantry. Instead of the nationalism of the Chinese Stalinists from Mao to Deng, which has led China into a counterrevolutionary military and diplomatic alliance with the U.S. against the Soviet Union and Vietnam, what's needed is *communist unity against imperialism*.

—"Upheaval in China," *Workers Vanguard* No. 478, 26 May 1989



LENIN



G.P. Putnam's Sons

Young Communists studying atheism following 1917 October Revolution.

CORRECTION

In our article "On Marxism and Religion" in the previous issue of *Australasian Spartacist* (No. 204, Autumn 2009), we wrote:

"SAlt's political origins go back to the late Tony Cliff and his followers who bowed to the pressure of anti-communist Cold War hysteria during the Korean War. Capitulating to the British bourgeoisie and the then-ruling British

Labour Party, they refused to defend the Soviet Union, China and North Korea against imperialist attack and were expelled from Trotsky's Fourth International for reneging on their revolutionary duty."

While some followers of Tony Cliff were expelled, others, including Cliff himself, broke from the Trotskyist Fourth International on this question of defence of the Soviet Union and other workers states.

Australasian

SPARTACIST

For a workers republic of Australia, part of a socialist Asia!

Marxist newspaper of the Central Committee of the Spartacist League of Australia, section of the International Communist League (Fourth Internationalist).

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Statement of the International Communist League

Down With NATO!

For a Socialist United States of Europe!

The following is reprinted from *Workers Vanguard* (No. 934, 10 April), newspaper of the Spartacist League/U.S.

The following statement was issued on March 27 by the International Executive Committee of the International Communist League (Fourth Internationalist). The statement was distributed by our comrades of the Ligue Trotskyste de France and the Spartakist Workers Party of Germany, sections of the ICL, at anti-NATO protests in Strasbourg, France. It was also distributed by the Spartacist League/Britain at the London G-20 protests on April 1 and 2. To protect NATO's bloody imperialist rulers from justified outrage, the city center of Strasbourg was placed in a state of armed siege days before the summit, while in the suburbs thousands of anti-NATO demonstrators from across Europe were met with brutal cop terror. On April 4, an estimated 50 people were injured by France's notorious CRS riot cops. The French cops had taken their cue from the London cops, who had brutally suppressed the earlier G-20 protests. The police rampage in London led to the death of Ian Tomlinson, a 47-year-old man. Three witnesses told the *London Guardian* (7 April) that Tomlinson was struck with a police baton and thrown to the ground by a cop, his head hitting against the pavement. Over 300 people were arrested during the anti-NATO protests. At least six demonstrators have already been sentenced to three to six months in jail by a Strasbourg court. Such state repression targets the entire workers movement. **Free all the protesters! Drop all charges! For working-class protests against state repression!**

* * *

At their April meeting in Strasbourg, France, new U.S. president Barack Obama and the leaders of Germany, France and other NATO member states will celebrate the 60th anniversary of this imperialist alliance. The meeting will be held against the backdrop of the ongoing, brutal neo-colonial occupations of Iraq and Afghanistan, the recent slaughter of Palestinians in Gaza, and a growing world economic crisis that threatens the livelihoods of hundreds of millions. Almost 18 years after the fall of the Soviet Union, the incessant bourgeois mantras about the superiority of capitalism notwithstanding, this deeply irrational system is itself proving once again that Karl Marx is right.

The *only* way out of the blind alley into which capitalism has led humanity is international proletarian revolution to rip the productive forces from the hands of an exploiting minority and organize society on a rational basis. International workers rule is needed to clean up the mess that decaying capitalist imperialism has made and to lay the basis for a classless, communist society in which economic scarcity, exploitation, oppression and war are relics of a benighted past.

The starting point is the Marxist understanding that the working class cannot wield the capitalist state for its own interests; rather that state must be smashed and replaced by a workers state, the dictatorship of the proletariat.

Tens of thousands are expected to demonstrate against the NATO anniversary summit, and the bourgeois state is preparing to meet them with the jackboot

own bourgeoisies. The anarchists mobilizing for the demos—with the call, for example, “Smash, we can!”—have nothing to offer but the illusion of “forcing” disarmament under capitalism.

The drive toward war is as inextricably rooted in the capitalist system as the drive to increase profit. Imperialism is the highest stage of capitalism, marked by the domination of the globe by a small

more deceptive idea about the *absence of deep* contradictions between capitalism and socialism, nothing *embellishes* capitalist slavery more than this deception does. No, we must make use of the desire for peace so as to explain to the masses that the benefits they expect from peace cannot be obtained without a series of revolutions.”

—“The Question of Peace” (1915)

Guided by this revolutionary program, Lenin and the Bolsheviks led the 1917 October Revolution, which overthrew capitalism and ripped Russia out of the First World War.

The NATO war alliance was forged after World War II—and the Soviet Red Army's victory over Hitler's Third Reich—as part of the imperialists' drive to “roll back Communism.” From the Korean War in the 1950s to the military coup in the NATO outpost Turkey in 1980, the U.S.-led anti-Soviet crusade was sealed with the blood of millions of workers, leftists and oppressed nationalities. The imperialist world order of today is shaped by the counterrevolutionary destruction of the Soviet Union in 1991-92. This was a historic defeat for the working masses internationally, especially for the populations of the former Soviet Union, East Europe and the ex-DDR [East Germany] who have faced mass poverty. Capitalist restoration was accompanied by and further fueled communalist slaughter and fratricidal bloodletting, as seen most recently in the war between Russia and the U.S. client state of Georgia. The collapse of the USSR fueled the imperialists' appetites to stomp all over the world with impunity. The catastrophic results of counterrevolution underline the vital importance today of the unconditional military defense of China, the most powerful of the remaining bureaucratically deformed workers states, and the other countries where capitalist rule has been overthrown: Cuba, North Korea and Vietnam. We call for proletarian political revolution to replace the parasitic Stalinist bureaucracies with regimes based on workers democracy and Bolshevik internationalism.

Barack Obama: Commander-in-Chief of Racist U.S. Imperialism

Today, it's necessary to reassert the elementary understanding that the president of the American capitalist state is the *class enemy* of the world's workers and oppressed, especially of the U.S. proletariat, immigrants and the specially oppressed black population. While the decision to close Guantánamo (within a year) and review the release of some detainees was much-hyped, Obama has endorsed indefinite detention, reminiscent of police-state dictatorships, and he is more generally dedicated to continuing Bush's “war on terror.” In this, he is in full agreement with the European rulers, who merely wished to give a little

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Above: German chancellor Angela Merkel and U.S. president Barack Obama review troops in Baden-Baden, Germany, on 3 April before NATO summit. Below: Anti-NATO protesters brutalised by cops in Strasbourg, France, 2 April.



of police repression. But the aim of the protest organizers—who reject the aims of communism and the proletariat, revolutionary and internationalist strategy needed to realize them—is to lobby the imperialists for a little “change” to better sell their system of exploitation to workers and the oppressed. The social democrats, liberal “anti-globalization” types and bourgeois-pacifists peddle hoary phrases about a “policy of peace” and “international cooperation” in order to deceive the masses and advance the interests of their

exclusive club of capitalist great powers that lord it over the weaker, dependent nations. Twice in the past century, inter-imperialist competition for resources, markets and spheres of exploitation erupted in cataclysmic world wars. In 1915, in the midst of the first interimperialist war, the outstanding Bolshevik leader V.I. Lenin attacked those who spread illusions in capitalism by preaching “peace in general”:

“Nothing throws more dust in the eyes of the workers, nothing imbues them with a

U.S./NATO/Australian Troops Out of Afghanistan Now!

Recession...

(continued from page 1)

imperialist centres of Japan, North America, Europe and Australia.

While the global economic crisis has slowed China's economy, for decades it has escaped the cyclical crises inherent to capitalism and been growing at a rate unmatched by any capitalist country. As a consequence, over the last 15 years the Australian bourgeoisie has accrued enormous wealth from mineral sales to China, now Australia's largest two-way trading partner. With the Japanese economy currently spiralling deeper into recession, the Australian bourgeoisie's reliance on exports to China has increased markedly such that many bourgeois economists look to China to pull Australian capitalism out of recession.

In this framework, earlier this year a xenophobic anti-China backlash erupted over Chinese state-owned companies seeking to invest in capital-starved and crippled Australian mining companies. This media-driven campaign, saturated with "yellow peril" racism and overlain with "red menace" anti-communism, targeted China for supposedly using the economic crisis to "seize control" of Australian resources, threatening "national security" including the highly-secretive U.S. intelligence base at Pine Gap near Alice Springs. This was the context for the "security scare" whipped up around the ALP defence minister, Joel Fitzgibbon, whose friendship with a Chinese-Australian businesswoman was portrayed as a national security risk. Next, Kevin Rudd was admonished in Murdoch's *Australian* for a lack of transparency in his meetings with China's propaganda chief and for lobbying "for Beijing" because he argued that China should have a bigger say in the IMF. Such was the hysteria over investments, the Chinese ambassador felt compelled to call for "rational" discussion, noting that at the end of 2008 "less than 1 percent of total foreign investment in Australia" came from China (*Australian*, 2 April).

The government quickly made a slavish show of loyalty to the Australian capitalist rulers by denying an application by state-owned China Minmetals to invest in the moribund OZ Minerals' operation at Prominent Hill in South Australia on "security" grounds. Some experts opined that the application was rejected because the Chinese could "spy on" the Pine Gap base. It is not China which is targeting the U.S. and Australia but the opposite! Pine Gap, which collects electronic intelligence from around the world, is part of a string of U.S. military installations and bases from South Korea to Central Asia that assist bloody imperialist interventions and enforce capitalist "stability" in Asia and the Pacific while targeting the bureaucratically deformed workers states, particularly China.

Down With Australian Imperialist Militarism!

With their strategic aim of capitalist counterrevolution, the imperialists have for years pursued a combination of economic and political subversion while increasing military pressure against China. The recent xenophobic, anti-China hysteria further serves to line up the population here behind the counterrevolutionary aims of U.S. and Australian imperialism. The invention of a Chinese "threat" has been used by the bourgeoisie to legitimise the government's recently released Defence white paper, which projects a vast program of future military spending and hawkishly targets China. The biggest build-up of the Australian military since World War II, the proposed expansion of the airforce and navy includes up to 100 new fighter jets, more submarines and new classes of warships equipped with long-range Cruise missiles.

Commenting on the Defence paper, a

27 April *Australian* editorial expressed the view of a section of the ruling class:

"this is a plan for a world where Australia may need to defend its territory and economic interests from attack, and might have to project military power a great distance from home. ...it appears the Government wants to cover contingencies from an East Timor-style deployment to fighting a regional power, for which read China, with a blue-water fleet..."

Despite this braggadocio, Australia remains a second-rate jackal imperialist power that looks to the U.S. for protection. As such, they offer their services in dirty murderous operations from the southern Philippines to Afghanistan where Australia has recently sent an additional 450 troops as part of the blood-drenched U.S.-led occupation.

In this sparsely-populated, white imperialist enclave in Asia, the counterrevolutionary U.S./Australia military alliance has always had the bipartisan support of



Angela Wylie

Melbourne, 31 May: Indian students protest ongoing violent racist attacks. Labor government's xenophobia fuels racist reaction on streets. Multiracial working class must champion rights of all immigrants.

the Liberal and Labor parties. Following the surrender of the British and Australian forces in Singapore to Japan in 1942, it was the Labor government of John Curtin which transferred Australian imperialism's allegiance from British to American imperialism. In response to the post-war nationalist and revolutionary ferment among the Asian masses, anti-communism and anti-Asian racism within the Australian ruling class fused in common fear of the spectre of social revolutions in Asia, particularly after the victory of Mao's Red Army in China in 1949.

