

Journal of the  
Communist Workers'  
Organisation

**Revolutionary  
Perspectives**

**62**

# **Austerity Britain: Capitalism's New Normal**

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**Communist Workers' Organisation  
Annual General Meeting**

**Draft Perspectives 2012 - The Crisis of Global  
Capitalism**

**Revolutionary Perspectives**  
Quarterly Magazine of the Communist Workers' Organisation  
Affiliate of the Internationalist Communist Tendency  
Series 3, No 62, Summer 2012

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## Austerity Britain: Capitalism's New Normal

Surprise, surprise the Bank of England's latest report on the economy now sees no return to 'normal growth' for at least two years. As forecasts were revised downward yet again the Monetary Policy Committee admitted it has "no real idea when the recovery will take hold". (See 'BoE Running Out of Policy Options' in *Financial Times* 9.8.12) Apparently the professional guardians of the economy are astonished that this time a 200 year old pattern of about 3% growth rates in the two years following a recession has not materialised. Given the context of global economic crisis, when even China's cheap export-led growth is declining, it is hardly a bolt from the blue that British exports are falling sharply. From the eurozone, which accounts for 40% of British goods exports, to the US and China (where sales fell by 8.6% between May and June alone) the UK is in no position to escape what is now undeniably a crisis of the global 'real economy'. So, while Cameron has had to get Tory little Englanders to tone down their gloating over the EU's economic woes his economic advisers for the UK domestic economy have come up with a 'key change of assessment': the lower than expected 'ability of workers and businesses to supply demand for goods and services'! In other words, the recession is getting worse not better. Behind the experts' banalities lies a situation of increasing hardship for wage workers and their families.

One of the things which puzzles economic forecasters is the official figures showing a fall in unemployment. (A measly 0.2%.) According to the Office for National Statistics 182,000 new jobs were created in the three months to May this year. Why, then, a fall in consumption (demand)? It shouldn't really need another economist to fathom that behind the statistics, where a job is a job, full-time permanent employment is being increasingly replaced by part-time, low-paid precarious and casual work. Thus,

*Michael Saunders, economist at Citi, said that too many people took the employment data at face value.*

*If one only looked at full-time permanent employees as a percentage of the nation's total*

*workforce – the group of people most willing and able to spend money – the picture was very different.*

*In the first quarter of 2012, these constituted 54.7 per cent of the workforce, down from 55.6 per cent a year earlier and down from 58.9 per cent in the first quarter of 2008 before the recession began.<sup>1</sup>*

This, as wages in general continue to lag behind inflation which means that working people are spending more and more of their wages on the basic necessities of life, from food, housing and utility bills to the cost of getting to work. Supermarkets for instance are fighting for our custom via promotion wars which cannot alter the fact that workers simply have less to spend. This is borne out by anecdotal evidence. For example Asda has noticed that shoppers increasingly wait for payday before stocking up. Moreover, customers have complained about having to withdraw cash from ATM machines in multiples of £10 or £20. Consequently, Asda has begun dispensing £5 notes through the machines from which one in 20 customers withdraws exactly £5, while one in five withdraw a multiple of £5 such as £15, £25 or £35.

On the housing front possession claims against tenants who are in rent arrears are rising with an increasing proportion ending up in actual evictions.

*Possession claims for social rented properties hit 25,207 in the first quarter of 2012, up 8 per cent on the previous three months, according to court data obtained by the legal publisher Sweet & Maxwell. Successful possession claims, where a court has granted an eviction, rose by 5.6 per cent to 17,130. Both these figures are at their highest since the first quarter of 2009.*

*The "overwhelming majority" of cases related to rent arrears, according to Daniel Dovar, a barrister at Tanfield Chambers, who was involved in the research. "While some possession orders are the result of antisocial behaviour or illegal sub-letting, the fact is that most orders are issued because the tenant's rent arrears have become unsustainable," said Mr Dovar.<sup>2</sup>*

## Capitalist Crisis

Unsurprisingly possession orders are highest where unemployment is high, while the capping of housing benefit at the same time as implementing the government's 'affordable rent' scheme — where social rents are increased to up to 80 per cent of local market levels — will no doubt result in more arrears. Meanwhile, in the private housing sphere [see article which follows this], that bulwark of property-owning democracy and heart of the financial bubble: mortgage rates, up to now kept deliberately low, are creeping up. The average standard variable mortgage rate is now 4.22%, the highest since February 2009, when the Bank of England cut its rate to the current record low of 0.5 %.

*But as rates creep up, they pose growing problems for those the Financial Services Authority identified as "mortgage prisoners" who could account for half of all borrowers and who cannot refinance their loans because they either do not have enough equity in their homes or have a patchy credit history. Either factor is likely to disqualify them from refinancing their loans as rates rise.<sup>3</sup>*

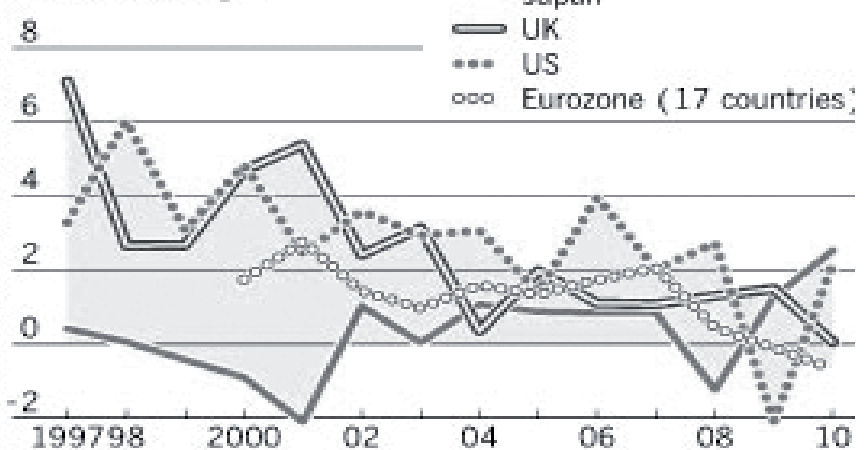
In short, more households are due to find they can't make ends meet: especially if the main earner works in the public sector, or where someone has to travel to work by rail (fares up 6.2%), or where higher student fees have to be paid or an unemployed youngster supported<sup>4</sup>, or where a sick or elderly relative has to be looked after... In other words, beyond the categorising, identifying, isolating and cataloguing, the whole working class is experiencing a massive assault on their standard of life. This is apart from the prospect of lower pensions deferred until you are fit to drop, and the continual erosion of every aspect of universal welfare [see item on workfare on p. 4] from the NHS to unemployment benefit. (Government plans for the NHS alone are for a further 8% cuts in spending over the next three years.)

