

Contents

- 304. The Capitalist Crash and the New Challenges Facing Socialists
Roger Annis and John Riddell
 - 305. Charles Darwin and Materialist Science
Ian Angus
 - 306. Improve Capitalism or Replace It?
Bill Burgess
 - 307. Haiti, the Financial Crisis, and International Solidarity
Niraj Joshi
-

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The Capitalist Crash and the New Challenges Facing Socialists

By Roger Annis and John Riddell

(Editors of Socialist Voice).

The capitalist world is being shaken by the most profound economic disruption since the Great Depression of the 1930s. At the same time, the imperialist powers, including Canada, are intensifying their wars in Afghanistan, Palestine, and elsewhere in the Middle East. This situation poses new challenges and responsibilities for socialists in Canada and around the world.

The first casualty of the financial collapse has been the claim that “there is no alternative” to unrestricted free market capitalism. The imperialist governments are bankrolling imperilled banks and industrial conglomerates with immense bailouts — an estimated \$5.1 trillion in the U.S. alone by November 2008 — while preparing “stimulus” packages aimed at restoring financial markets.[1]

The “stimulus” includes potentially useful projects along with many that are far more dubious. But urgently needed social investment, such as housing or a national daycare program, receives scant consideration. The spending is shaped to restore corporate profitability, not to sustain workers’ livelihoods. Thus, the U.S. government’s auto bailout is conditional on wages and working conditions in union-organized plants being cut to match non-union operations, and Canada’s federal government has set similar conditions.

In Canada, mass layoffs are spreading through the economy but unemployment insurance provides benefits to only half the jobless. The recent federal “stimulus” budget did nothing to change that.

‘Stimulus’ serves profits, not human needs

Around the world, governments are spending hundreds of billions to protect profits but only pennies on reducing greenhouse gas emissions. No consideration is being given to the

comprehensive structural changes required to counter global warming. No action is proposed to deal with the Alberta Tar Sands operation, the world's most ecologically destructive project.

In the Global South, the capitalist crash has triggered what Adam Hanieh has termed a “deadly mix of capital outflows, high inflation, and drops in export earnings.”[2] The weaker countries are paying by far the highest price for the breakdown in the capitalist heartlands.

As the crash deepens, the U.S. government and its allies are extending their war drive against peoples of the Global South. The Obama administration has promised a major escalation of the war in Afghanistan. All of the imperialist countries, with Canada in the lead, gave full backing to the genocidal Israeli assault on Gaza. As Hanieh notes, the crash presses capitalism toward a “more hardened, authoritarian state,” “increasingly virulent racism,” and “more war and military repression.”

Consistent with this pattern, the initial response in Canada to the crash by the Conservative Party government of Stephen Harper was to incite a wave of chauvinism against the Québécois people.[3]

Harper's unqualified support of the Israeli slaughter in Gaza mirrors his colonial agenda for the racially and nationally oppressed and impoverished Indigenous peoples within Canada's borders.[4] Amid all the talk in Ottawa of economic stimulus, nothing has been heard about the urgent humanitarian effort needed to remedy calamitous social conditions in Indigenous communities, be it black mould infections in western housing, water poisoning in the east, or job and health care crises in the north. Ottawa continues its long-standing policy of slow death or assimilation for its colonial subjects.

Anti-imperialist resistance

In the months since the economic crisis broke, the most effective resistance to capitalist attacks has come from anti-imperialist governments in Latin America and from the struggles of the Palestinian people.

The countries of the ALBA alliance in Latin America responded to the financial collapse with a plan for increased economic integration, including a regional currency.[5] Cuba, Venezuela, and Bolivia, the leading architects of ALBA, also stood out in their forthright condemnations and actions against the Israeli assault in Gaza. Their leaders have proclaimed the truth that there is no solution to the problems of humankind short of the abolition of capitalism.

The slaughter in Gaza has created indescribable hardship and misery for the people there, but they are emerging from the wreckage unbowed. The Palestinian people were supported by the largest international antiwar protests since the launch of the Iraq war six years ago.

These recent events confirm the judgment expressed by *Socialist Voice* in a statement by its editors in June 2007: “The dramatic advances of the Venezuelan revolution and ... other insurgent peoples and governments resisting imperialism, are creating a historic opportunity to strengthen international anti-imperialist collaboration and rebuild the revolutionary socialist movement internationally.”

The 2007 statement outlined the lessons of mass struggles in Venezuela and elsewhere in Latin America for the world movement for socialism.