In 1951, during the Korean War, the Liberal government of Robert Menzies signed the ANZUS pact to "contain" communism across Asia. In part the alliance was bought with Australian acquiescence to a peace treaty with Japan, which the U.S. sought to rebuild as an anti-communist bastion, including against the Soviet Union. The ANZUS alliance has seen the U.S. and Australian military act to slaughter millions of workers and peasants in counterrevolutionary wars from Korea to Vietnam. It was the Australian Secret Intelligence Service stationed in Jakarta that collaborated with the CIA to help orchestrate the 1965-66 anti-Communist bloodbath in Indonesia, which helped "stabilise" Southeast Asia under the imperialist yoke at the cost of more than a million lives.

Australia remains a strategic ally of the U.S., not least through hosting the U.S. military installations and spy bases. With its current police/military occupations of East Timor and the Solomons, Butterworth airforce base in Malaysia, counterterrorism base and training of "special forces" in Indonesia, and training troops in the southern Philippines, Australian imperialism plays an aggressive role in the region as a counterrevolutionary gendarme under the U.S. umbrella, while pursuing its own predatory neocolonial interests. Australia's projected military build-up is an expression of the system of capitalist imperialism. As Russian revolutionary V.I. Lenin explained, under this

system the ruling classes of the richest capitalist countries, ever in search of greater resources, new markets and sources of cheap labour, enforce their neocolonial looting and protect their spheres of exploitation through the coercive power of their respective states. It is an elementary principle for Marxists to uncompromisingly oppose the imperialist depredations of their "own" ruling class. An end to imperialism and imperialist wars will only be achieved through the revolutionary overthrow of the capitalist system internationally.

We Trotskyists, as proletarian internationalists, stand for class-struggle opposition to the Australian imperialist military. In the tradition of our revolutionary communist forebears—Rosa Luxemburg, Karl Liebknecht and Lenin—we demand not one person, nor one cent for the Australian imperialist military! We say: Down with

the U.S./Australia alliance! All U.S. bases and military installations out now! Implacably opposed to Australian imperialism, we demand that U.S./NATO/Australia get out of Iraq, Afghanistan and Pakistan and that Australia get out of Malaysia, the Philippines, East Timor, the Solomons and keep its bloody hands off the South Pacific!

Down With Nationalist Laborite Protectionist Poison

Such a perspective is anathema to the pro-imperialist Laborite misleaders sitting atop the unions. This bureaucracy is historically based on a thin layer of privileged workers who are bought off by crumbs obtained from the profits from Australian imperialist exploitation abroad. This conditions their loyalty to the Australian imperialist military from the occupation of East Timor to the war in Afghanistan. The bureaucracy's overall role is to subordinate the interests of the working class to the bourgeoisie.

Illustrating the labour tops' promotion of collaboration and class peace with the national bourgeoisie is the ACTU's current protectionist "Buy Australian" campaign. They are reportedly proposing at their upcoming national congress that the government give local companies a 25-percent price advantage when bidding for contracts. Meanwhile, the CFMEU construction and mining union is appealing to the Rudd government to only provide "stimulus" monies to those employers "that give preference to local content" and "local labour..." (*Australian*, 26 May).

The bureaucrats' protectionism was highlighted following the February decision by clothing manufacturer, Pacific Brands, to cut 1,850 jobs and move some operations "off shore." Rather than defend jobs, the response of the textile union tops was to beg the state to prop up domestic industry. Giving a "militant" cover to this grovelling nationalism, the Federation of Transport Unions (FTU), which includes the Maritime Union of Australia (MUA), Transport Workers Union and

the Rail, Tram and Bus Union, organised a union "blockade" should this "iconic" Australian-owned company attempt to shift equipment overseas.

The FTU's action was backed by construction, firefighters, health services and ambulance unions who called for contracts with Pacific Brands to be cancelled if the move went ahead. Such was the poisonous nationalism associated with this campaign that the Sydney gutter press, *Daily Telegraph*, demanded, "Bring on the Blockade." Support from the *Telegraph* was in turn trumpeted on the MUA website. Falling behind the pro-capitalist union bureaucracy are reformist opponents of revolutionary Marxism such as the DSP, Socialist Alternative (SAIt) and Solidarity who all wrote about Pacific Brands without a word of criticism of the nationalist protectionism of the union bureaucracy. Taking a slightly different tack, the Revolutionary Socialist Party, in a triumph of historical falsehood and political cowardice, simply disappeared any mention of the trade unions or the blockade from their article on the issue.

The vile nationalist nature of the union tops' campaign was summed up by the national secretary of the textile union, Michele O'Neil. While addressing a Sydney meeting of Pacific Brands workers in May, O'Neil railed, "Why hasn't the Government acted to ensure that contracts for the manufacture of uniforms for Government agencies and the Defence Forces are only given to companies that guarantee ethical, Australian production?" She followed this chauvinist appeal to the supposed "superior ethics" of racist Australian capitalism with more of the same: "It's completely unacceptable that Australian taxpayers pay for our troops to be clothed in uniforms made offshore..." (www.tcfua.org.au, 6 May). O'Neil grotesquely seeks to mesh the interests and welfare of the working class to the armed fist of the capitalist state—the military, police, prisons and courts—which serves to defend the private property of the capitalists, with the cops, for example, being used to smash workers picket lines. O'Neil's statement exemplifies, yet again, the nationalist obeisance of the trade-union tops to capitalist class rule.

Last year, in response to the loss of 600 jobs at South Pacific Tyres, the manufacturing workers union in Victoria declared: "the decision demonstrates a worrying trend of companies taking their work offshore to places like China for cheaper unregulated labour" (AMWU website, 26 June 2008). Anti-China protectionism, so prevalent in the manufacturing union, is particularly pernicious because it lines workers up behind the imperialist rulers against the Chinese deformed workers state. Against the bureaucrats' attempts to pressure the capitalist rulers to adopt protectionist policies, we Marxists put forward an internationalist class-struggle program to fight job losses at the bosses' expense.

While elements within the union bureaucracy may, from time to time, be moved to some militancy (for example under pressure from their working-class base), they will attempt at every point to chain workers' interests to those of their exploiters. We stand on the important but all too rare examples of international working-class solidarity, such as the Waterside Workers Federation bans on loading war materiel bound for the imperialist war against the revolutionary struggle of the Vietnamese workers and peasants in the 1960s.

Trade unions are mass organisations to defend the immediate economic interests of the working class against the capitalists and their state. To consistently carry out that role, they must be independent of the capitalists and their state. Stressing this point, Russian revolutionary Leon Trotsky noted in "Trade Unions in the Epoch of Imperialist Decay" (1940),

"The trade unions of our time can either serve as secondary instruments of

AUSTRALASIAN SPARTACIST

imperialist capitalism for the subordination and disciplining of workers and for obstructing the revolution, or, on the contrary, the trade unions can become the instruments of the revolutionary movement of the proletariat.”

Against the chauvinism of the union tops, and the ALP to which they are connected, it is necessary to forge a new leadership in the labour movement through class struggle, a leadership that begins with the understanding that the interests of labour and capital are irreconcilably counterposed. The ALP is a bourgeois workers party—thoroughly bourgeois in its outlook and program, but based on the trade unions. A revolutionary workers party must be built by splitting the working-class base away from this pro-capitalist leadership.

For Class-Struggle Defence of Immigrants and Refugees

The bureaucrats’ nationalist defence of “Australian jobs” pits workers against their international class brothers and sisters, poisoning the potential for working-class solidarity, and does nothing to save jobs. Blaming overseas workers for the job losses caused by the irrational capitalist system, protectionism also fosters the bosses’ divide-and-rule schemes by scapegoating immigrants and fuelling racist attacks on minorities. Against this we declare with Karl Marx: the workers have no country—workers of the world unite!

The union movement must champion asylum rights for all refugees and oppose deportations. It must stand unequivocally on the side of immigrants, demanding full citizenship rights for all. New layers of immigrants bring into the multiracial working class valuable experiences from struggles abroad. A class-struggle fight for immigrant rights would help build a bridge to the struggles of workers from Indonesia to the Philippines who are heavily exploited by Australian imperialism. The fight to organise the unorganised, combined with the struggle for jobs for all at equal pay for equal work—including for women, youth and minorities—would strengthen the organised labour movement and help to unify the working class in struggle against the bosses’ attacks. A class-struggle leadership in the unions would fight to mobilise the social power of the working class, with its strategic immigrant component, in a broad struggle against the racist exploitative capitalist system.

This perspective is counterposed to that of the reformist opportunists who seek to pressure the ALP or bourgeois parties like the Greens to act in the interests of the workers and oppressed. A case in point is the Cliffite Solidarity group. Crawling to the ALP, they wrote in the April issue of their paper, “The Rudd government can continue to let the Liberals whip up hysteria, or it can go on the front foot. That means ditching the Liberal’s rhetoric of ‘border protection’ and ‘people smuggling’ and implementing a genuinely humanitarian policy that says ‘refugees are welcome’.” What planet do these people live on? It was the federal Keating ALP government that introduced mandatory detention of refugees in the early 1990s and Rudd’s Labor government aggressively enforces this policy today. Indeed “White Australian” racism has historically been a principal pillar of the ALP. While the White Australia policy has been formally abolished, Australian Laborism continues to identify with the xenophobic fears of its own ruling class.

Meanwhile, posturing as militant anti-racists, SALT scream “Rudd’s betrayal of refugees” while lamenting that the Greens “have conspicuously avoided explicit calls for mandatory detention to be scrapped” (*Socialist Alternative*, May 2009). SALT’s hollow outrage at Rudd notwithstanding, the ALP are in fact doing exactly what they promised at the last federal elections. At that time SALT led the charge in calling for a vote to the

capitalist Greens in order to pressure the Labor Party. This truly was an act of class betrayal. In contrast, we Marxists told the truth about the objective interests of the working class. Declaring the elections a bipartisan war on the working class and oppressed we demanded, “No vote to Labor or bourgeois Greens!” (see *Australasian Spartacist* No. 200, Summer 2007/2008).

We Need a Multiracial Revolutionary Workers Party

The economic crisis currently immiserating workers and the oppressed exemplifies the anarchy and decay that besets capitalist production in general, and for which there are no simple trade-union solutions. The key contradiction of capitalism was identified by Karl Marx and Friedrich Engels: under capitalism production is socialised, that is, concentrated and organised in vast corporations, but the means of production—and the appropriated socially produced wealth—remain the private property of a tiny, rich capitalist class.

In their drive to expand profits, the capitalist rulers have looted the wealth of this country and sabotaged its vital infrastructure. They squander the economic surplus they appropriate through the exploitation of labour on speculative binges, which inevitably end in the idling and destruction of productive forces. To unmask the exploitation, robbery and fraud of the capitalist owners and the swindles of the banks, we demand the bosses open their books to all members of society. As the bosses continue to throw hundreds of thousands into the ranks of the unemployed, the fight for jobs becomes equivalent to the fight against the devastation of the working

class as a whole. What is necessary is a massive program of public works, with workers paid at union wages, to rebuild the infrastructure of this decaying capitalist system, to tear down and replace the crumbling public schools, hospitals, roads and rail systems. Against layoffs we demand jobs for all by calling for a shorter work week at no loss in pay to spread the work around.