### Class Struggle On Hold?

So far the response from the working class as a whole has been a resounding tinkle. Many activists have been diverted into single issue campaigns while the TUC has successfully divided

## Household disposable income

Annual % change



**It's official: 'disposable income' is on the way down. For capital: how to square the circle of reviving consumer demand while cutting wages, full-time jobs and welfare spending. For workers: how to keep up a way of life as prices rise, wages fall and unemployment looms for many.**

public sector workers from the rest and is now carefully orchestrating a 'march' for 20 October round the suitably ambiguous slogan *For a Future that Works*. If they mean a future of fully-employed wage slaves working all hours of the day for a pittance their sterile processions are the right way to go about it. The truth is sometimes hard to face. The capitalists themselves are loathe to face up to the fact that the present crisis goes way beyond the financial sphere, and is of systemic and unprecedented proportions. It's not so long ago that the myth of 'free-market' capitalism going on for ever and bringing bounty to everybody held sway. Now, however, the message we hear is that the future is grim, not just for the next two or three years, but for generations to come. When the Con-Dem coalition first announced its draconian austerity programme we noted that they had pencilled in the prospect of having to deal with a certain amount of 'social unrest'. Apart from last summer's blind outburst from disaffected youth, British ruling circles can hardly believe that there hasn't been more concerted working class resistance to all the attacks. This is not the place to try to analyse the hold of media propaganda, the fragmentation of the working class and the outright sense of powerlessness in the face of the capitalist machine. We cannot predict when or whether the working class worm will turn. What we can say with certainty is that the capitalist crisis is not going away and at every twist

the question of finding an alternative way of living and working will be more sharply posed. Meanwhile the small — but growing — cluster of revolutionaries who exist today can use the time to prepare for when they will need to present a practical programme to a working class who have decided to take the running of things into their own hands.

ER

### Notes

- 1 'GDP Data Trigger Debate on Economy' Norma Cohen and Sarah O'Connor, *Financial Times* 25.7.12
- 2 Kate Allen in the *Financial Times*, 15.8.12
- 3 'Mortgage Data Fuel Housing Market Fears', Norma Cohen, Sarah O'Connor and Kate Allen, *Financial Times* 31.7.12
- 4 So-called NEET unemployment (percentage of 18-25 year olds with no education, earnings or training) now stands at 18.5%.

## Under Capitalism the Housing Problem Never Goes Away

*“It is not that the solution of the housing question simultaneously solves the social question, but that only by the solution of the social question, that is, by the abolition of the capitalist mode of production, is the solution of the housing question made possible.”*

*Frederick Engels*



The housing problem never goes away, it's nature just changes with the crisis. Since the collapse of the housing bubble (which of course heralded the present economic crisis) mortgages have become ever more difficult to get and house prices have continued to increase, putting the dreams of home ownership (so beloved of all governments since Thatcher) out of the reach of many workers. According to a study by the National Housing Federation, the price of the average home in England has risen 94% between 2001 and 2011 and is now on average rising three times faster than wages. With most mortgage companies typically asking for deposits of between 20-25%, the home owning dream will remain for many people just that, a vague dream. <sup>(1)</sup> According to David Orr, the National Housing Federation's chief executive 'Ten years ago the average amount that you would have needed for a deposit was about nine months worth of salary. Now you need three years' worth.'

Figures earlier this year showed that owner occupation has fallen to 66% of all households in England, which takes it back to the level of 1989. House building is obviously no longer as profitable as it was in the boom and the number of new houses being built between April and June this year slumped to a three year low. According to the Department for Communities and Local Government (DCLG) only 21,540 new homes were started by builders in the three months to June this year, some 24% down on the same period a year ago and a 10% drop from the first three months of the year.

It's hardly surprising then that record numbers of people are being forced to rent, which of course means rents are going up, to record levels in fact in England and Wales. A report issued by LSL property services, which owns estate agency chains such as Your Move and Reeds Rains, reported in July that tenants are paying on average £725 a month, 2.9% more than in July 2011. According to LSL rents are rising fastest in London and the South East, with the average rent in the capital climbing by 4.8% to £1,057 a month. It's the perfect storm for workers facing stagnant wages and layoffs. With mortgage funds for first time buyers rationed by the banks, and with those who will lend demanding large deposits, the only option for many trying to get onto the housing ladder is to rent first, but with wages dropping and rents rising, the chances of tenants being able to save for a deposit gets ever slimmer, which in turn pushes up demand for rented

properties which in turn pushes up rents. According to the housing charity Shelter, rents were now 'out of control' and many families now had to make choices between paying their rent or cutting back on food and other essentials. According to Campbell Robb, Shelter's chief executive 'Many will be wondering how much longer they'll be able to stay in their home.'

Which begs the question, if they can't afford to stay, where else can they go? Over the past few decades council housing stock has dwindled through a combination of the right to buy and severe restrictions on the ability of councils to build new homes. Social policy has been deliberately formulated to steer us away from being a nation of renters to a nation of home owners, but now the bubble has burst there's no safety net. In 1979 about two fifths of the British population lived in local authority housing. Legislation to increase the right to buy and force councils to transfer their stock to other landlords led to a near halving of the proportion of homes owned by local authorities. Only the most vulnerable will be picked up if they lose their homes. At the moment some two million families are waiting for social housing, often in cramped and unsuitable conditions.