Labour shifts to the right

Canada's trade unions and the labour-aligned New Democratic Party have reacted to the crisis by shifting to the right. The NDP reached a temporary deal for a coalition government with the Liberal Party, one of the twin parties of capitalist rule in Canada for a century. That deal has now collapsed, with the Liberals choosing instead an alliance with the Conservative government. Yet a coalition with the Liberals still stands as the avowed goal of the NDP — what party leader Jack Layton, speaking on CBC radio January 25, called the “bold plan that we need in this country.”

As part of the original coalition deal, the NDP ceased public opposition to Canada's war in Afghanistan.[6] It failed to counter Prime Minister Stephen Harper's and Liberal Party leader Michael Ignatieff's support for the Israeli slaughter in Gaza. The NDP leadership has yet to speak out on these critical issues.[7]

The Liberals are a tested instrument of big-business rule. A succession of Liberal governments in the 1990s and 2000s waged deep-going assaults on living standards, social programs and democratic rights. They took Canada into war in Afghanistan and maintained a close alliance with Israel. Labour and its allies cannot mount effective opposition to capitalist assaults and imperialist oppression if they are shackled to such a party or to a government it would lead.

Support for the Liberals is sometimes justified on the grounds that they represent the “lesser evil” — that their policies, while bad, are not as harmful as those of the Conservatives. That logic allows the capitalists to define the permissible options. As the U.S. socialist Peter Camejo once joked, “if they want us to vote for Mussolini, they need only put him up against Hitler.” “Lesser evilism” blocks working people from setting their sights on a humane and just world and advancing an independent program to that end.

The challenge of the NDP

Programmatically, the NDP is a capitalist party. The provincial governments it has formed have differed little from Liberal or Conservative governments. The NDP leadership is loyal and devoted to Canada's colonialist-imperialist state.

But the NDP is also a political movement that was founded by the trade unions and left-wing activists. It has never been considered as an acceptable choice for federal government by the Canadian ruling class. The NDP's stated program, however inadequate, echoes that of the unions that form its main institutional support. Its supporters share aspirations for a more just society.

If pressed to the limit, the coalition perspective will put in question the NDP's survival as an instrument, however weak, of labour political action.

The NDP's strategy of parliamentary action to humanize capitalism is a dead end for workers and oppressed peoples in Canada. But the challenge before workers is to strengthen their capacity for political action, not to passively accept losing what now exists through

subordination to the Liberals. That would be yet another setback for a labour movement that is already in a defensive and historically weak position.

Socialists should therefore engage in the debate over the NDP's future, particularly in the unions. We should press for the party to break from the Liberals and the capitalist class and to defend a workers' agenda.

Ending the long retreat

Through more than two decades of capitalist attacks, working people in Canada have been on the defensive. Unions have lost members and strength, social programs have diminished, and repressive and racist policies have gained ground. The challenge today is to wage effective, broad-based struggles for immediate gains that can help end the retreat and inspire working people with new hope and confidence.

This will be achieved not through deals with capitalist parties but through independent struggles that can shift the relationship of forces. Such struggles can open the possibility of challenging capitalist rule and establishing a government of working people and the oppressed that can abolish capitalism.

There is no way to foresee what issues and struggles will spark such a movement. However, we can already identify central themes of a socialist agenda in Canada as the capitalist crisis unfolds:

1. No government handouts to capitalist profiteers. Governments should take control of imperilled enterprises as a basis for planned economic recovery and ecological protection. The environmentally and socially destructive Alberta tar sands must be shut down, with full protection of displaced workers' livelihoods.
2. Protect the victims of capitalism's crisis through support to the unemployed, education and retraining opportunities for displaced workers, and improvements to other social programs. Raise minimum wages and social assistance rates.
3. Focus government "stimulus" spending on education, health care, social services, social housing, and ecology infrastructure. Decent homes for all. Draw the entire population into a democratically planned transition to an ecologically sound and sustainable economy.
4. Abolish restrictive anti-labour legislation and protect striking workers from replacement or dismissal. Adopt new laws to assist workers in joining trade unions and achieving collective agreements.
5. Take action to assist victims of racial and national oppression. Defend all victims of gender-based oppression. End restrictions on immigration and grant full legal rights to all residents of Canada. End violations of civil liberties and human rights enacted as part of a phoney "war on terror."
6. Take emergency action to eliminate the calamitous social and economic conditions forced on Indigenous peoples by Canadian colonialism. Unconditional support for Indigenous sovereignty and the fight for an end to Canadian colonialism.