We call for free, decent public transport and education, and free 24-hour quality healthcare and childcare; for fully paid retraining programs and an increase in unemployment benefits equivalent to a living wage. Such demands, the elements of which were laid out in Trotsky’s *Transitional Program*, the founding document of the Trotskyist Fourth International, will not be granted by the profit-gouging capitalist rulers. Capitalist decay and the catastrophe of mass unemployment, which threatens the disintegration of the working class, can only be effectively fought by a workers movement led by those committed to the liquidation of capitalist wage slavery through socialist revolution.

Years of betrayal by the union misleaders have led to a haemorrhaging from the unions and atomisation of the working class. Internationally the proletariat continues to suffer the effects of the 1991-92 capitalist counterrevolutions in the former Soviet Union and Eastern Europe. This historic defeat for the world’s working class has resulted in a regression of political consciousness which, albeit uneven, means that few workers today identify their struggles with the need for socialism. However, as was seen in the recent mass picket at Melbourne’s Westgate Bridge against the scab-herding union busting of the John Holland company, there is a felt anger and willingness to fight amongst

many workers. The capitalist mode of production, which creates the very conditions which grind down the working class and set them one against the other in the fight to survive, also propels the working class to do battle against its exploiters. As long as capitalism exists it will generate the conditions for potential class-struggle opposition to capitalist rule.

Today the working class is at an historically difficult pass. The anger of workers and the poor must be organised around a revolutionary Marxist program and directed against the capitalist class as a whole, not channelled into chauvinist belly-crawling before the ALP. History has repeatedly shown that “unity” with the capitalist rulers or their social-democratic political agents in the workers movement, is the road to defeat. It is necessary to break with the politics of Laborism! Workers need a political party that represents their interests against the capitalist class. Integral to the building of this Leninist vanguard party will be forging an internationalist class-struggle leadership within the unions.

The Spartacist League of Australia, as part of the International Communist League (Fourth Internationalist) is committed to building such a revolutionary Marxist party to lead the proletariat, at the head of all the oppressed, in sweeping away the entire capitalist system of wage slavery, repression and war. The only way to allow for the development of the productive forces, assuring a society of abundance, is by ripping them out of the hands of the capitalist class through socialist revolution and the establishment of an international planned economy. If humanity is to have a future, those who labour must rule. For a workers republic of Australia, part of a socialist Asia! ■

Subscription Drive Success! ASp Welcomes New Readers

Congratulations to participants in the 2009 *Australasian Spartacist* subscription drive! The Spartacist League of Australia (SL) and Spartacus Youth Club (SYC) undertook an energetic campaign from late February until early April to widen the readership of our Trotskyist press. We exceeded our modest quota by almost 50 percent, achieving 254 points. The points represent subscriptions to *Australasian Spartacist* (ASp) and the press of other sections of the International Communist League, especially *Workers Vanguard*, newspaper of the Spartacist League/U.S. The success of our campaign is a tribute to the hard work of comrades and sympathisers.

Our annual sub drive is crucial to maintaining an ongoing readership and reaching new people with our revolutionary propaganda. The SL is a fighting Marxist propaganda group and our press is our central weapon for raising consciousness of the need for a working-class vanguard party to lead the proletariat and the oppressed in the struggle for socialist revolution to overthrow the capitalist order and establish working-class rule. Throughout the sub drive, in Sydney and Melbourne and on regional trips to Brisbane, Wollongong and Canberra, ASp served our interventions into rallies and meetings, at university campuses and on street sales. Our struggle to break class-conscious militants from the nationalist, reformist politics of Laborism was a major question discussed with youth and workers. Now in the second year of the Rudd ALP federal government, we highlighted that from anti-immigrant and anti-union laws, to the police/military takeover of Aboriginal lands, to the military occupations in East Timor and Afghanistan, Rudd’s ALP rules for racist Australian imperialism.

We strive to make our paper forthright, polemical and hard-hitting, basing ourselves on the work of our revolutionary forebears. Once again, a number of long-time readers expressed their appreciation of our press, a vital Marxist compass in today’s reactionary climate where political consciousness has been thrown backwards. With the deepening impact of the global economic crisis, comrades found, more generally, an increased interest in our communist views, particularly among youth on campuses where a solid number

of subscriptions were sold. We received numerous positive responses to our “On Marxism and Religion” article, a lively polemic against the anti-communist reformists of Socialist Alternative. And our back-page article highlighting “Defend the Tamil People!” was also welcomed by many at the large protests against the murderous anti-Tamil offensive by the Sri Lankan army.

ASp welcomes new readers and those who renewed their subscriptions. We also take this opportunity to thank those who have contributed financially towards the ongoing production of ASp. We encourage readers to contact us to discuss the content of our press and to introduce our newspapers to friends and workmates. ■

2009 Subscription Drive Results 23 February–5 April

Local	Quota	Final totals	%
Melbourne	70	98.5	140.7%
Sydney	100	155.5	155.5%
Total	170	254	149.4%

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Capitalist Economic Crisis: Bosses Make Workers Pay

We reprint below from Workers Vanguard (No. 927, 2 January), newspaper of the Spartacist League/U.S., an edited, expanded and updated version of a presentation by SL/U.S. Central Committee member Joseph Seymour given at a plenum of the International Executive Committee of the International Communist League in late 2008.

On one occasion a Dutch banker described conditions in the London stock exchange as resembling “nothing so much as if all the Lunatics had escaped out of the Madhouse at once.” The occasion occurred almost three centuries ago, at the time when the so-called South Sea stock market bubble burst. So not all that much has really changed.

The current international financial meltdown and severe economic downturn began and is centered in the U.S. So, I want to begin by placing the crisis within the broader historical framework of the decades-long decline of American capitalism. However, it’s useful to first consider the nature of bourgeois class consciousness, especially that of the American bourgeoisie. The bourgeoisie is *not* a collectivist class. Both in their business practices and in the government policies they advocate, capitalists are primarily motivated by immediate self-interest, not some conception of the larger, long-term interests of the class. To be sure, the income and wealth of all individual capitalists derive from the total pool of surplus value generated by the exploitation of labor. But in their day-to-day activities, capitalists, especially financial capitalists, are mainly motivated by increasing their own wealth at the expense of other capitalists.

I’ve been reading this book, *Traders, Guns & Money: Knowns and Unknowns in the Dazzling World of Derivatives* (2006), by a veteran derivatives trader, Satyajit Das. It’s very entertaining, really funny. At one point Das was working for an investment bank that was seeking to induce a Japanese pension fund manager to become its client:

“The bank had courted him ceaselessly for years, to no avail. It turned out the fund manager had a weakness—a clichéd partiality for very tall, long-legged, blue-eyed, blonde women. The bank assumed the woman need not be Japanese.

“A global search was undertaken and the human resources (HR) department performed admirably. The bank found a stereotypical Scandinavian woman to cover the fund manager. The woman—please don’t laugh—was called Ulrika. She was bright, pleasant and efficient, but there was one problem—she had no knowledge of derivatives. She had a background in cosmetics. The bank hired her anyway, figuring, correctly it turned out, that the fund manager wasn’t that interested in her derivatives.”

Reading this book as a Marxist, what particularly struck me was that there was no discussion whatsoever about the division of social product between wages and profits, or more broadly, surplus value, including rent and interest. The entire book was focused on the division of surplus

value between financial and non-financial capitalists, and among competing groups of financial capitalists. It showed that for the most part capitalists are out to screw each other to the max. The politically decisive section of the bourgeoisie will subordinate their own immediate self-interest to what they see as the broader and longer-term interests of their class only when they feel sufficiently threatened by the working class from below or from hostile states from without. And when not, it’s a Hobbesian world of all against all.

End of U.S. Post-World War II Economic Hegemony

Keeping that in mind, let’s schematically view the postwar history of the American capitalist economy. For the first two decades following the Second World War, the U.S. dominated the world market in industrial products. It consistently ran very large balance of trade surpluses with

banks far exceeded the U.S. stock of gold at \$35 an ounce. The French government of Charles de Gaulle, who resented American international dominance and aspired to restore the “grandeur” of France, started exchanging its dollar holdings for gold. So in August 1971, U.S. president Richard Nixon closed the “gold window,” ending the convertibility of the dollar into a universal commodity of intrinsic (labor) value. After a few ineffectual international conferences, what emerged was a non-system of fluctuating exchange rates. Since then currency exchange rates have been determined by market conditions modified by occasional government intervention. The reason I’m going into this is because the regime of fluctuating exchange rates had two long-term consequences, which underlay the present financial crisis.

One: it created a large new element of uncertainty, that is, risk of loss, in all

last link between dollars and gold. What followed was a spiralling proliferation of increasingly spurious credit instruments denominated in a debased currency. The most glaring and lethal example of this madness has been the growth of the unregulated derivatives market, which has ballooned in size to \$600,000bn, the equivalent of almost \$100,000 per person on Earth.”

Increasing the Rate of Exploitation

In 1974-75, there was a major, very sharp world economic downturn. Though it didn’t last long, it had important consequences especially in the U.S. Coming out of the economic downturn, the American capitalist class made a concerted effort to increase the rate of exploitation of the proletariat—that is, the ratio of surplus value to wages. They demanded, and got, give-back contracts and two-tier wages from the trade-union bureaucracy. They shifted production from the unionized Northeast and Midwest to the non-union South and Southwest and to low-wage countries in Latin America and Asia.

This anti-labor offensive, which began under right-wing Democratic president Jimmy Carter, was then escalated under the even more right-wing Republican president Ronald Reagan. It was signaled by the smashing of the PATCO air controllers strike in 1981, and the subsequent union-busting during the Greyhound strike and other strikes. We addressed the need of the labor movement to combat the capitalist offensive at the time, especially in the piece “Labor’s Gotta Play Hardball to Win” (WV No. 349, 2 March 1984). What we said in “Hardball,” that labor can’t play by the bosses’ rules, remains just as valid for the U.S. labor movement today.

Here I want to emphasize an aspect of the anti-labor offensive in the early-mid 1980s that was not so obvious at the time. The ascendancy of monetarism and financial “deregulation” as a doctrine and policy in Reagan’s America and also in Thatcher’s Britain was in part based on and conditioned by the crippling of the labor movement. In Britain, the decisive rightward shift in the balance of class forces was the defeat of the 1984-85 miners strike. Comrade McDonald’s recent note on the impact of the economic crisis in Britain pointed out that in 1986 the Thatcher government “deregulated” the City of London. It was, as they say, no accident that the unleashing of speculative finance capital in Britain took place right after the defeat of the miners strike.

In the U.S. in the 1980s, which liberals often call “the greed decade,” there was a massive upward redistribution of income, combined with a massive increase in U.S. foreign indebtedness. The Reagan administration cut taxes for the rich while greatly expanding military spending in the escalating Cold War II against the Soviet Union. To finance the resulting large government deficits, a large proportion of newly issued Treasury bonds were



Barcelona, Spain: Nissan workers protest job cuts, November 2008, as world economic downturn hits Europe.

almost all other capitalist countries. However, by the mid 1960s, West Germany and Japan had rebuilt and modernized their economies such that they could compete effectively with the U.S. in world markets, and also in the U.S. domestic market. So the flow of trade magnitudes was reversed. The U.S. began to run large balance of trade deficits.