### Another Sell-Off

The latest proposal to head off the brewing storm is the idea of selling off the most valuable housing stock and use the money to build homes outside the capital. According to the Policy Exchange, a think tank advising the government, some 22% of council housing is above the median value for their area, and in London it's 31%, with the total value of such stock at £159 billions. They estimate selling such property would free up £4.5 billions each year for new house building (ignoring of course that councils had been prohibited from using the money from council house sales to build new stock for decades). It also ignores the fact that prices in London especially have been artificially inflated (some 60% of all recent central London sales have been to rich foreigners, a figure which jumped after the influx of Greek investors looking for somewhere safe to invest their money). Not only will this lead to ever more social segregation, making parts of London an option only for the rich and super rich, but it will push many of London's poorer paid workers out of London altogether forcing them to commute even longer distances than many do at present. And with rail fares

rocketing (and Tory MPs like Mark Reckless wringing his hands over the fact that some of his constituents are having to get up at five in the morning to get the bus in to work in the capital because the train fares are so high), the future does indeed look bleak for many workers and their families. Some tens of thousands already pay more than £5,000 according to research by the Transport Salaried Staffs Association, with rail fares being amongst the most expensive in Europe. <sup>(2)</sup>

Despite Cameron's declared enthusiasm, it's unlikely that the government will take up this policy of selling high-value stock to finance new social housing (not least since it will force out many of the capital's low paid workers who rely on subsidised council housing; the last thing the government wants is any impetus to push wages up), but it's also clear that the government, just like the capitalist class as a whole, have no answer to the housing problem. According to the Empty Homes Agency some 930,000 homes in the UK are currently empty, 350,000 of which are considered long-term empty i.e. for six months or more, and most of them are privately owned. If these homes were brought back into the housing stock it would almost halve the numbers on council waiting lists, but capitalism cannot meet the needs of those who find themselves in most housing need, and waiting lists are set to grow against a backdrop of spiralling rental costs, increasing mortgage defaults and a system of social housing inadequate for the task of housing those who find themselves falling victim of capitalism's inadequacy.

**RT**

**Notes**

(1) According to the *Guardian* 18 August 2012 because of the house price increases, a typical family in, for example Copeland in the Lake District would now have to find a deposit of more than £32,000 compared with the £5,000 they could have put down in 2001.

(2) According to the Campaign for Better Transport, UK rail fares can be up to ten times those for equivalent journeys in other EU countries.

## Fighting Workfare

***In RP59 we printed material by the Edinburgh Campaign Against Poverty. It not only does fine work helping individuals facing persecution, and campaigns against employers taking advantage of slave labour, but does it with a critique of capitalist society. There ought to be more groups like this just now. Shortage of space forbids us printing much this time but this is part of their latest leaflet (see picture for their web address).***

### WORKFARE – BACK TO THE POOR LAW!

The last Labour Government brought it in, the present Government is enthusiastically developing it: Workfare is part of the ruling class' attack on wages and the social wage. The social wage (benefits, NHS, welfare provision etc) is part of what's doled out to the working class (the SOLE creator of wealth) once profits have been made for our rulers. Economic crisis means the screws are put on wages and the social wage to protect profits. Hence pensions, wages, welfare and benefits are hammered, while the past 4 years have seen us pay 1.2 trillions pounds (that's £1,200,000,000,000 ) to keep the banks afloat and their executives and shareholders in luxury. This robbery has been masked by a widespread propaganda exercise to convince us that our problems are caused by the work-shy, scroungers, and an ingrained entitlement culture, rather than an economic crisis and loss of jobs that's none of our fault.

The Labour/Conservative/LibDem wheeze is to force the unemployed, sick and disabled to work for their benefits, and thus drive down wages. Workfare is an attack on us all!

The Work Programme helps employers squeeze their existing staff by cutting hours, cutting overtime, and creating a climate of insecurity.

The government gains by ramping up sanctions against claimants (a *Guardian* report in April this year found DWP staff being pressurised into meeting weekly sanction targets). A sanction can last from two weeks to six months and can be applied for being late to, or missing, an appointment. Being sanctioned means loss of Jobseekers Allowance meaning claimants then have to apply for a hardship payment (a lengthy, stressful procedure) of around half of Job Seekers Allowance. 508,000 claimants were sanctioned last year.

Remember, you are not a recipient of charity. You are claiming under an insurance scheme that you, your parents, grandparents and great grandparents fought for, and paid into. You didn't create this financial crisis, you didn't create the present joblessness. Those that did are facing no sanctions. Do not expect to see Fred Goodwin or Bob Diamond beside you at the Job Centre.

More and more companies are being shamed into ending their involvement in workfare – Holland and Barrett, one of the latest, join TK Max, Sainsburys, Waterstones, Burger King, HMV, Boots, Body Shop, and many others, including increasing numbers of charity shops. Collective action against such attacks works! But many companies are still using the scheme - they need to be exposed and challenged. Get involved in our actions against these companies; don't let them make you feel isolated and helpless.

Read the rest of this leaflet to arm yourself against Workfare.



## Olympic Circus Comes to Town



If the London 2012 Olympic opening ceremony was at times reminiscent of Hitler's Nuremberg rallies, perhaps it was because much modern Olympic imagery originates from the 1936 Berlin Olympics which were staged as a showpiece for the Third Reich. It was for these games that the Olympic torch relay was first invented, with a succession of 'Aryan' looking athletes carrying the flame from the ruins of the Temple of Hera in Athens all the way to Berlin. And it was at the Berlin games, if not before, that it became clear that the main purpose of the Olympics, particularly for the host nation is national prestige rather than sport.