7. Self-determination and sovereignty for Quebec.
8. Oppose Canadian imperialism. End Canada's war in Afghanistan and its support to the Israeli-led genocide against the Palestinians. For boycott, divestment and sanctions against the apartheid Israeli state.
9. Cancel the Third World debt, and cancel pro-imperialist trade treaties. Make Canadian technological and resources available to help break the cycle of imperialist-imposed poverty.
10. Support freedom struggles around the world, including the initiatives of Cuba, Venezuela, Bolivia, and their partners in the ALBA alliance to build an alternative to neoliberal devastation.
11. Press labour and its allies, including the NDP, to break with the capitalist ruling class and enter onto a road of struggle for a workers' and farmers' government.

The Road Ahead

The goals outlined here are not unique to *Socialist Voice* — they are shared by others in Canada and abroad. They grow out of the underlying need for revolutionary socialists to find each other, voice their views, collaborate, and give life to their ideas through joint commitment to today's struggles. Promoting this objective is the purpose of *Socialist Voice*. In this way, we seek to advance the goal of creating an inclusive and effective organization of struggle for revolutionary socialism.

We aim to join forces with the many activists in labour and anti-imperialist movements who seek an independent path of struggle by working people and the oppressed. It is through such struggles that our proposals will be sounded, tested, and proven.

Footnotes

[1] For a perceptive analysis of this turn, see John Bellamy Foster and Fred Magdoff, "Financial Implosion and Stagnation: Back to the Real Economy," *Monthly Review*, <http://www.monthlyreview.org/081201foster-magdoff.php>.

[2] Adam Hanieh, "Making the World's Poor Pay: The Economic Crisis and the Global South," *Socialist Voice*, <http://www.socialistvoice.ca/?p=347>.

[3] See Richard Fidler, "Political Crisis Exposes Canada's National, Class Divisions," *Socialist Voice*, www.socialistvoice.ca/?p=354.

[4] See Kole Kilibarda, "Solidarity with Palestine: Crisis Responses and Movement Building," *Bullet*, www.socialistproject.ca/bullet/bullet176.html.

[5] See Paul Kellogg, "The Bolivarian Alternative for the Americas. Dawn of an Alternative to Neoliberalism?" *Socialist Voice*, <http://www.socialistvoice.ca/?p=107>.

[6] See Paul Kellogg, "The NDP, The Coalition, and the War," *Socialist Voice*, <http://www.socialistvoice.ca/?p=361>

[7] For fuller analysis of the coalition project, see these *Socialist Voice* articles: Bernard Rioux, "The Coalition: Its Nature, Its Future and Our Perspectives"; Paul Kellogg, "A Ruinous Government; an Unpromising Alternative"; John Riddell, "Coalition Government: Let's Not Give Away the Store"

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Charles Darwin and Materialist Science

By Ian Angus

February 12, 2009 is Darwin Day, the 200th anniversary of the birth of Charles Darwin. His masterwork, *On the Origin of Species*, was published 150 years ago, in November 1859, initiating a revolution in science that continues to this day.

Although Darwin's political views were far from radical, his insights became the central weapons in the battle to establish materialist science as the basis for our understanding of the world, and contributed to the development of Marxism.

Charles Robert Darwin was, to say the least, an unlikely revolutionary. His father was a prominent physician and wealthy investor; his grandfather was Josiah Wedgwood, founder of one of the largest manufacturing companies in Europe. He could have lived a life of leisure — instead he devoted his life to science.

After graduating from Cambridge in 1831, 22-year-old Charles Darwin boarded the British survey ship *HMS Beagle* as an unpaid naturalist, subsidized by his doting father. When he returned after five years, he had thousands of pages of scientific observations, over 1,500 carefully preserved specimens — and growing doubts about the dominant scientific and religious ideas of his day.

A heretical conclusion

At that time, Darwin wrote in his 1861 introduction to *Origin*, “the great majority of naturalists believed that species were immutable productions, and had been separately created.” Biblical literalists and deists alike agreed that species were fixed by divine law. Dogs might vary in appearance, but dogs don't give birth to cats.

After five years of travel and two years of study at home, Darwin came to a heretical conclusion: species were not immutable. All animals were descended from common ancestors, different species resulted from gradual changes over millions of years, and God had nothing to do with it.

It is difficult, today, to understand how shocking this idea would be to the middle and upper classes of Darwin's time. Religion wasn't just the “opium of the masses”— it gave the wealthy moral justification for their privileged lives in a world of constant change and gross inequality. The world was unfolding according to God's wishes, and anyone who questioned that endangered the very fragile social order.

Nevertheless, by the 1830s educated people knew that the *Genesis* creation story couldn't be literally true. The rise of capitalism in the 1700s had led to booms in mining and canal building: those works exposed geological layers and ancient fossils that clearly contradicted the idea of a recently-created earth.

In the same period, imperialism led to global exploration and the discovery of more varieties of plant and animal life than any European had ever imagined. Why had the Creator been so

extravagant? And why, if each animal was created separately, were their underlying structures so similar — why do bats' wings, whales' flippers, lions' paws and human hands all contain the same bones?