Within a few years, this reversal destroyed the postwar international monetary system established at a conference in Bretton Woods, New Hampshire, in 1944. This was called the gold-dollar exchange standard. The currencies of most important capitalist countries were fixed for long periods against one another and anchored by the dollar. Washington promised—and the emphasis here is on “promised”—that other governments could freely exchange all the dollars they had for gold at a rate of \$35 an ounce.

By the beginning of the 1970s, that was no longer objectively possible. The volume of dollars held by foreign central

international financial transactions, especially long-term financial transactions. Hence, currency exchange rates became a major sphere of financial speculation. A large part of Das’s book on derivative trading discusses hedging against and speculating on changes in currency exchange rates.

Two: by severing the tie between the dollar and gold, American capitalism, at both the corporate and governmental level, has been able to massively increase its foreign debt, the only upper limit being the willingness of foreign governments and investors to hold dollar-denominated assets. The dollar is now worth only about 20 cents in 1971 terms. This aspect of the current world crisis was recently underscored in a commentary by Richard Duncan in the *London Financial Times* (24 November 2008):

“When Richard Nixon destroyed the Bretton Woods International Monetary System in 1971 by closing the ‘gold window’ at the Treasury, he severed the

For Class Struggle Against Capitalist Rulers!

sold abroad, mainly to the Japanese. Within the space of two or three years, the U.S. went from being the world's largest creditor nation to the world's largest debtor nation.

The upward redistribution of income and the increasing U.S. foreign indebtedness was organically tied to the deindustrialization of America. Large parts of the Midwest came to be called the "rust belt." In the mid 1960s, manufacturing accounted for 27 percent of U.S. gross domestic product and employed 24 percent of the labor force. By the early 2000s, the weight of manufacturing had been reduced to 14 percent of total output, and employed only 11 percent of the total labor force.

Basically, real hourly wages for non-supervisory workers peaked in the early 1970s. For most of the past three and a half decades, real compensation per unit of labor has been less than that level. Only occasionally and briefly, for example during the last phase of the 1990s economic boom, has real hourly take-home pay approached or exceeded what it was in the early '70s. Insofar as working-class families increased their income in recent decades, it was by having both husband and wife work full-time, working a lot of overtime and even two jobs, if such work was available.

However, by the beginning of the 2000s this extensive means of increasing family income was pretty much exhausted. At the same time, working people were faced with a sharp increase in certain basic expenses—housing (both buying and renting), medical care and college tuition for their children. So they had recourse to ever greater debt. By the eve of the current crisis in early 2007, average household debt was **30 percent greater** than annual disposable income. This was possible mainly because families were borrowing against the equity in their homes by "taking advantage," so to speak, of the then expanding housing-price bubble.

Dot-Com Boom and Housing-Price Bubble

To understand the housing-price bubble of the early-mid 2000s, we have to backtrack a bit and look at the so-called dot-com boom of the mid-late 1990s. This was a classic boom-bust cycle as described by Marx in *Capital*. A burst of investment mainly in new technology—in this case, computerization, Internet services and telecommunications—increased what Marx called the organic composition of capital. This is the value of the means of production (the labor time embodied in it) needed to employ living labor. In bourgeois economics, it's called capital per worker. A rising organic composition of capital drives down the rate of profit. Even if productivity rises and wages don't, increased profit per worker does **not** offset increased capital per worker.

This dynamic was clearly seen during the 1990s boom in the telecommunications sector, one of the mainstays of the "new economy" or "IT (information technology) revolution." The return on capital for telecommunications companies fell steadily from 12.5 percent in 1996 to 8.5 percent in 2000. At the time, a Wall Street analyst, Blake Bath, described in his own way the law of the falling tendency of the rate of profit with regard to telecommunications. "It looks like the sector is way overcapitalized," he judged. "Spending has grown at absurdly fast levels relative to the revenues and profits produced by that spending" (*Business Week*, 25 September 2000). Or as Marx put it in volume three of *Capital*: "The **real barrier** of capitalist production is **capital itself**" (emphasis in original).

In 2000-01, the dot-com boom went bust, ushering in a recession. Seeking to soften the impact of the economic downturn, Alan Greenspan, head of the Federal Reserve (the U.S. central bank), flooded



AP



John Harris/IFL

Capitalist class war against workers. Left: Leaders of PATCO air traffic controllers union hauled off in chains during 1981 strike. Above: Cops battle pickets during British coal miners strike in September 1984.

financial markets with money. The Fed cut the interest rate charged on short-term loans to member banks from 6.5 to 1 percent by 2003, at the time the lowest rate in half a century. During most of this period, the so-called federal funds rate was less than the rate of inflation. In effect, the government was giving away money to Wall Street financiers. In late 2004, the London *Economist* warned that America's "easy-money policy has spilled beyond its borders" and "has flowed into share prices and houses around the world, inflating a series of asset-price bubbles."

At the core of the current crisis is a class of financial instruments known as derivatives. Traditional, primary financial securities—corporate shares and bonds—are in a formal, legal sense claims on commodities, i.e., goods and services that embody both use value and exchange value as a product of labor. Derivatives are based on, or otherwise tied to, primary securities. A typical and important type is a credit default swap. Formally, and I emphasize formally, this is a kind of insurance policy against a corporate bond defaulting. However, you can buy a credit default swap without owning the corporate bond. In that case, it's a form of speculation that the corporation will default. Imagine that 20 people hold fire insurance policies on the same building, 19 of whom **don't** own the building. Well, welcome to the world of derivatives. Moreover, you can also speculate on price changes of a corporate default swap through what are called put or call options.

The basic point is that derivatives have been piled on top of derivatives on top of other derivatives. To quantify: in 2005, if you added up the nominal market value of all derivatives in the world, they were **three times greater** than the primary securities on which they were supposedly based. To understand the extreme severity of the current financial crisis, you have to recognize the **sheer magnitude** of what Marx called "fictitious capital" generated over the last few decades. In the early 1980s, if you added up the nominal market value around the world of all corporate shares and bonds and also government bonds, they were equal to about the annual output of goods and services, what bourgeois economists call the global gross domestic product. In 2005, the International Monetary Fund calculated that if you did the same operation, the value of only primary securities to global gross domestic product was almost four times greater. And if you put on top of that derivatives, the amount of risk in the financial system has been multiplied many times over.

Charles R. Morris, a critically minded financial journalist, described how this

Everest of spurious paper "wealth" was concocted:

"How could leverage get so high? In the class of instruments we've been talking about, there are relatively few 'names,' or underlying companies, that are deeply traded, several hundred at most. And a relatively small number of institutions, basically the global banks, investment banks, and credit hedge funds, do most of the trading. In effect, they've built a huge Yertle the Turtle-like unstable tower of debt by selling it back and forth **among themselves**, booking profits all along the way. That is the definition of a Ponzi game. So long as a free-money regime forestalled defaults, the tower might wobble, but stayed erect. But small disturbances in any part of the structure can bring the whole tower down, and the seismic rumblings already in evidence portend disturbances that are very large." [emphasis in original]

—*The Trillion Dollar Meltdown: Easy Money, High Rollers, and the Great Credit Crash* (2008)

As the tower of debt collapses, it is relentlessly pressing down the prices of all financial assets other than First World government securities. And they, too, may soon go.

Impact on West Europe and Japan

The financial crisis has greatly exacerbated the inter-imperialist tensions and conflicts of interest in what is increasingly becoming the European Dis-Union. The various national bailout schemes have intensified intra-EU financial competition. Short-term speculative money capital flows into those countries—for example, initially Ireland—in which government policies appear to make the banks and other financial institutions more secure. And then it flows right out again when other governments offer seemingly more generous bailout packages.

We've also seen an increasing rift between the two core countries of the EU and euro zone: Germany and France. The vainglorious French president Nicolas Sarkozy, who perchance also happened to hold the revolving-door "presidency" of the EU during the second half of 2008, has presented himself as the savior of world capitalism. He has pushed various ambitious financial regulatory and economic "stimulus" schemes on both an EU-wide and international basis. Needless to say, Sarkozy's posturing has not endeared him to the rulers of non-French imperialist states.

In particular, the German ruling class, represented by the coalition government of the Christian Democrats and Social Democrats, has rudely squelched the Frenchman's various schemes. No German *geld*, they declaim, will be spent to pay for the profligacy and economic foibles of its European "partners." More generally, the powers that be in Berlin

have insisted that it's up to other countries—read the U.S.—to fix their own economies in a way that will help Germany as well. In the words of German economics minister Michael Glos: "We can only hope that the measures taken by other countries...will help our export economy" (*Financial Times*, 1 December 2008). Dream on, Herr Minister!

Japan, which is a very big player in the international economy, has not gotten sufficient attention from the American financial press. Japan is the second biggest economy in the world. Even more importantly, it's the largest creditor nation in the world. While China has recently overtaken Japan as the biggest holder of U.S. government securities, Japan holds a far larger volume of private debt from corporations all around the world.

In 1989-90, a real estate and stock market bubble in Japan burst, and it ushered in a decade of stagnation, what later came to be known as "the lost decade." The monetary authorities pushed interest rates down to effectively zero in order to stimulate investment. As it happened, the policy worked but not in the way the government authorities intended it. The huge overhang of excess industrial capacity and "nonperforming bank loans" discouraged additional investment **in Japan itself**. So Japanese financiers and investors all over the world borrowed cheap money in Japan and then invested it in other countries where for one reason or another the rate of return was higher. In the financial press this was known as the "yen carry trade."

The yen carry trade is now being pushed hard into reverse gear. That is, investors are selling their assets all over the world, at rapidly diminishing prices, in order to repay their loans to Japanese banks and other institutions. But this has become a **self-defeating** process. Because as this money floods into Japan, it drives up the value of the yen relative to the currencies of almost all the countries in which the debtors have invested. So that increases the real burden of their outstanding debt and future debt repayments. Imagine that you were bailing out a large tub of water and that for every bucket you threw out, a bucket and a half flowed back into the tub through an underground pipe. Well, that's basically the situation now facing foreign and also the Japanese investors who have taken advantage of the more than a decade-long yen carry trade.

At the same time, the appreciation of the yen is driving up the prices of Japanese goods in world markets at a time of rapidly declining global demand. The core of Japanese industrial capitalism is taking a big hit. Toyota expects a loss in

continued on page 8

Economic Crisis...

(continued from page 7)

its auto/truck business this fiscal year for the first time in seven decades. Sony has announced it is laying off 5 percent of the workforce in its electronics division and closing down up to six factories around the world.

Global Crisis Jolts China's "Socialist Market" Economy

So what about China—which we understand is not capitalist, but a bureaucratically deformed workers state? During the 1997-98 East Asian financial-economic crisis, China effectively offset the impact of the crisis by substantially expanding investment in industrial construction and infrastructure. And the Beijing Stalinist regime is trying to replicate that policy now. In early November, it announced a big stimulus package (equivalent to \$585 billion) centered on expanding infrastructure—railways, roads, airports, ports and the like. Subsequently, however, it was reported that the actual amount is much smaller than initially indicated. Only one-quarter of the funds will be provided by the central government; the other three-quarters are supposed to come from local government bodies and state-owned banks. But these institutions have far more limited financial resources. Stephen Green, an economist with the Standard Chartered Bank in Shanghai, commented in this regard: "With revenues falling, it is difficult to see how local governments, banks and companies can make up the rest of the Rmb 4,000bn" (*Financial Times*, 15-16 November 2008).