Fast forward to London 2012 and the British media subjected us to a fortnight of patriotic fervour not seen since the Falklands War. The exploits of Team GB dominated every news bulletin almost to the exclusion of anything else. For that glorious two weeks it was as though unemployment, low pay, and cuts in public services had been abolished. Indeed the happy children bouncing up and down on NHS beds at the opening ceremony indicated that all was well in the NHS. Athletes became 'our heroes' a term normally reserved for the military, but unlike the soldiers who are just getting blown up in Afghanistan for no obviously discernable reason, Team GB were actually getting results. And just like in a war it was the workers who were asked to make the sacrifices for the benefit of the Olympics. In an unprecedented move, ground to air missiles were located on the roofs of local authority housing tower blocks in order to protect the games against potential terrorist attacks, making the tenants potential targets. Strangely nobody suggested that the missiles might be put on the roof of the HSBC Tower or any of the other nearby temples of capitalism at Canary Wharf. Londoners were told to change their working patterns

or take annual leave so that IOC officials could speed unimpeded along designated Olympic lanes from their five star hotel in Park Lane to the Olympic Park at Stratford. Potential protestors were warned of robust police intervention and stiff penalties if they dared to voice any dissent against the circus and thousands of troops were employed to provide security for the games. Three hundred 'branding police' were brought in to protect the branding of the Olympic sponsors. This was most extreme copyright enforcement ever at the Olympics with words such as 'gold' 'silver' and 'bronze' being regarded as words that infringe the copyright of the corporate sponsors. This enforcement was taken to absurd extremes when a local café called the 'Olympic Café' was forced to change its name, and caterers at Olympic venues were prevented from selling chips as this was deemed to be in breach of MacDonald's corporate sponsorship agreement.

But an event on this scale has to be planned properly and the sport itself was great...wasn't it? Well we certainly don't want to denigrate the achievements of individual athletes, British or otherwise (although you cannot help wondering how much success was "chemically assisted"). However when you look at the medal tables it is clear that the most successful teams were the teams with the largest numbers of athletes (Team USA had over 500) or the teams with the greatest amounts of investment and financial sponsorship. Team GB coming third after the USA and China (although Russia had a higher total number of medals) clearly did pretty well against countries of six times and twenty times its population, but success was largely concentrated in sports such as cycling, rowing and sailing where substantial investment in technology can make a significant difference to the outcome. So not exactly a level playing field then, the Olympics are largely a sporting reflection of the imperialist relationships between the nations of the world. And the Paralympics will be even more so given the cost of the hi-tech equipment the athletes use.

### Legacy

The Olympics are costly, so costly in fact that it is unlikely that we will ever know how costly they have been. At least £9bn of public money has gone into the games from UK taxpayers and London Council Tax payers. We are told that it is worth it because the Olympics generate money

from tourism and orders for British firms although these sums never seem to be quantified. Moreover we are told that the Olympic Park development will be a catalyst for the regeneration of one of the poorest areas of London. The reality is that like in most other Olympic cities, working class people were kicked out to make way for the Olympic Park, and that any regeneration that does occur will not be for the benefit of workers, who will not have the money for the new homes created in the Olympic Village and elsewhere save for a handful of tokenistic 'affordable housing' units.

Some claim that the Olympics have inspired many young people to take an interest in and participate in sport. However to the extent that interest has been generated, it is unlikely to be matched by the provision of new sports facilities. Sports funding is likely to continue to be focussed on the elite athletes who will bring more victories for Team GB in future events. Funding for community sports facilities is likely to decrease.

Once the 'feel good factor' and the national pride has dissipated as it will do within a few weeks, the main legacy of the Olympics is likely to be debt. This has been the experience of other countries; it took Montreal which hosted the Olympics in 1976 thirty years to repay the debt and even Jaques Rogge, the head of the IOC has commented that the \$15bn spent on the 2004 Athens Olympics was a contributory factor to the Greek financial crisis and accounts of 2-3% of the country's debt.

At the Olympic closing ceremony John Lennon appeared on a giant video screen singing "Imagine there's no countries". In an event defined by nationalism and flag waving, the astounding hypocrisy of the Olympic organisers in playing that song beggared belief. We look forward to a time when athletes from around the world will gather together in an event of sporting excellence, but they will not be there to represent countries and the corrupt and exploitative governments that rule them. Alas this will not happen until we have created a socialist world.

PBD

## No Pussy Footing with Putin's Regime



### Victims of the "New" Russian State

It is no surprise that the three members of the feminist and post-modernist punk band Pussy Riot, Nadezhda Tolokonnikova, Maria Alekhina and Yekaterina Samutsevich, have been found guilty of "hooliganism". After all, 99% of all trials in Russian courts end in guilty verdicts. In highlighting the blatant authoritarianism of the Putin regime the three defendants have not only shown immense courage and dignity but have given the world another insight into the gangster regime that rules in the Kremlin. The murder of journalists like Anna Politkovskaya in 2006, or the former KGB agent, Alexander Litvichenko in 2003 who both wrote about Putin's crimes bear witness to the insouciant brutality of the current Russian state. Both revealed not only Putin's crimes in Chechnya but also that the FSB (successor of the KGB) was behind the bombing of two Russian blocks of flats which were blamed on Chechen terrorists in order to justify a war of unbelievable ferocity on the Chechen people.

Blowing the whistle on the regime's activities is a dangerous act. When the financier Bill Browder of Heritage Management tried to expose corruption he was forbidden entry to the country and his firm's details were handed over to gangsters so that the firm could be accused of high level fraud. Sergei Magnitsky, a 37 year old lawyer who worked on behalf of Browder tried to get the case investigated. He was arrested in 2008 and tortured but refused to turn against his client. The result was that he suffered a slow agonising death from cholecystitis which the authorities refused to treat. He died in prison on 16 November 2009.