Many attempts were made to preserve a central role for God and creation in the face of this evidence. Perhaps the most sophisticated was developed in the 1850s by Richard Owen, head of natural science at the British Museum and inventor of the word “dinosaur.” He argued that all animals are variations on ideas — “archetypes” — in God's mind. God “foreknew all variations” on those archetypes, and made them real in forms that would suit various environments or situations over time.

At the opposite end of the philosophical spectrum, the great French biologist Jean-Baptiste Lamarck offered a non-religious explanation. He proposed that there is a “chain of being,” a ladder of life, with single-celled animals at the bottom and humans at the top. Nature constantly and spontaneously creates new creatures that have an innate drive to climb the ladder, becoming more complex, or perfect, over time.

As they climb, they also adapt to environmental changes: giraffes have long necks because their ancestors had to stretch to reach high leaves, while fish that live in caves are blind because their ancestors' vision declined as a result of disuse. This concept was not central to Lamarck's theory, but “inheritance of acquired characteristics” has since become inextricably connected to his name.

A materialist explanation

While Lamarck and others just *speculated* that species changed over time, Darwin provided convincing *evidence*. More important, he showed that it happened by natural processes, without any help from gods or mysterious progressive forces. That is, his explanation of evolution was *materialist*.

In Darwin's theory, three factors combine to create new species: variation, inheritance, and natural selection. There are many differences between the members of any species, and those differences will result in some individuals being more likely to survive environmental changes and so pass on their variations to the next generation. Over long periods of time, such variations will spread through the population, while any that reduce the possibility of reproduction will decline. Eventually the accumulation of new characteristics results in new species.

Darwin developed the key elements of his theory by 1838, but didn't publish it because he knew how hostile the scientific community of his day was to both materialism and evolution. Only after 20 years, when he had become one of the best-known and most respected naturalists in England, did he finally make his heresy public.

On the Origin of Species was an instant best-seller. The publisher printed 1,250 copies but received orders for 1,500 copies on the first day. A second edition of 3,000 copies followed in a few weeks, and some 110,000 copies were sold in England by the end of the century.

While Darwin's ideas were quickly accepted by many scientists, especially younger ones, they were roundly condemned by the scientific establishment and by religious leaders. Adam

Sedgwick, Darwin's geology professor at Cambridge, called *On the Origin of Species* "utterly false and grievously mischievous" and declared his "detestation of the theory, because of its unflinching materialism," while Richard Owen denounced it as an "abuse of science."

Marx and Engels and Darwin

Outside official scientific circles, Darwin's ideas found strong support in the workers movement. Friedrich Engels said *Origin* was "absolutely splendid," and Karl Marx called it "the book which contains the basis in natural history for our view."

Marx's friend Wilhelm Liebknecht later recalled that "when Darwin drew the conclusions from his research work and brought them to the knowledge of the public, we spoke of nothing else for months but Darwin and the enormous significance of his scientific discoveries."

In *Origin*, Marx and Engels found a materialist explanation of nature's history to complement and strengthen their materialist explanation of human history. They particularly valued Darwin's demonstration that nature has a history that can be explained in materialist, natural terms. In *Anti-Dühring*, Engels wrote:

"Nature works dialectically and not metaphysically ... she does not move in the eternal oneness of a perpetually recurring circle, but goes through a real historical evolution. In this connection, Darwin must be named before all others. He dealt the metaphysical conception of Nature the heaviest blow by his proof that all organic beings, plants, animals, and man himself, are the products of a process of evolution going on through millions of years."

A triumph for humanity

Darwin spent most of the rest of his life researching evolution and natural selection, while his supporters defended his ideas against the most influential opinion leaders of his day. By the time he died in 1882, few scientists still disputed the fact of evolution — but it took much longer for most to accept the materialist core of Darwin's work, that variation and natural selection are the processes that drive evolution. For decades scientists searched for an alternative to natural selection that would be compatible with the idealist conception that God, or some equivalent progressive tendency in nature, guided evolution upwards until humans emerged as the pinnacle of creation.

But twentieth century genetic research proved that Darwin was right all along: that variations occur naturally, and that natural selection is the main force determining which variations survive and spread.

Darwin's commitment to naturalist science has triumphed. No modern scientist, not even one with deep religious convictions, would today suggest that "then a miracle happened" is an acceptable explanation for anything in nature, including the origins, immense variety and constant changes in life on our planet.

This materialist victory in science is one of humanity's greatest achievements. For that reason alone, no matter what his hesitations, delays or prejudices, Charles Darwin deserves to be

remembered and honoured by everyone who looks forward to the ending of superstition and ignorance in all aspects of life.