Comrade Markin and I have discussed the impact of the global crisis on China. And we both think that this time around, unlike in the late 1990s, the Chinese economy is not going to get by basically unscathed. To begin with, this is not a regional but a global economic downturn. And it's centered in the U.S. and West Europe. All indications are that it's going to be very severe and fairly prolonged. One consequence is that this increases the likelihood of anti-Chinese trade protectionism in the U.S. and in West Europe.

We are going to see, and are now actually seeing, the *downside and inflexibility* of what the Chinese Stalinists call a "socialist market" economy. There are tens of thousands of factories in China employing tens of millions of workers owned by domestic entrepreneurs, off-shore Chinese capitalists in Hong Kong and Taiwan and foreign corporations that produce commodities specifically geared

to the advanced capitalist countries, commodities like toys, CD players and global positioning systems for cars. These factories cannot quickly and easily shift production to, say, producing household appliances for Chinese workers and peasants. And that would be the case even if the People's Liberation Army flew helicopters over working-class neighborhoods and rural villages and dumped bundles of money for the inhabitants.

Furthermore, the Beijing regime has encouraged its own version of a housing-price bubble and a residential construction boom. The large and increasingly affluent urban petty bourgeoisie—Chinese yuppies—borrowed money to buy, build and expand houses not just to live in them but as financial investments. They expected that the market price of these would continue to spiral ever upward. Well, the housing bubble has now burst. In one upscale Beijing neighborhood, the price to purchase new apartments fell 40 percent between February and October of last year. The London *Economist* (25 October 2008) commented: "The housing market provides some nasty shocks to China's new middle classes." Of course, we're not that concerned about the travails of Chinese yuppies. We are, however, very much concerned about the effect of the collapse of the housing-price bubble on *our* class: the proletariat. It's had a depressing effect on the residential construction industry, most of whose labor force consists of male migrant workers from the countryside.

The upshot is that China, unlike almost all capitalist countries, is not going to go into a recession. But the likelihood is that it is going to experience a sharp decline in the rate of growth, which in the past couple of decades has averaged around 10 percent. Correspondingly, there's going to be a large increase in the number of urban unemployed, both from workers, who are laid off in the private sector, and from peasants, who are coming into the cities looking for work but not finding any. According to official figures, by the end of November, ten million migrant laborers were laid off from their jobs in urban China. And this economic distress is going to produce increased social unrest. There have already been angry protests by laid-off factory workers in the Pearl River delta, the main region in China producing light manufactures for First World markets. What we do not and cannot know is whether the increase in worker unrest will destabilize the political situation. That is beyond the scope of our current knowledge.

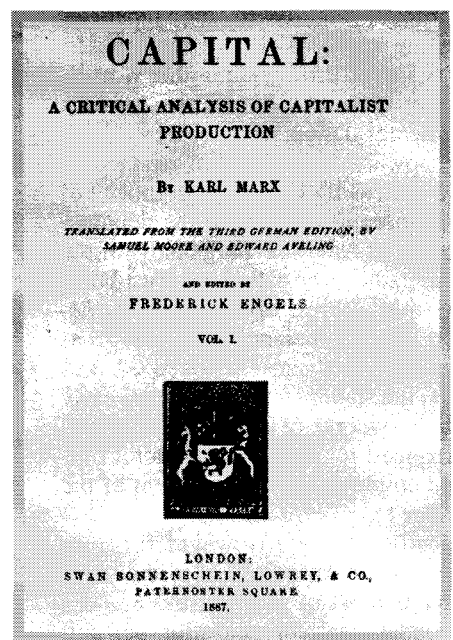
The Revival of Keynesianism

What's likely to happen? All indications are that this is going to be an exceptionally severe and prolonged world economic downturn, especially bad in the U.S. and Britain. At the level of ideology, and to a lesser extent, policy, we are going to see, and have already seen, a shift from the right wing to the left wing of the bourgeois political spectrum: fiscal policy based on increased deficit spending, partial nationalization of the banks and other financial institutions, attempts at expanding and tightening regulation of financial transactions and the like.

Comrade Robertson and others have observed that monetarism as a doctrine has been completely discredited and Keynesianism is back in fashion. I have seen more positive references to John Maynard Keynes in the English-language financial press in the last six weeks than I have seen in the last ten years. Comrade Blythe pointed out that it is a deeply ingrained American liberal myth that Franklin Roosevelt's New Deal, based on Keynes's doctrines, got the U.S. out of the Great Depression of the 1930s. No, what got the U.S. out of the Depression was the expansion of "public works" during World War II, the "public works" being tanks, fighter planes, aircraft carriers and the atomic bomb.



Progress
Boom-and-bust cycles outlined by Karl Marx in his seminal work, *Capital*, demonstrate fundamental irrationality of capitalist system of production.



We have written about Keynesianism in the past, unfortunately the rather distant past in terms of our tendency's history. I recommend in particular three pieces. In the early 1960s Shane Mage, a founder of our tendency, wrote a doctoral thesis, "The 'Law of the Falling Tendency of the Rate of Profit': Its Place in the Marxian Theoretical System and Relevance to the U.S. Economy" (Columbia University, 1963). Incidentally, his thesis adviser was Alexander Ehrlich, the author of *The Soviet Industrialization Debate 1924-1928*. Mage's work contains a section explaining the difference between Keynes's and Marx's understanding of the basic cause of economic downturns. In the 1974-75 world economic downturn, I wrote a piece called "Marx vs. Keynes" (WV No. 64, 14 March 1975), which was partly theoretical and partly empirical. And in 1997-98, WV ran a five-part series under the general heading of "Wall Street and the War Against Labor." Part Three, "The 1930s New Deal and Labor Reformism" (WV No. 679, 28 November 1997), contains an analysis of Keynes at the theoretical level as well as an empirical analysis of the U.S. during the 1930s, the actual policies of the New Deal and the economic developments during the Second World War.

I want to conclude with a couple of points where the current situation is very different than in the 1930s. As I previously indicated, the current situation is very different in that the sheer volume of nominal, legally contractual debts that cannot be repaid far exceeds, by large multiples, the financial resources of capitalist governments. Already, Britain and Italy have encountered difficulties in financing the increased budget deficits resulting from their various bailout schemes. The *Financial Times* (1 December 2008) quoted Roger Brown, a financial analyst with the Swiss bank UBS, who pointed out:

"Governments are already running into problems, which does not bode well so early after the [bank] recapitalisations and extra funding needs have been announced."

"We do have to ask whether there will be enough investors to buy the bonds, or at the very least over whether this will push yields substantially higher to attract them."

So all these bailout schemes can at most offset a small fraction of the losses.

The second is that the U.S. is going into this deep downturn with an enormous existing overhang of debt, much of which is held by East Asian governments and investors. And this puts a pretty tight upper limit on additional deficit spending. In his first post-election pronouncement, Barack Obama sought to *dampen*, not encourage, expectations that the U.S. is soon going to return to "prosperity": "I have said before and will repeat again: It is not going to be quick, and it is not going to be easy for us to dig ourselves out of the hole that we are in." Thus spake the new chief executive of the most powerful capitalist country in the world.

So what is the solution? It is, as we know, both simple and radical. The working class has to take over the productive resources of society—the factories, transport systems, electric power generating systems—from the capitalists and, through the establishment of a planned economy, use these resources in the interests of the working class and society at large. But in order to do that, you need a political party that represents the interests of the working class against the capitalist class. In the U.S., such a party would also stand for the rights and interests of the black and Latino oppressed minorities, for the rights of immigrants and all other oppressed sections of society. To build such a party, the workers have to break with, in particular, the Democratic Party—that is, the more liberal, or at least more liberal-talking, party of American capitalism. It is also necessary to oust the existing pro-capitalist labor bureaucracy and replace it with a leadership that fights for the interests of the workers, and again, of all of the oppressed. And it's only when that is done that it will be possible to realize a basic principle, namely, that those who labor must rule. ■

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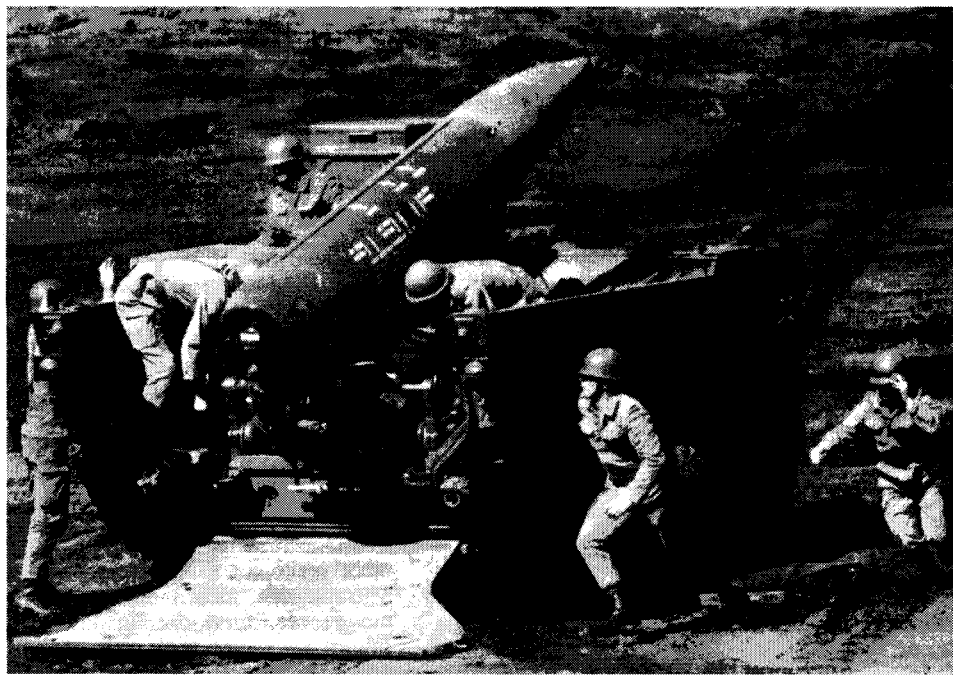
NATO...

(continued from page 3)

“humanitarian” window-dressing for this crusade, which has been used by every imperialist government to strengthen state repression against oppressed minorities and the working class and to ideologically justify imperialist depredations. The U.S., UN and EU [European Union] have applied sanctions against Iran and continue to threaten it over its nuclear program. It could not be clearer that Iran *needs* nuclear weapons to deter an imperialist attack.

As U.S. imperialism seeks an “exit strategy” from the quagmire in devastated Iraq, the focus under Obama has shifted to Afghanistan, where a NATO occupation force of 68,000 troops, including a non-U.S. contingent of 32,000, continues in its eighth year of ravaging the country. Obama campaigned and took office pledging to draw down U.S. troop levels in Iraq in order to pursue what a significant section of the U.S. bourgeoisie sees as more strategic aims. Now he is doing just that, sending an additional 17,000 U.S. troops to Afghanistan and escalating murderous U.S. bombing attacks on villages in neighboring Pakistan. For years, the U.S. propped up one dictatorial regime after another in Islamabad, simultaneously fostering the growth of Islamic fundamentalist forces favored by the Pakistani military. Now this unstable, nuclear-armed country could well start coming apart at the seams under the impact of Obama’s extension of the Afghan war and U.S. pressure on the Pakistani military to clear the Taliban and its allies out of the tribal areas bordering Afghanistan.