Magnitsky was not the only lawyer to die at the hands of the state. On 19 January, 2009 the lawyer and human rights activist, Stanislav Markelov, was killed in the centre of Moscow. He was the lawyer for a Chechen family, which filed a lawsuit against the Russian General Yuri Budanov, who had committed war crimes against the local population in Chechnya. One of these crimes was the rape and murder of an 18-year old girl. The state was very concerned that the Budanov case would put the whole Russian Federation on trial. So on 19 January, 2009 Putin's state killed Stanislav Markelov and the anarchist journalist Anastasia Baburova (who just happened to be with Markelov when the crime took place) with the help of fascist

activists. Although less well-known in the West this murder caused a sensation in Russia. It certainly reinforced the message the state wanted to ram home – that Russia is no place to protest.

And these murders are only the most notorious of the new Russian state's reign of terror. According to human rights organisations 200 journalists have been murdered since the old Soviet Union collapsed [see [http://en.wikipedia.org/wiki/List\\_of\\_journalists\\_killed\\_in\\_Russia](http://en.wikipedia.org/wiki/List_of_journalists_killed_in_Russia)]

It does not stop at journalists. Many will remember the show trial and imprisonment of Mikhail Khordokovsky after he criticised Putin's authoritarianism. This allowed Putin to strip him of control of Yukos and he remains in prison. Obviously this did not arouse much sympathy at the time as Khordokovsky was seen as coming from the same set of oligarchs promoted by Yeltsin like Putin himself. It looked just like a falling out of gangsters.

Other less famous victims of state terror since 1998 (the year Putin became head of the FSB) have been politicians who tried to resist corruption, starting with the pro-democracy campaigner Galina Starovoitova shot in her flat that very year. This was followed by others such as Sergei Yushenkov, co-chairman of the Liberal Russia political party in 2003. In the same year Yuri Shchekochikhin, a vocal opposition journalist and member of the Russian Duma and the Kovalev Commission (into corruption) also died mysteriously. Despite the regime's refusal of an autopsy his family managed to smuggle out a piece of his skin which confirmed he was poisoned by thalium. Nikolai Girenko, a prominent human rights defender, Professor of Ethnology and expert on racism and discrimination in the Russian Federation was also shot dead in his home in St Petersburg in 2006. The list runs to hundreds. It is well-known that Russia has one of the highest murder rates in the world. What is less well-known is just how many of them are a result of the regime's policy of liquidating awkward opposition.

### Pussy Riot's Case

Given this background Pussy Riot's 30 second gig in the cathedral last February was no trivial protest. The band is no stranger to prosecution. Although only formed a year ago when they



were outraged at Putin's return to the Presidency, they were earlier dragged before the courts for an impromptu concert in Red Square in Moscow in which they sang about "Putin pissing his pants" over the opposition to the rigged elections which brought Putin's supporters a majority in Parliament. On that occasion they were fined (which is the actual supposed legal punishment for "hooliganism" in Russia) but there can be little doubt though that the earlier concert was more galling to the macho image of Putin. However the regime was smart enough not to make an issue of it. In pogoing before the altar of the Church of Christ Our Saviour in Moscow, one of the Orthodox Church's holiest shrines, singing their so-called punk prayer calling on the "Mother of God" to kick Putin out Pussy Riot gave the regime a chance to prosecute them for more than the crime of taking the piss out of Putin.

In their statements at the end of the trial the group were quite clear about what they were doing and that their protest was not aimed at "believers" as the state tried to maintain but at the state. In stating that

*Vladimir Putin's former [KGB] colleague Kirill Gundyayev took over as leader of the Russian Orthodox Church. After this happened, Christ the Savior Cathedral began to be openly used as a flashy backdrop for the politics of the security forces, which are the main source of political power in Russia.* From the statement of Yekaterina Samutsevich

They identified two of the pillars on which the new Russian state has sought to build since the fall of the USSR. These are the Orthodox Church and the security apparatus. And for them Putin, by his manipulation of the electoral system to retain power, has become like the new Tsar. With Patriarch Kirill calling on true believers to avoid all anti-Putin demonstrations he made the Orthodox Church the mouthpiece of the state just as it was under the Tsars. Indeed many have made the comparison that the "new" Russia is very like the Old Russia of the Tsars. Then the Tsar was not only an autocrat but also Head of the Orthodox Church through which his decrees were transmitted. And if mystification failed then there was the back up of the secret police (the Okhrana). Then too the masses (of serfs) were not heard and the only dissident voices came from the

*intelligentsia* who peopled the plays and novels of the period, as well as the first Populist organisations against authoritarian Tsarism.

### The New Russian Police State

Superficially this comparison has some attraction but the Tsar never had such an efficient state apparatus as Putin wields today. What is different is that the ruling elite are the "siloviki" (men of power) all of whom have a background in the KGB or the military. Nearly all the richest oligarchs were one-time KGB officers (an exception was Khordokovsky who came up through the Communist Party apparatus and look what happened to him when he criticised the corruption of the regime!). Some are well known names like Oleg Deripaska (host to Mandelson and Osborne before the last election), Alexander Lebedev (now owner of the *Evening Standard*), and Andrei Lugovoi (wanted by the British police for the murder of Litvichenko in London where he left a trail of polonium wherever he went). These siloviki have occasionally, like any other set of gangsters, fallen out. Boris Berezovsky had to flee to London to escape the same fate as Khordokovsky where he last year sued Roman Abramovich for not giving him a bigger cut in their business deals.