The idea that nature has a history, that species come into existence, change and disappear through natural processes, is just as revolutionary, and just as important to socialist thought, as the idea that capitalism isn't eternal but came into being at a given time and will one day disappear from the earth.

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Improve Capitalism or Replace It?

Jim Stanford, *Economics for Everyone: A Short Guide to the Economics of Capitalism*. Fernwood Publishing and Canadian Centre for Policy Alternatives, 2008. 360 pages.

Reviewed by Bill Burgess

Economics for Everyone is attracting a lot of attention in the labour movement in Canada for its popular exposé of many flaws in mainstream economic theory.

But what many people are looking for is a sound basis for understanding the rapidly developing economic crisis and what to do about it. Here the book fails. It betrays too much faith in capitalism.

Antidote to neo-classical economic theory

Jim Stanford is the staff economist for the Canadian Auto Workers union (CAW), and he explains economic concepts in clear, accessible language. The main points are summarized in a statement of “A Dozen Things to Remember About Economics,” available, along with further resources and study guides, at www.economicsforeveryone.ca/.

What makes this book different from most economic texts is Stanford’s emphasis that, contrary to the claims by mainstream (neo-classical) economists, their theory and policy are very political, and very pro-employer. They assume that markets are natural when they are really socially constructed. Wages, working conditions and social programs are not determined by objective economic “laws,” they are the result of class or trade union struggle.

One function of mainstream economics is to justify the profits that capitalists reap from economic activity. Neo-classical economists claim that profit rates are determined by what capital contributes to output. However, as Stanford explains, the neo-classical model of capital actually assumes the profit rates they claim it explains. The advocates of this model were forced decades ago to admit this circularity in their reasoning, but they lack any solution to this flaw in their supposedly objective explanation for profits.

One form of capital is fixed capital, like the paper machine as long as a football field that I used to work on. Each shift, tons and tons of paper rolled off my end of the machine. It was very hard to resist the notion that it was the machine that made the paper, that the machine was productive. Stanford explains that such fixed capital is instead a kind of tool that makes labour more productive.

The book’s discussion of labour costs takes up an important issue that is omitted by mainstream economists, namely the intensity of work. Neo-classical economic theory only considers the market price of labour time and skill. But labour intensity is regulated differently, by compulsion within the workplace. Because they consider only market relations, mainstream economists ignore the role of class relations of production.

“Free” trade is a favourite policy of neo-classical economists, who advocate it on the basis of the theory of “comparative advantage.” The theory claims that it always pays countries to specialize and trade, even if one country can produce all tradable goods at a lower cost than the other countries. Stanford shows why the theory does not apply. He describes how it was by not following the neo-classical prescriptions that East Asian economies managed to develop in recent decades.

The book includes a chapter on household and other non-market labour. Mainstream economists simply exclude the decisive contribution made by those who keep us all alive and able to go back to work each day.

In short, this book provides an accessible introduction to some of the concepts and terminology needed to discuss economic issues. It is particularly valuable for its popularization of flaws in neo-classical economic theory like those noted above. By the end of the book, I think readers will identify with economist Joan Robinson’s statement that, “The purpose of studying economics is...to avoid being deceived by economists.”

Too much faith in capitalism

The problem with *Economics for Everyone* is its inadequate assessment of capitalism. Stanford targets “bad” capitalism rather than capitalism itself.

On issues like the global ecological crisis and the failure of development in poor countries, Stanford suggests that capitalism is to blame, especially its neo-liberal (i.e. post-1970s) variant. Yet, these issues are marginal to his analysis of the economies in advanced capitalist countries. He never addresses their imperialist nature, notably the reality of imperialist war.

Stanford nods to the ideal of an economy organized to meet human need rather than private profit. However, this is not projected as a vital necessity for today. In his chapter titled “Improving Capitalism,” he instead writes that, “Fighting to make our respective countries more like the Nordic version of capitalism ... is a challenge that rightfully deserves our first attention.” (‘Nordic’ here refers to the Scandinavian countries of Europe.)

In the final chapter titled “Replacing Capitalism?” Stanford notes “the scandalous failure of capitalism to meet basic needs for so many.” But he then concludes, “On the other hand, there is an absence of compelling real world evidence that any other system ... would reliably do better.”

Stanford explicitly accepts the framework of capitalism in his detailed policy agenda. He proposes no measures to replace and displace the capitalist market. One example is that nationalization is limited to “natural monopolies” and industries producing what are narrowly defined as “public goods.” He is emphatic that “private business investment spending remains at the core of the economic strategy.”

What causes economic crises?