The military escalation takes place as the economic base of U.S. imperialism is undergoing a meltdown that has taken on international proportions. The contradiction between U.S. imperialism’s overwhelming military might and its weakened economic position is the cause of the heightened irrationality and aggressiveness of the U.S. rulers. They see the Obama presidency as their best bet in this situation for asserting their dominant position. Doing its bit, the reformist left in the U.S. embraced a perspective of “Anybody but Bush.” They were over the moon about Obama’s victory, as exemplified by the Workers World Party, which gushed in the 20 November 2008 issue of its paper: “As communists and revolutionaries we take joy with the oppressed and other progressives as they gather in jubilation from Harlem to



Der Spiegel

Lance missile in West Germany was part of NATO arsenal aimed at Soviet Union.

Colombia to Japan to Kenya with the election of Obama.”

In sharp counterposition to such grotesque enthusing over the new Commander-in-Chief of blood-drenched U.S. imperialism, the Spartacist League/U.S., section of the International Communist League, opposed on principle any support to Obama and all other bourgeois politicians, fighting to break workers, youth and oppressed from illusions in the capitalist Democratic Party and to forge the revolutionary multiracial workers party needed to sweep away U.S. imperialism. Our U.S. section told the *truth* about what the Obama presidency will mean, writing directly after the elections:

“From the standpoint of the international working class and oppressed there is *nothing to celebrate* in Obama’s victory and much to fear. Enthusiasm among large sections of the bourgeoisie, on the other hand, is justified. After nearly eight years of one of the most incompetent and widely despised regimes in recent U.S. history, they now have in Obama a more rational face for their brutal, irrational system. Obama has also inspired illusions in the trappings of bourgeois democracy, the means by which the capitalists disguise their rule with the appearance of a popular mandate. Abroad, Obama provides an invaluable facelift for U.S. imperialism, the main enemy of the world’s working people.”

—Workers Vanguard No. 925,
21 November 2008

European Reformists Back Their Own Imperialist Rulers

For their part, the European reformists also hail Obama’s victory in the name of bourgeois “lesser evil” politics. They view the Obama administration, through the lens of their own capitalist exploiters, as more reasonable and “multilateralist” than its predecessor. Thus Gregor Gysi, Oskar Lafontaine and Lothar Bisky, leaders of the social-democratic Die Linke (The Left party) in Germany, sent Obama their “most heartfelt congratulations”: “The worldwide fight to eliminate poverty, for a peaceful resolution of conflicts, against the environmental catastrophe and currently against the most severe international financial crisis in 80 years, require closer cooperation and collaboration by the community of states on the basis of the rule of international law” (5 November 2008) [www.die-linke.de].

Chiming in from the “far left” was Alain Krivine, leader of the Ligue Communiste Révolutionnaire (LCR), the French section of the fake-Trotskyist “United Secretariat,” which has since liquidated into its own creation, the openly social-democratic New Anti-Capitalist Party (NPA). While acknowledging that Obama is a “defender of capitalism,” Krivine enthused in the 22 January issue of the LCR’s newspaper *Rouge*: “His popularity and the hopes that it raises are on a scale with the discredit, the disgust even,

that Bush’s policies left behind. So, let’s not sulkily refuse to show our pleasure in finally seeing a total condemnation of what was one of the most reactionary presidencies of the United States. Better late than never.”

As these tributes to the new top cop of U.S. imperialism underline, the reformists’ opposition to certain U.S./NATO policies, like the invasion of Iraq in 2003 or sending more troops to Afghanistan today, has nothing to do with opposition to the imperialist system. Rather, they see these policies as going against the “national interests” of their own capitalist countries, which they feel would be better served through more independence from the U.S.-dominated NATO, for example through a capitalist French-German-Russian axis as Lafontaine advocates. In mobilizing for the Strasbourg demonstrations, the French NPA demands centrally that “France should renounce its integration in the military command of NATO,” while reformist groups in Germany, especially the Communist Party (DKP), *Junge Welt* and the Stalinist remnants around the Communist Platform of Die Linke, campaign for German imperialism to “leave NATO.”

In late 2002, the LCR, Rifondazione Comunista of Italy and the Socialist Workers Party and Workers Power of Britain joined in signing an appeal “To All Citizens of Europe and to All Their Representatives”: “Those who show solidarity with the people of Iraq have no hearing in the White House. But we do have the chance to influence European governments—many of whom have opposed the war. We call on all the European heads of state to publicly stand against this war, whether it has UN backing or not, and to demand that George Bush abandon his war plans.” What a whitewash of the German bourgeoisie of Auschwitz, of the French imperialists who soaked Algeria in blood, of the British occupiers of Northern Ireland and the Italian butchers of Ethiopia. The only reason the European imperialists are currently more reserved about embarking on their own imperialist adventures abroad is because their military power is vastly inferior to that of the U.S.

This groveling appeal amnestied the European governments that were up to their necks in the “war on terror” and the occupations of Afghanistan and the Balkans. It objectively aided the massive racist and anti-working-class attacks carried out domestically by these very same capitalist governments. Now that Obama is president, the European reformists seem to think their rulers will have a “hearing in the White House”—if only enough “mass pressure” is applied.

In the lead-up to the 1999 air war against Serbia and the invasions of Afghanistan in 2001 and Iraq in 2003, we

of the ICL stood for the military defense of those countries against imperialist attack without giving any political support to the reactionary, woman-hating Taliban cutthroats or the bloody capitalist dictatorships of Saddam Hussein and Slobodan Milosevic. We opposed the United Nations’ starvation blockade of Iraq and other imperialist UN sanctions. We underlined that every victory for the imperialists in their military adventures encourages more predatory wars; every setback serves to assist the struggles of working people and the oppressed the world over. We call for the immediate and unconditional withdrawal of all U.S., NATO, EU and UN forces from Iraq, Afghanistan, Pakistan, the Near East, Central Asia and the Balkans. The chief means of defending the victims of neo-colonial oppression against the overwhelming military might of American imperialism and its NATO allies is international working-class struggle, especially by the multiracial U.S. proletariat and its class brothers and sisters in Europe, Japan and elsewhere.

The reformists’ social-chauvinism and prostration to the imperialist rulers in foreign policy is matched “at home” by their support for class collaboration and protectionism. The global economic crisis is shredding the illusion that there can be ongoing imperialist unity, either within Europe or between Europe and the U.S. Meanwhile, the West European imperialists have told their East European client bourgeoisies to go to hell. And, as always, the labor lieutenants of capitalism stand at the side of their “own” exploiters. In Germany, the SPD [Social Democratic Party], Die Linke and the trade-union bureaucracy campaign for the car manufacturer Opel, currently owned by General Motors, to “become German again.” In Britain, the UNITE and GMB trade-union bureaucracies backed strikes in February of construction workers demanding “British jobs for British workers,” a slogan long associated with the fascists (who joined in strike rallies) and recently affirmed by Labour prime minister Gordon Brown. Scandalously, the British section of the pseudo-Trotskyist Committee for a Workers’ International, led by Peter Taaffe, apologized for and *helped lead* these reactionary strikes.

The workers movement has a vital interest in defending foreign workers, fighting for full citizenship rights for all immigrants and mobilizing against racist terror and attacks on democratic rights. The logic of reformism is inherently nationalist, splitting the working class along national, ethnic and racial lines in a scramble for the few crumbs the capitalists are willing to toss their wage slaves. To break through this losing game requires a program of international class struggle against the common capitalist enemy. As Leon Trotsky, co-leader with V.I. Lenin of the October Revolution, wrote in 1934:

“Not to bind itself to the national state in time of war, to follow not the war map but the map of the class struggle, is possible only for that party that has already declared irreconcilable war on the national state in time of peace. Only by realizing fully the objectively reactionary role of the imperialist state can the proletarian vanguard become invulnerable to all types of social patriotism. This means that a real break with the ideology and policy of ‘national defence’ is possible only from the standpoint of the *international proletarian revolution*.”

—“War and the Fourth International”

We fight in this spirit to make the working class conscious of the need to bring down racist Fortress Europe and the capitalist European Union through workers revolution. The EU is a reactionary anti-working-class alliance centered on the main European imperialist powers, which seek to improve their competitive

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Women and Revolution

Women Workers and the Contradictions of China Today

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China...

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join the mainstream of civilized nations, and build a democratic system?" Concretely, it demands: "We must abolish the special privilege of one party to monopolize power and must guarantee principles of free and fair competition among political parties."

There is no such thing as a classless "democracy." Western-type parliamentary government elected through universal suffrage is a disguised political form of the *dictatorship of the capitalist class*. In such a system the working class is politically reduced to atomized individuals. The bourgeoisie can effectively manipulate the electorate through its control of the media, the education system and the other institutions shaping public opinion. In all capitalist "democracies," government officials are bought and paid for by the banks and large corporations. As Lenin explained in his 1918 polemic *The Proletarian Revolution and the Renegade Kautsky*: "Even in the most democratic bourgeois state the oppressed people at every step encounter the crying contradiction between the *formal* equality proclaimed by the 'democracy' of the capitalists and the thousands of *real* limitations and subterfuges which turn the proletarians into *wage-slaves*."

While the demand for pure "democracy" might play a certain role in mobilizing the forces of counterrevolution in China, their victory would not bring a stable bourgeois parliamentary-type regime. Rather China would be subjugated and perhaps torn apart by American, West European and Japanese imperialism, transformed into a giant sweatshop.

The People's Republic of China is a bureaucratically deformed expression of the *dictatorship of the proletariat*. The class rule of the capitalists has been smashed and the economy collectivized, but the proletariat is deprived of direct political power. What is needed is a fight for proletarian democracy. The workers and rural toilers need their own class-based governing institutions, the soviets (the Russian term for councils), which would be open to all parties defending the workers state.

Charter 08 Pushes "Free Market" Capitalism

Charter 08's call for capitalist restoration is unambiguous:

"We should establish and protect the right to private property and promote an economic system of free and fair markets.... We should establish a Committee on State-Owned Property, reporting to the national legislature, that will monitor the transfer of state-owned enterprises to private ownership in a fair, competitive, and orderly manner."

It's more than a little ironic that this demand for "free market" capitalism is being raised at the very moment when the destructive irrationality of the capitalist system—the anarchy of the market—is more evident than at any time in the past several decades. World capitalism is in the throes of a deepening financial/economic crisis centered in the imperialist countries of North America, West Europe and Japan. Desperate to stanch the bleeding, the governments of these



Corbis

People's Liberation Army marching through Beijing, June 1949. Revolution smashed landlord/capitalist rule but was deformed from its inception by nationalist Stalinist bureaucracy.

countries are nationalizing banks, subsidizing key industries and engaging in other forms of state intervention in the economy. At the same time, many U.S. politicians, especially around the Democratic Obama administration, have been pushing an increasingly protectionist stance against China.

One might think the authors of Charter 08 had taken their neoliberal economic program of privatizing industry and commerce from editorials in the *Wall Street Journal* or London *Economist* of two or three years ago. Actually the roots of their ideas are probably closer to home. Despite Charter 08's hostility to the CCP regime, in a sense it has taken the CCP leaders' doctrine of "market socialism" to its logical conclusion. For decades, the Beijing Stalinists have extolled market mechanisms and competition as superior to centralized planning and management. They have wielded the whip of the market in an attempt to resolve the problem of stagnant productivity inherent to the bureaucratic commandism that prevailed under Mao. Their claim has been that China can become a great power by integrating into the world capitalist market via foreign investment and the export of cheap manufactured goods to the U.S. and West Europe. But now that economic strategy has been derailed—spectacularly—by the global capitalist economic crisis.