The making of the siloviki goes back to the early 1980s when certain KGB intelligence chiefs like Yuri Andropov concluded that the USSR was not only incapable of beating the USA in a war but also that the attempt to keep up in the arms race was destroying the Soviet Union. Andropov's untimely death meant that the KGB lost time and it took until 1984 before another Andropov protégé, Mikhail Gorbachev took over and instituted "perestroika" (restructuring) and "glasnost" (openness). Gorbachev frequently quoted Lenin but made it clear that the economy would have to respond to market forces and financial needs rather than the command targets of Stalinist state capitalism. It did not impress the vast Communist Party apparatchniks nor the bureaucracy. They sabotaged reform at every turn and the USSR's economy worsened. Food queues got longer rather than shorter. The various nationalities of the USSR began to demand autonomy and independence, and when Gorbachev attempted to turn the USSR into a voluntary union in 1991, it triggered a coup led by half the Politburo and some sections of the KGB who had now lost confidence in Gorbachev, including its head General Kruchkov. The conspirators

achieved in three days what they were trying to avoid – the collapse of the USSR.

Yeltsin was already Russian President and in 1990 had set up his own KGB. With the fall of the USSR in 1991 20,000 former Soviet KGB officers came into the Russian service. The KGB thus did not vanish but actually became more significant in the transition to the new order. This was not a smooth process. Yeltsin recognised their role but purged them of ultra-nationalists and old style Stalinists in 1993 and promoted only those whom he considered loyal to posts of authority. These are today's siloviki. Amongst these was Putin who became head of the FSB in 1998. This contains not only in the old KGB but many of the forces of the Ministry of the Interior. As many commented at the time the FSB now had the power of the Stalinist NKVD in the 1930s. In fact they have more as they also took on economic assets as highlighted by one US security think tank

*The key assets of the siloviki are those that have commercial value. Army officers hire out conscripts as labor; the police and the FSB provide "roofs," or physical and legal protection, for everyone from small traders to major corporations; electronic eavesdropping departments are used to collect compromising information on politicians and businesspeople; and the prosecutor general's office opens and closes criminal cases on a commercial basis. Obviously, this is not the only thing that power ministry officials do; there are certainly many committed and (relatively) honest officials dedicated to serving the state. However, the failure to make serious inroads into fighting corruption and promoting the rule of law has to count as one of the greatest failures of Putin's presidency ...*  
[http://csis.org/files/media/csis/pubs/pm\\_0414.pdf](http://csis.org/files/media/csis/pubs/pm_0414.pdf)

The case of Pussy Riot has clearly demonstrated that there is absolutely no rule of law in Russia. Putin became head of the FSB in 1998 and eventually came to be Yeltsin's anointed successor in 2000. The number of murders useful to the Russian state roughly doubled during his first term as President.

### Protest and Powerlessness

Naturally Pussy Riot's protest against the police state has gained them international

fame. They have become the darlings of democracy amongst the politicians and press of the West. Western politicians like Cameron and Merkel have not been slow to use their case to highlight the civilised values of the West, and a whole gamut of pop stars, headed by Madonna have taken up their cause. Articulate, intelligent and photogenic they have captured Western media attention more dramatically than all the hundreds of thousands who braved police violence and freezing temperatures to demonstrate against electoral fraud.

Pussy Riot seems to be part of that middle class protest which erupted in Russia after last May's demonstrations against electoral fraud. However their apparent attack on religion seems to have alienated the more nationalist amongst the middle class and support for them is lukewarm. They initially underestimated just how successfully the regime has manipulated the religious card to ensure a populist base amongst the mass of Russians, 80% of whom claim to be Orthodox Church members. Pussy Riot saw the danger at their trial and toed the religious line (quoting the Bible more than any other source in their final statements). This might have helped reduce their sentences but even as the verdict was announced more Russians were apparently in favour of the gaol sentence than were against. And the statements of Pussy Riot, for all their cleverness and their references to Foucault, Solzhenitsyn, Dostoyevsky, Pythagoras, Kafka, the anti-stalinist poets, Berdayev, Brodsky and Vvedensky and even Guy Debord are not a critique of the system, but a plea to rid it of its authoritarian aspects. To quote Tolokonnikova

*We categorically oppose the following, which forces us to act and live politically:*  
—*the use of coercive and forceful methods for regulating social processes; a situation when the most important political institutions are the disciplinary structures of the state: the security agencies (the army, police, and secret services), and their corresponding means of ensuring political "stability" (prisons, pre-emptive detention, all the mechanisms of strict control over the citizenry);*  
—*imposed civic passivity among the majority of the population,*  
—*the complete dominance of the executive branch over the legislative and judicial.*

*Moreover, we are deeply frustrated by the scandalous dearth of political culture, which comes as the result of fear and that is kept down through the conscious efforts of the government and its servants (Patriarch Kirill: "Orthodox Christians do not attend rallies"); the scandalous weakness of the horizontal ties within society.*

It is a lucid picture of the political situation inside Putin's Russia but it does not mention that the power of the siloviki comes not through fear alone but equally through their ownership of the means of production. There is not one word about wealth or who owns it in any of the statements of the condemned three. In many ways it is a bit like the protests of the Occupy Movement around the world. They don't like some aspects of the system but cannot see the big picture. They don't see that the real root of our problems lies in the continued existence of the crisis-ridden capitalist system of exploitation. This is perhaps not surprising in Russia (and not just in Russia!) where the alternative to capitalism is seen as the fake communism of Stalinism. Ideologically the nightmare of Stalinism has done much to disarm the Russian working class who throughout all the protests have been noticeable by their absence.

### The Working Class in Russia

This is not necessarily a bad thing if it means workers are remaining on their own terrain. Recent information suggests that the level of opposition to the derisory, and often unpaid, wages in Russia is increasing. It is though difficult to find out exactly how extensive worker resistance to capital is. Go to the International Labour Organisation (ILO), the usual starting point for such research, and you find that since 2003 strikes (excluding a big teachers struggle) have been recorded in single figures, and only 4 in 2008, the last year for which records are available. The reason for this impeccable record however soon becomes clear. All figures used by the ILO are supplied by the Russian Statistical Agency! However even Euronews earlier this year recorded a programme which pointed to renewed labour unrest (they called it "the revival of the unions") particularly in the car industry. It seems that there were 35 strikes in April this year alone and the majority were in the car industry. Here the Federation of Independent Trade Unions of Russia (FNPR) which is

effectively the state trades union (being the continuation of the old Stalinist organisation) is less dominant than the supposedly more militant care workers union the MPRA but it is led by an MP for the Fair Russia party so is hardly any more independent than state union it split from. The record of the MPRA is not great and has called off strikes even though the employers have not conceded anything.