Written just before the financial collapse in 2008, *Economics for Everyone* notes that some economists suggest that “the ingredients may be in place for the commencement of a new period of sustained and relatively stable capitalist growth.” Stanford concludes that, “the jury is still out

on whether this modern, tough-love incarnation of capitalism has really established the conditions for a longer-run winning streak.”

Well, that verdict has now been rendered, and it shows how utopian it was to believe that some kinder, gentler “Nordic” version of capitalism is on offer.

The book correctly notes that, “Those of us hoping for something better from the economy cannot wait around for capitalism to self-destruct.” Also correctly, it says, “The only factor that poses a genuine challenge to the current order is the willingness of human beings to reject the injustice and irrationality of this economy, and stand up to demand something better. Capitalism will not fall – rather, it must be pushed.”

But how and why would this happen? Stanford is very clear: “I do not see convincing evidence of an inherent, systematic vulnerability of capitalism.” In other words, he disagrees that this system is characterized by a deep-seated tendency towards producing more goods than people under capitalist relations of production can afford to buy. Socialists have concluded that the capitalists’ only “solution” is social and ecological barbarism.

One telling illustration of Stanford’s perspective is that while he agrees there is an “inherent instability of a decentralized, profit-driven economy,” his explanations for particular economic crises are shallow. They are blamed on “negative events or shocks” external to workings of capitalism proper.

For example, the book describes the global downturn in the early 1980s as being caused by U.S. monetary policy. Even the Great Depression of the 1930s is attributed to stock market speculation rather than expressing something deeper in the nature of capitalism. At a January 30, 2009, public meeting in Vancouver, Stanford similarly blamed the current crisis on financial speculation, and blamed this speculation on neo-liberalism. It is as if they float above capitalism itself.

Since he disagrees that capitalist economic crises are systemic, Stanford also underestimates what it takes for deep crises to be resolved. He claims that it “was massive military spending ... that solve[d] the Great Depression.” In fact, this “solution” additionally required the fascist destruction of powerful working class movements in countries like Germany, and the widespread destruction of existing capital by horrific world war.

Socialism for the rich?

Stanford’s “vision” for “improving capitalism” is a “high-investment, sustainable economy.” But we are in a deep economic crisis, and as Keynes put it, trying to get capitalists to invest during a crisis is like pushing on a string. Reducing interest rates has failed, so governments are dumping in public money, hoping to maintain the cycle of borrowing and spending, investment and profit. The policy is “socialism for the rich.”

Stanford’s proposals are not very different. At the January 30 public meeting in Vancouver, his prescription was also more government spending, plus financial regulation.

Of course, we need to fight for programs to meet immediate human needs, like unemployment insurance, and to direct government spending to the most socially productive ends, like housing and public transit. However, borrowing and spending by capitalist governments will not solve the deep-seated problems that have brought the world economy to the brink of collapse. Yes, we should “stand up to demand something better.” But there is no way around the need to challenge capitalism as a system, not just bad, neo-liberal capitalism.

The question is how to mobilize people against the ravages of this capitalist economic crisis and find our way towards 21st Century Socialism. On these points, the perspective in *Economics for Everyone* is part of the problem rather than part of the solution.

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Haiti, the Financial Crisis, and International Solidarity

By Niraj Joshi

What will be the impact of the global economic crisis, this financial meltdown in the world's richest economies, on that of the world's most impoverished? Consider the case of Haiti, where the sheer magnitude of the economic disaster, already long under way, is difficult to conceive in most countries.

Recent World Bank data warns that the world's peoples already living on the edge will be pushed into greater misery, even as their absolute numbers swell. Now situate that catastrophe in a nation that is at the same time militarily, economically and administratively occupied, and you have the tragic reality of Haiti today.

As Peter Hallward has written in *Haiti, Aristide and the Politics of Containment*, Haiti is a country where a tiny transnational clique of wealthy and well-connected families maintains a grip on industrial production, international trade, and political and social life. Meanwhile, 80% of their fellow citizens live in poverty, with 75% surviving on less than \$2/day; 70% are unemployed; life expectancy is 52 years; infant mortality is 62 per 1,000 live births; there is a raging health crisis with grave HIV/AIDS infection rates, and the list goes on.

Occupation and plunder

Haiti's first democratically elected president, Jean Bertrand Aristide, stated that "Haiti's exceptional poverty is the result of an exceptional history — one that extracted an equally exceptional wealth. That history still remains both the starting and ending point of Haiti's present reality — two centuries of imperial intervention and colonial plunder. The most recent manifestation was the violent U.S., Canadian, and French-inspired coup d'état in February 2004 which left thousands killed, displaced, imprisoned and exiled, and the imposition of a disastrous regime of human rights abuses that lasted two years under direct United Nations sanction. The 2004 coup was yet another crushing blow to Haiti's remarkable democratic movement of the poor majority — and has set the country back decades, economically, socially and politically.