The dominant weight of the state-owned enterprises and banks has prevented China from being dragged into the kind of deep economic crisis that is ravaging most capitalist countries. Nonetheless, major sectors of its economy have been hard hit. In Guangdong province, the center of China's export industry, shipments plummeted *over 50 percent* in the first two months of this year. Already over 20 million migrant workers have been laid off, mainly from factories owned by foreign and offshore Chinese capitalists that produce consumer goods for export.

This has precipitated an upsurge of defensive labor struggle that has seen angry workers, demanding back pay or severance pay, fighting pitched battles with the police. The CCP regime has responded with a mixture of repression, cash handouts to some of the newly unemployed and the reversal of some of its privatization measures. "So much for

capitalism," headlined the *Economist* (5 March) in an article on China's latest economic moves, which noted ruefully that the "opening up" of China's economy appears to be going "into reverse."

Anti-Communist Social Democrats Laud Charter 08

It is to be expected that leading organs of Western bourgeois opinion would praise Charter 08. But so do a number of groups claiming to be socialist, indeed Trotskyist. In reality, these groups reject Trotskyism in favor of a program of "democratic" capitalist counterrevolution.

A recent article by the Hong Kong-based *October Review* group, linked to the fake-Trotskyist United Secretariat (USec), supports Charter 08 without the slightest criticism ("The State of Human Rights in China," 31 December 2008). Saluting "the efforts of the people for democracy and human rights," the article has not a single reference to capitalism, socialism or the working class!

For its part, the British-based Committee for a Workers' International (CWI) led by Peter Taaffe writes:

"This manifesto, now with over 7,000 signatures, calls for an end to one-party rule and for basic civil liberties—things that socialists also fight for (many 'charter 08' signatories, however, are liberals who

favour a faster pace of capitalist 'economic reform')."

—chinaworker.info, 16 January

While chiding Charter 08 for its economic proposals, the CWI *positively identifies* with its calls for "democracy." This is nothing new for the Taaffeites, who have backed all manner of anti-Communist forces in the degenerated/deformed workers states. In the final tumultuous years of the USSR, they supported the capitalist-restorationist "democratic" camp of Boris Yeltsin. In August 1991, Yeltsin, openly backed by then U.S. president George Bush Sr., staged a successful counter-coup against the remnants of the disintegrating Kremlin oligarchy. The Taaffeites joined Yeltsin's reactionary rabble on the Moscow barricades. In sharp contrast, our comrades in Moscow distributed a leaflet in the tens of thousands with the urgent call: "Soviet Workers: Defeat Yeltsin-Bush Counterrevolution!" Capitalist counterrevolution brought mass unemployment, falling life expectancy and social degradation to the peoples of the former USSR and East Europe, while emboldening the imperialist exploiters in attacking working people and minorities.

Today, the CWI publicizes the work of the Hong Kong-based *China Labour Bulletin* (CLB). While masquerading as a workers organization championing "independent trade unions," the CLB is a counterrevolutionary group with direct connections to U.S. imperialism. Its leader Han Dongfang has long had a program on the CIA's Radio Free Asia and is vice-chair of the World Movement for Democracy, an outfit founded and run by the National Endowment for Democracy (NED), a notorious CIA front. Han has been called the "Chinese Lech Walesa," after the leader of Poland's Solidarność. In the 1980s, Solidarność, the only "union" supported by Reagan, Thatcher and the Vatican, led the drive to bring capitalist exploitation in "democratic" guise back to the Soviet bloc, with full support from the Taaffeites and the USec.

Like Charter 08's demand for "free elections," calls for "free trade unions" on the Solidarność model are a reactionary trap for the working class. The struggle for unions free of bureaucratic control, important for China's embattled working

NATO...

(continued from page 9)

position against their American and Japanese rivals. For a Socialist United States of Europe and an international socialist planned economy!

For New October Revolutions Worldwide!

In the 1980s, Afghanistan was also in the center of the NATO imperialists' war drive. In late 1979, the Soviet Red Army intervened in Afghanistan after repeated requests from the modernizing nationalist PDPA regime, which sought to introduce minimal social reforms and faced a U.S.-backed *jihad* (holy war) led by reactionary landlords, tribal chiefs and mullahs. The U.S. imperialists seized on the Soviet intervention as a pretext for a renewed anti-Soviet crusade, massively training and funding the reactionary *mujahedin*—mainly through the agency of the Pakistani military and its Inter-Services Intelligence—to kill Soviet soldiers. The Taliban and Al Qaeda are Frankenstein's monsters turned on their former imperialist masters.

The Soviet intervention was unambiguously progressive, underlining the Trotskyist understanding that despite its degeneration under a Stalinist bureaucratic caste, the Soviet Union remained a workers state embodying historic gains of

the October Revolution, centrally the planned economy and collectivized property. These were enormous gains, not least for women and the historically Muslim peoples of Soviet Central Asia. During the Soviet intervention, Afghan women militia volunteers fought with arms in hand against the CIA-backed *mujahedin* cut-throats for the basic right to not wear the *burqa* and not be sold like cattle. The international Spartacist tendency, now the ICL, said "Hail Red Army in Afghanistan!" and called to extend the social gains of October to the Afghan peoples.

On the other side, the *mujahedin* and the imperialists were joined by the bulk of the reformist left internationally, who joined with their masters in howling for the withdrawal of Soviet forces. We Trotskyists of the ICL uniquely fought down the line against counterrevolution, from East Berlin to Moscow, seeking on this basis to mobilize the working masses to sweep away the sellout Stalinist bureaucrats and establish the rule of workers councils. In this, we were guided by the same revolutionary internationalist program with which we fight today to forge revolutionary workers parties as sections of a reformed Fourth International, world party of socialist revolution. The road of international proletarian revolution offers the only alternative to the destruction of humanity by imperialism. **Down with imperialism! For new October Revolutions worldwide!** ■

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people, must be based on defense of the workers state that issued from the 1949 Revolution. This struggle, as well as the fight for the right of assembly and freedom of the press, will unfold as part of the fight for soviet democracy, for the formation of workers councils opposing the bureaucratic parasites and suppressing counterrevolutionary elements.

Witting Tools of U.S. Imperialism

Charter 08's leaders are not naive ingénues; many among them also have open associations with U.S. imperialism. Liu Xiaobo, one of the Charter's main organizers, is president of the U.S.-based "Independent Chinese PEN Center," which receives regular NED funding. Two other prominent Charter spokesmen, Li Baiguang and Teng Biao, were given the NED's "Democracy Award" at a ceremony in Washington last year. To date, the CCP regime appears to have treated these pro-imperialist dissidents with untypically mild repression. While taking steps to block the Charter from the Internet, it has arrested only one Charter spokesman, Liu Xiaobo, while briefly detaining others or putting them under surveillance. This is in

is something that the nationalist CCP bureaucracy is manifestly incapable of doing. In meting out repression, the Stalinist rulers do not differentiate between counterrevolutionaries and those who politically oppose bureaucratic rule from the standpoint of the historic interests of the proletariat. After the smashing of capitalist class rule in 1949, hundreds of Chinese Trotskyists who fought in defense of the Revolution were rounded up and thrown in prison or shot. Following the worker and student upheavals centered on Beijing's Tiananmen Square in 1989, the regime executed workers. We oppose the institution of capital punishment on principle, in China—where thousands are executed each year—no less than in capitalist countries.

The U.S. group known as the Party of Socialism and Liberation (PSL) makes correct criticisms of Charter 08 in its February 10 Internet posting, "The Truth Behind China's Charter 08 Manifesto—Liberal Language Cloaks Counterrevolutionary Aims." But the PSL looks to the Stalinist bureaucracy as the key barrier to counterrevolution: "The CCP government, in spite all of its contradictions, remains the most important obstacle to the return



Chinese workers join Tiananmen Square protests in Beijing, May 1989. Banner reads: "The Workers' and Students' Hearts Are Joined."

contrast to the severe repression that has been inflicted on leaders of workers strikes and other protests.

While sharply opposing Charter 08's politics, we do not at this time support the repression of its initiators and signers. These right-wing ideologues are clearly not leading a movement that threatens the existence of the Chinese workers state, as was the case with Polish Solidarność by the fall of 1981. At that time, we wrote: "The threat of a counterrevolutionary thrust for power is now posed in Poland. That threat must be crushed at all costs and by any means necessary" ("Stop Solidarity's Counterrevolution!" WV No. 289, 25 September 1981). When the Stalinists moved to suppress Solidarność in December 1981, we supported this. At the same time, we indicted the bureaucracy for its nationalism, economic mismanagement and decades of capitulation to the Catholic church and other pro-capitalist forces, which drove workers from the historically socialist-minded proletariat of Poland into the arms of reaction.

With their hosannas to the "free markets" that are wreaking havoc around the globe, the right-wing intellectuals of Charter 08 are highly unlikely to gain any traction among China's working people, for whom the "magic of the market" has meant savage exploitation and growing unemployment. Three decades ago, even as it promoted bourgeois "democracy," Charter 77 did not call for the restoration of a capitalist economy because at the time such a demand would have repelled most Czechoslovak intellectuals, not to speak of the workers.

The program of "democratic" counter-revolution pushed by the likes of Charter 08 must be defeated *politically*—and that

of China to its previous state of semi-colonial slavery." While criticizing the CCP leaders' "market reforms," the PSL hopes that Hu Jintao & Co. will see the light and return to the "socialist road":

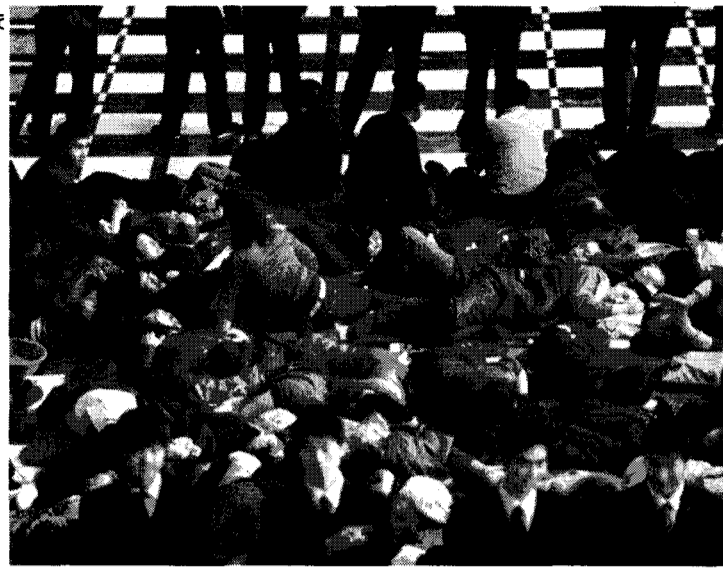
"Faced with an intensified imperialist offensive, the CCP leadership could change course, turning to the working class for support and reinstating socialist measures.

"However unlikely, the path to a renewal or strengthening of socialist methods is possible as long as the CCP retains its hold on state power."