Striking is not easy in Russia as the former Soviet Labour Code of 1970 is still in operation. Formally there is a right to strike but as in the USSR this is only theoretical and striking workers are regularly faced by attacks from the OMON state security apparatus who act as storm troopers for the employers. In 2002 laws were passed (apparently in consultation with the unions) which made it harder for workers to take strike action. Most strikes are declared illegal by the courts for not complying with the new laws. With wages only slowly recovering from the drastic lows of the 1990s and a Russia which is also reeling from the international crisis (the Kremlin needs \$120 a barrel for oil to balance its budget), with the USSR having to pay a short time price of a loss of 13% in GDP for entering the WTO, Putin has promised even greater austerity. The Russian working class may have been reduced in numbers (down by 15%) but it is still a sizeable part of society. It produces the wealth that the siloviki and their opponents dispose of. There is still a political debate at the grassroots in Russia with new organisations appearing with revolutionary ideas and programmes. It may yet be proletarian revival rather than punk rockers that we will be talking about in the years to come.

Jock

## Post- Mubarak Egypt: The Struggle for a Meaningful Existence Does Not Stop

On July 15 23,000 workers at the Misr Company for Spinning and Weaving, Egypt's largest textile company went on an open-ended strike. It was the first strike at that company since the popular ferment that brought Mubarak's rule to an end. The strike was in reaction to 12 months unpaid profit-sharing payments. Alongside this the workers wanted the removal and replacement of leading figures in the Egyptian Holding Company for Textile Industries, purging of layers of upper management, improved medical services, rise of living expenses payments, increased investment in the large but faltering textile company and a minimum wage of LE1200<sup>1</sup>.

Another struggle last month (07/2012) involved hundreds of striking workers from the Al-Samoly Company for Spinning and Weaving in Mahalla who blocked a road in protest. Their demands were to do with late payment of salaries, wage increases and better incentives. They were attacked (July 21) which resulted in one death and injuries to many according to media reports<sup>2</sup>. In the aftermath of that incident a local leading 'brother of the 1 per cent' as Business Week dubbed the Muslim Brotherhood<sup>3</sup> visited the workers under the pretext of finding out what their demands were, when the demands already published in the newspapers. The real purpose of the visit was to contain the struggle from getting out of hand.

There were also struggles around similar grievances in Alexandria, Mahalla and other cities in the Nile Delta.

Grievances around managerial incompetence and authoritarianism, and the bread and butter type issues to do with wages and benefits are part of a long series of struggles that Egyptian workers have fought stretching back over a decade and more. Since 1998 to the present, there have been approximately 3,500 strikes, sit-ins and other forms of workers protests involving up to two million workers.<sup>4</sup>

The origin of most of these struggles is that owners of industries privatized during restructuring have not lived up to their obligation regarding wages, over-due bonus payments and other supplements to workers incomes. The

economic restructuring undertaken since 1991 under the encouragement of the World Bank led to a steady 4% growth rate. But this didn't produce any increase in the standard of living for ordinary people in Egypt. In fact according to the World Bank, the opposite is the case; more than 40 per cent of all Egyptians live on or near the poverty line. The wages earned by most blue and white-collar workers is insufficient for meeting their basic needs and providing for their families. Running in tandem has been the massive spike in food prices, which chews up around 50 per cent of an average families expenditure, where inflation for period 2008-10 was 16.2%, 12% and 10% respectively. It is no surprise then that some will look back at the Nasser period with rose tinted glasses, considering that the safety nets that existed under Nasser are well and truly a thing of the past.

Workers that are not 'lucky' enough - a perverse fortune no doubt for those who enjoy it! - to be in formal employment, are forced to either migrate to find employment or seek work through the informal economy. Those that have settled jobs are a minority of the working-class in Egypt. The vast majority, such as those in Cairo's slums for instance depend on the informal sector for their existence.

### Independent unions or workers autonomy?

These struggles are defensive in nature, even though they often manifest themselves in a violent form. As noted above, the struggles thus far have been confined to the privatized industries. The official state run union federation, Egyptian Trade Union Federation a hangover from the Nasser period is all that exists or existed. In the struggles that occurred the association of workers that formed in those struggles has evolved into independent unions. Leaders of these unions, in their efforts to move to a situation like the one that exists in Europe and North America have commented that workers distrust unions. According to Kamal Abbas, coordinator of CTUWS:

*Workers are used to believing that unions are government entities that one joins to serve his personal interests.*<sup>5</sup>

## Class Struggle

And comments further that:

*We need to exert a lot of effort to convince workers that labour unions are organizations that seek to improve working conditions for workers.*<sup>6</sup>

One of the main outcomes of workers protests and strikes has been the creation of the Egyptian Federation of Independent Trade Unions (EFITU) which has 200 affiliate unions and two million blue and white-collar workers. The difficulty that confronts it is that it has to find a way to elbow its way into the new set up and those already embedded in the state such as the Muslim Brotherhood, the old union federation and others are not keen on sharing the spoils with them if they can avoid it. The old union federation has a structural advantage in that it is already embedded in state, whereby it deducts dues from workers wages automatically whereas the independent unions have to do that themselves. And they are not going to make it easy for the new unions. The new union federation itself is internally divided between broad two trends:

1. Kamil Aba 'Ayta<sup>7</sup> who was elected president of EFITU in January 2012 and his associates want to get their feet in the door, in order to have unions recognized as a way of consolidating their position as spokesmen for this movement. In order to achieve this they place an emphasis on the political process.
2. Kamal Abbas<sup>8</sup> mentioned above, and his supporters are focused on educating workers in a democratic trade unionist tradition and building from below. Consequently they have prioritized this over seeking to have labour candidates elected to parliament.