Although Haiti currently has an elected government under President René Préval, the U.S., Canada and France play a major role in financing its ministries, while the majority of "aid" funds are diverted to a plethora of Non-Governmental Organizations (an estimated 4,000 operate in Haiti). For example, the agricultural department in Haiti shares control of its budget with some 800 different NGOs.

These same wealthy nations and the international financial institutions also direct Haiti's domestic policy through the 10,000-member, UN-sponsored foreign military, police and political contingent known as MINUSTAH.

The coup and the current occupation have been a continuation (even a culmination) of years of American/World Bank/IMF economic policy impositions that turned Haiti into one of the lowest-wage (lowest in the hemisphere), export-friendly and regulation-free economies in the

world, and offering profitable business and resource extraction opportunities for foreign investors. It's a strategy that Peter Hallward says has taken Haiti from "impoverished self-sufficiency towards outright destitution and dependency."

Impact of economic crisis

Under these conditions (and neoliberal IMF conditionalities), a world economic crisis that results in even a few points uptick in inflation or a couple of points drop in GDP would not just impact on the basic needs of poor Haitians but would compromise their very physical survival.

At the same time the elected government is not allowed to implement its own development or economic recovery plans. Shockingly little has been done from 2004 to the present by the foreign powers and international financial institutions to assist Haiti's recovery and development. Haiti's infrastructure remains crippled and no significant money by the big powers has been put into building roads, markets, health care or any other infrastructure for the people. Only Venezuela, Cuba, and a handful of well-intentioned charities or development agencies have provided meaningful assistance.

The totality of the Haitian government budget comes from outside. The Haitian state has little capacity for generating revenue; all the less so during an intensified international crisis. Even part of the Central Bank is being sold in a recapitalization operation. Tax laws have been revised, but only to spur private sector development. Meanwhile, the parliament is only minimally functional because of foreign constraints and confusing elections. Last year for example, only five major laws were passed.

Of course, the foreign occupiers have not been completely remiss and are making some preparation for the expected fallout from a worsening economic crisis. One such contingency plan has the US funding a military base for MINUSTAH in Cité Soleil as part of its development aid to Haiti. Cité Soleil is the largest slum in Haiti's capital city and has been a hotbed of resistance to the occupation.

A highlight of the recent visit of Canadian Governor-General Michaëlle Jean to Haiti was her ceremonial opening of a new police station and jail, built with Canadian "aid" funds.

Repression and killings

Military domination in dealing with social unrest has been a consistent strategy by the foreign occupation over the past five years. For example, the soaring global food prices that crippled many poor countries last spring also devastated Haitians. Some of the poorest survived by eating cakes of toxic clay baked under the Haitian sun. Starvation appeared in pockets of the countryside. More than half of the island's food is imported, a direct consequence of neoliberal reforms begun in the 1980s, so the surge in global prices hit especially hard.

The fallout was angry protests throughout the country directed both at the unresponsive government and the military occupation. These protests were then violently dispersed and suppressed by police and UN forces. At least five starving Haitians were killed, scores more were injured, and the Prime Minister was dismissed, causing a further paralyzing of Parliament for months following.

The food crisis was followed by terrible tropical storms in the late summer. Once again, the occupying powers put nothing in place to mitigate the effects of the expected disaster which killed 1,000 people, displaced several thousands more, flooded almost all agricultural land and destroyed almost the entire season's harvest. The World Bank put the aggregated damage and loss to agriculture and infrastructure at \$900 million, equivalent to 8% of Haiti's GDP and representing the largest disaster in Haiti for more than 100 years. Once again, the scale of the tragedy was hardly natural.

Unnatural catastrophe

The Haitian government complained that it became impossible to coordinate the relief work among the many different and disparate international aid agencies. Further, 90% of the promised \$100 million in emergency aid never arrived, while some \$197 million which the government tried to release from the Central Bank was not disbursed because it had been placed in U.S. financial markets without consultation with the Haitian Parliament!

So as Haiti celebrated its 205th anniversary of Independence on January 1, President Préval's bleak message to his occupied nation was to "avoid rosy expectations" for 2009. The suggestion was that following on the sorrows of 2008 will be even more hunger and more pain. Under a growing global recession, there will be a significant slowdown in remittances. As working-class Haitians in the U.S. and Canada endure more layoffs and cut backs, they will have less disposable income to send to relatives back home.