The PSL contrasts the CCP's "market reforms" to "the path followed by the Communist Party during the Mao era." However, Mao-style national "self-sufficiency" (economic autarky) and the market-oriented policies of later CCP leaders were both ways by which the Chinese Stalinist bureaucracy sought to "peacefully coexist" with world imperialism in different periods and different international contexts. Under Mao, this was expressed in China's grotesque alliance with U.S. imperialism against the Soviet Union.

In reality, the continued rule of the CCP *undermines* defense of proletarian state power in China. Thanks to the regime's policies, a sizable class of capitalist entrepreneurs with links to the offshore bourgeoisie in Hong Kong and Taiwan has emerged on the mainland, though they are still prevented from organizing politically and vying for power. Many CCP officials have financial and familial ties to such entrepreneurs. Contrary to the PSL's claims, the bureaucracy continues to preserve state property not out of a subjective identification with socialism but, as Trotsky wrote in *The Revolution Betrayed* (1936), "only to the

Global capitalist economic crisis has slowed Chinese growth, hit export industry hard. Laid-off workers in Harbin stage workplace sit-in on 18 March demanding reinstatement of insurance and retirement benefits.



extent that it fears the proletariat"—i.e., to protect its privileged position as a parasitic caste atop the workers state. Sooner or later, by one political path or another, the Stalinist regime will bring China to the brink of capitalist counterrevolution, posing pointblank the fate of the most populous country on earth.

It is instructive to look back at the social and political dynamics of counter-revolution in the Russian core of the former USSR. This was *not* led by anti-Communist dissident intellectuals analogous to China's Charter 08 but by major elements derived from the decomposing *nomenklatura*, the Soviet bureaucratic elite. A few years before Boris Yeltsin took power and announced the dissolution of the USSR, he was a senior leader in the Kremlin. There are today more than a few potential Yeltsins in the leading bodies of the CCP. At the same time, the Chinese Stalinists have learned something from the counterrevolution in the ex-USSR. Seeking to forestall such developments in China, the CCP leaders have pursued policies of *perestroika* (market-oriented "reforms") without a hint of *glasnost* (political democratization).

For Proletarian Political Revolution!

In *The Revolution Betrayed*, his classic analysis of the Soviet Stalinist bureaucracy, Trotsky emphasized: "Under a nationalized economy, *quality* demands a democracy of producers and consumers, freedom of criticism and initiative—conditions incompatible with a totalitarian regime of fear, lies and flattery." The CCP regime's policies and practices create a climate in which some of the proponents of "democratic" counterrevolution could gain a hearing, at least among a layer of intellectuals, peasants and even some workers. At the same time, the increasing antagonism between the bureaucracy and China's toiling masses is also preparing the ground for a proletarian political revolution to oust the parasitic ruling Stalinists.

The potential for a pro-socialist workers uprising was shown in the May-June 1989 Tiananmen upheaval. In its article on Charter 08, the PSL endorses the line of the Chinese Stalinists on these events, calling them "a counterrevolutionary effort painted in the West as a 'struggle for democracy.'" In reality, protests that began among students opposing corruption and seeking political liberalization were joined by masses of Chinese workers, driven into action by their own grievances against the impact of the regime's market measures, especially high inflation.

Workers assemblies and motorized flying squads were thrown up, pointing to the potential for the emergence of authentic worker, soldier and peasant councils. The entry into struggle of the working class terrified the CCP rulers, who eventually unleashed fierce repression. But the bureaucracy, including the officer corps of the military, began to fracture under the impact of the proletarian

upsurge. The first army units that were mobilized refused to act in the face of enormous popular support for the protests among Beijing's working people. Other more regime-loyal army units had to be brought in to carry out the massacre of June 1989, which was overwhelmingly targeted at workers rather than students. This was an incipient proletarian political revolution, drowned in blood by the Stalinist bureaucracy (see "The Spectre of Tiananmen and Working-Class Struggle in China Today," WV Nos. 836 and 837, 12 and 26 November 2004).

The crucial missing element, during the Tiananmen events as well as today, is an authentic Bolshevik—i.e., Leninist-Trotskyist—party to rally the working masses around the banner of workers democracy and communist internationalism. Such a party would be forged in political combat not only with currents emerging out of the decomposing Stalinist bureaucracy but also with the anti-Communist purveyors of Western-type "democracy," including some who will doubtless posture far to the left of the Charter 08 group.

The survival and advancement of China's revolutionary gains hinges on the fight for socialist revolution in the advanced capitalist countries of Japan, North America and West Europe, the only road toward the all-round modernization of China as part of an international planned economy. A proletarian political revolution producing a China of worker and peasant councils would be a beacon for the oppressed working masses of Asia and the entire world, dealing a deathblow to the bourgeoisie's "death of communism" propaganda, lifting up the downtrodden masses of the former Soviet Union and East Europe and inspiring the workers in the imperialist heartlands. This, ultimately, is the only perspective that can defeat the siren call of "democracy" pushed by imperialist-backed outfits as well as fake "socialists" who are enemies of the gains of the Chinese Revolution. ■

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China

Charter 08: Program for “Democratic” Counterrevolution

The article we reprint below is from *Workers Vanguard* (No. 933, 27 March), newspaper of the Spartacist League/U.S.

In December, a document titled Charter 08 appeared on the Internet in China. Signed by some 300 individuals, largely intellectuals and academics, it has since garnered another 8,000 signatories. An English translation was quickly circulated abroad and then published in the *New York Review of Books* (15 January). The capitalist media in the U.S. and elsewhere has heaped praise on Charter 08. An editorial in the London *Financial Times* (7 January) saluted it as “a powerfully written affirmation of universal human rights.” A *Washington Post* editorial (30 January) called it China’s “new democracy movement.”

Charter 08 is an explicit program for capitalist counterrevolution in the Chinese deformed workers state, wrapped in the envelope of “democracy.” Its initiators seek to emulate the imperialist-backed “human rights” dissidents in East Europe who spearheaded the counterrevolutions in the former Soviet bloc in 1989-92. The Charter calls for “free elections” as a political mechanism for capitalist-restorationist parties to attain governmental power. It demands the privatization of the collectivized core of the Chinese economy—the state-owned enterprises—as well as the land. In short, this is a program to reverse the social gains of the 1949 Revolution that, if realized, would plunge China back into imperialist subjugation and exploitation.

Charter 08 retrospectively supports the imperialist-backed Guomindang (Nationalist Party) of Chiang Kai-shek against the Chinese Communist Party (CCP) during the civil war of the late 1940s: “Victory over Japan in 1945 offered one more chance for China to move toward modern government, but the Communist defeat of the Nationalists in the civil war thrust the nation into the abyss of totalitarianism.”

The 1949 Chinese Revolution was a progressive social revolution of world-historic significance. Hundreds of millions of peasants rose up and seized the land on which their forebears had been exploited from time immemorial. The creation of a centrally planned, collectivized economy laid the basis for enormous social progress. The revolution enabled women to advance by magnitudes over their previous miserable status rooted in



George Bush in May 2006 hosts Chinese anti-Communist “human rights” dissidents Li Baiguang, Wang Yi, Yu Jie (left to right), later signatories to Charter 08.

the old Confucian order in such practices as forced marriage and concubinage. A nation that had been ravaged and divided by foreign powers was unified and freed from imperialist subjugation.

However, the Revolution was deformed from its inception under the rule of Mao

Zedong’s CCP regime, a nationalist bureaucratic caste resting atop the workers state. Unlike the Russian October Revolution of 1917, which was carried out by a class-conscious proletariat guided by the Bolshevik internationalism of Lenin and Trotsky, the Chinese Revolution was the

result of peasant guerrilla war led by Mao’s Stalinist-nationalist forces. Patterned after the Stalinist bureaucracy that had usurped power in the USSR, Mao and his successors, including today’s Hu Jintao regime, have preached the profoundly anti-Marxist notion that socialism—a classless, egalitarian society based on material abundance—could be built in a single country. In practice, “socialism in one country” has meant accommodation to world imperialism and opposition to the perspective of international workers revolution that is essential for the advance to socialism.

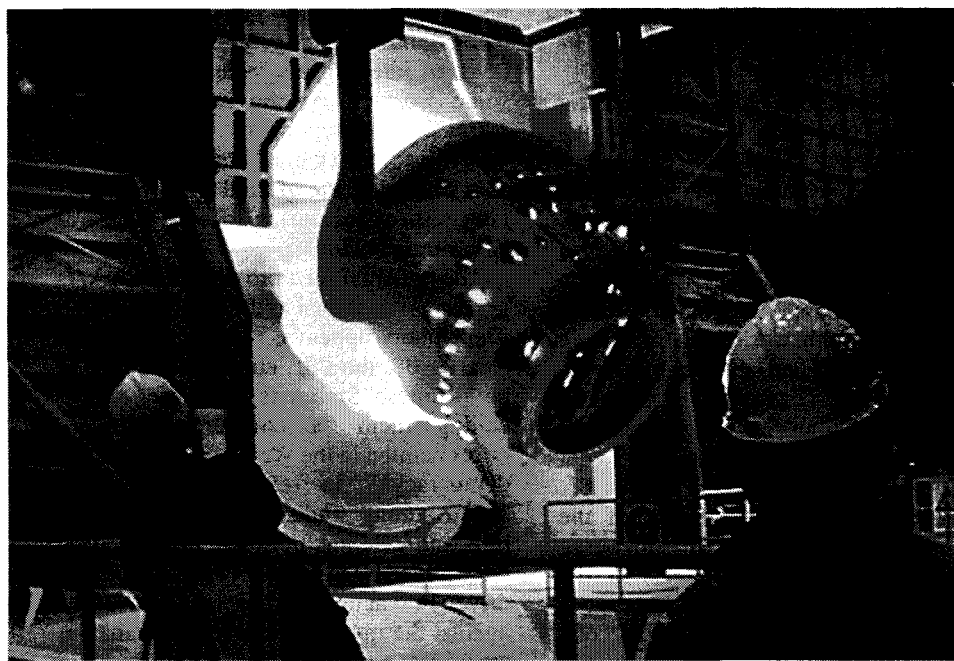
As Trotskyists, we stand for the unconditional military defense of China against imperialism and counterrevolution. In answer to the aspirations of the Chinese workers and rural toilers for democratic rights and a government that represents their needs and interests, we stand for proletarian political revolution to oust the nationalist Stalinist bureaucracy and establish a government based on elected workers and peasants councils and committed to revolutionary proletarian internationalism. This perspective, premised on defense of the gains of the Revolution, is diametrically opposed to the counter-revolutionary machinations of outfits like Charter 08.

“Human Rights” and “Democracy” in the Service of Counterrevolution

Charter 08 takes its name from Charter 77, a document put out by dissidents in Czechoslovakia in 1977. This and similar groups were encouraged and promoted by the “human rights” campaign launched by then U.S. Democratic president Jimmy Carter as a way of politically undermining the Soviet Union and its East European bloc partners. It is, as they say, no accident that Vaclav Havel, a leading figure in Charter 77, later played a central role in the imperialist-backed counter-revolution in Czechoslovakia in 1989-90.

Far more openly than Havel & Co. in 1977, the group around Charter 08 brandishes the watchwords of “human rights” and “democracy” to attack the revolutionary overthrow of capitalist rule. The Charter states: “Where is China headed in the twenty-first century? Will it continue with ‘modernization’ under authoritarian rule, or will it embrace universal human values,

continued on page 10



Workers at Baosteel plant in Shanghai, part of China’s collectivised industry.

Defend the Chinese Bureaucratically Deformed Workers State! For Workers Political Revolution!