Remittances are the most important economic factor in Haiti today. Many Haitian households are being sustained by these transfers from the diaspora, estimated at \$1.65 billion a year. The sum is twice the national budget and accounts for 15% of the nation's GDP — dwarfing the sum total of all the foreign aid from all sources (promised, delivered or otherwise). Some surveys are already showing a 25% slowdown at this early stage.

In addition, the Haitian economy is almost entirely dependent on the American economy, most notably as a market for its exports. A downturn is expected in Haitian exports alongside Haiti's subcontracting sector. This, in combination with the reduction in remittances, will mean that Haiti is unlikely to achieve even the modest growth rates of 1.5% conservatively hoped for.

That will be the immediate effect.

A more long-term worry is that as the government continues to be pressured into implementing neo-liberal options imposed by the international financial institutions, there will be an ongoing crisis in national sovereignty, a continuation of the disintegration of the national economy and continued collapse of the crucial peasant economy — the very conditions that over the decades of foreign domination (including over the past five years) have brought the country to ruin.

Despair and hope

All this is discouraging. There is a lot of despair in Haiti. Yet, there is also hope. Weakening of multinationals and restricted capital and credit may create new space for local Haitian industries to emerge. The UN is experiencing a budget shortfall and MINUSTAH is costing more than a million dollars a day. Some of the biggest protests against MINUSTAH outside of Haiti have

been in Brazil, which plays the leading role in the occupation force. The pressures of the economic crisis may make it more difficult for countries like Brazil to maintain their participation, which has already cost them over \$300 million, while 40 million of its own citizens are living in poverty. Some say the first U.S. occupation of Haiti in 1915 was ended in 1934 by President Franklin D Roosevelt, in large part due to the constraints the great depression imposed on the U.S. economy.

More importantly, however, these shifts may also mean a change in Haiti's connection to, and dependence on, the U.S. and opportunities to create alternative, sovereign projects. For example, right now the financial sector accumulates tens of billions of gourdes (Haitian currency) and invests absolutely nothing in the real economy. The commercial banks extend less than 1% of their credit to the countryside, where the majority of Haitians live and work. Instead, credit is being concentrated in the metropolitan area of the capital, Port au Prince and wasted on speculation, exchange and consumption. The fiasco of the \$197 million dollars marked for hurricane relief from the Central Bank has given more leverage for calls that Haiti's parliament be able to closely monitor how national reserves are managed. This could then mean that capital can be brought back to Haiti so that it can be invested in the national economy.

Then there is always hope among the Haitian poor majority. Although Haiti's democratic movement is in a state of disarray after two coups d'états in a space of 13 years, the core of that movement remains defiant and combative. Huge anti-imperialist demonstrations consistently fill the streets of the cities and the unfolding economic calamity may once again serve to unite the divided social movements into the formidable force it once was.

International support and solidarity

And of course there are the new international progressive, anti-imperial and pro-socialist forces of Latin America (like Venezuela and Bolivia) offering new sources of political and economic support for the beleaguered national democratic forces in Haiti. South America is heralding a new era of genuine globalization, that is, of regional and international integration in the interests of people, not investors or private sector ownership. For example, Haiti recently concluded an agreement to obtain cheaper financing from Venezuela under the Petro Caraïbe agreement for its petroleum usage. Venezuela and Cuba are also jointly funding a billion dollar program to develop energy, health and other infrastructure in Haiti.

Finally, there has to be an expanding role for international solidarity struggles with Haiti, particularly in the powerful western nations. Haiti needs to control its own destiny and rebuild its sovereignty and control its territory. The people of Haiti have expressed that they want democratic control over their financial and economic institutions so that they themselves can make the best decision to deal with national crises — and begin dismantling the programs and structures of years of colonialism and neoliberalism (as every major demonstration over the past five years has demanded). That then has to become part of the demands on our government as well — an end to neoliberalism in Haiti and the associated presence of MINUSTAH.

Until now, every elected leader in Haiti has had to contend with how U.S. foreign policy and that of U.S. allies affects the country and to balance that against the needs of the Haitian majority.

This has been the consistent and tragic conflict facing Haitian democracy. True solidarity with Haiti comes with the understanding that democracy in Haiti will be best advanced by the democratization of the foreign policies of the western nations, and the ultimate responsibility of that lies with us.

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Haiti Solidarity Events: *Between February 27 and March 6, member committees of the Canada Haiti Action Network will host public events in nine cities across Canada to mark the fifth anniversary of the overthrow of the elected government of President Jean-Bertrand Aristide in Haiti. Filmmaker Kevin Pina will do presentations in six of those cities. In Ottawa on February 28, a day-long conference will feature speakers from different sides of the events of February 2004. For more information on these events, go to the website of the Canada Haiti Action Network.*