Both of these approaches are oriented toward getting themselves incorporated into the 'new' Egypt. They represent two sides of the same coin, namely reformism, the former the political and the latter economic side. All of this points to the urgent need for workers to struggle in defense

of their immediate situation and not limit themselves, either politically or economically, to a reformist perspective but to adopt a class perspective. That shows the need for a perspective and orientation toward the developing of working-class organizations that can reflect the interests of the working-class and the non-exploiting part of society as a whole. This points beyond the ultimate dead end of Nasserism, 'democratic trade unionism' and the soft-Islamism of the Muslim Brotherhood who have collectively lay in waiting to exploit the inspirational struggles that Egyptian workers have fought over the last decade. Only then may we have a chance of human emancipation and not just a recognition of our exploitation in existing society.

### Android

#### Notes

- 1 <http://www.egyptindependent.com/news/mahalla-resurgent-workers-assert-political-independence>
- 2 <http://english.ahram.org/News/48384.aspx>
- 3 <http://www.businessweek.com/articles/2012-04-19/the-economic-vision-of-egypts-muslim-brotherhood-millionaires>
- 4 <http://libcom.org/library/rise-egypt's-workers>
- 5 <http://www.egyptindependent.com/news/egypt's-workers-between-party-politics-and-unionization>
- 6 *Ibid*
- 7 <http://libcom.org/library/rise-egypt's-workers>. Kamal Abu 'Ayta has been a member of the Nasserist Karama (Dignity) Party which was not recognized under the Mubarak regime. In the 2011 parliamentary elections Karama joined the Muslim Brotherhood-led Democratic Alliance and Abu 'Ayta won a seat in parliament.
- 8 *Ibid*. Kamal Abbas abandoned 'party politics' after his involvement in the 1980s in the illegal Peoples Revolutionary Party. He is suspicious of the Muslim Brotherhood due to their anti-union activity stretching back to 1940s and because of their position on gender relations. His group Centre for Trade Union & Workers Services (CTUWS) is an NGO, not a union.

8 *Ibid*. Kamal Abbas abandoned 'party politics' after his involvement in the 1980s in the illegal Peoples Revolutionary Party. He is suspicious of the Muslim Brotherhood due to their anti-union activity stretching back to 1940s and because of their position on gender relations. His group Centre for Trade Union & Workers Services (CTUWS) is an NGO, not a union.

#### Our Pamphlets

<b>The Platform of the Internationalist Communist Tendency</b> (formerly the International Bureau for the Revolutionary Party) Revised English version (including postage in UK) 70	
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<b>Spain 1934-39: From Working Class Struggle to Imperialist War</b>	£3
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The start of the Italian Left's fight against Stalinism as Fascism increased its grip.	
For details of how to order see inside front cover.	

## South Africa: Striking Miners Massacred by Police



*“The ANC has never at any period in its history .... condemned capitalist society.”* The meaning of these words, proclaimed by Nelson Mandela at his trial in 1964, has now been spelt out in workers’ blood.

On 16<sup>th</sup> August the police shot and killed 34 striking miners, and wounded a further 78, at the Marikana platinum mine, which is about 60km north of Johannesburg. The striking miners, led by the rock drillers, were demanding that their pay be increased from R4000 per month, (£300), to R12500 (£950). Such a tripling of wages was considered quite unacceptable by mine owners, Lonmin<sup>1</sup>, so the police were sent in to gun them down. Despite all the complicating factors, which we will consider below, this is essentially what happened. These events clearly show the ANC and their henchmen in the tripartite alliance which rules South Africa, namely the South African (so-called) Communist Party (SACP) and the Confederation of SA Trade Unions (COSATU) show no hesitation in butchering workers when they dare to threaten the profits of South African capitalism.

The pay demand, which the mine owners, the Trade Unions and the SA Government consider so outrageous, would give miners significantly less than the European minimum wage. To understand how workers survive on their present wages, less than a third of the minimum wage, one has only to consider the appalling conditions under which they work and live. Most miners live in the hostels, in which migrant workers were housed during the apartheid era, but a significant number now live in make-shift shacks which they have erected in open ground near the mine. Workers living in shacks have the advantage of living with their families, but these shacks have no electricity or sewerage and generally share a single tap between a number of shacks. The mine, which is the richest in the world, has 28000 workers, 3000 of whom are rock drillers. Rock drillers perform the most dangerous and heavy work in the mine handling a 25kg vibrating rock drill for 8 hour shifts every day. They frequently suffer in rock falls losing fingers, suffering broken bones or being crushed or killed.

The official trade union, the National Mineworkers Union (NUM) is a mainstay of COSATU and, like all unions, is hand in glove with the government. The NUM had signed up to deal with Lonmin

which tied workers to their present pay until late 2013. To pursue their pay demand workers went outside the official union and in this they were supported by a new and unrecognised union, the Association of Mineworkers and Construction Union (AMCU). Lonmin got a court order declaring the strike illegal on 11<sup>th</sup> August and ordered workers to return to work by 17<sup>th</sup> or face dismissal. The strikers refused to return to work, armed themselves with traditional weapons and occupied a small hill outside the mine, where they held mass meetings. The massacre took place when the police were trying to clear them from the hill.

Although the South African ruling elite, particularly the SACP and COSATU have tried to present all this as being the result of an inter-union battle it is actually a classic struggle of workers against capital with the real brutality of this struggle openly visible for all to see. The unions have only complicated the situation by dividing workers and diverting anger from the capitalist owners to other workers. The NUM is clearly on the side of the employers and has done everything to get the strikers back to work while the AMCU has gone along with the miners demands. The NUM is very unpopular with the Marikana miners and when its vice president came to the mine in 2010 to persuade the miners to accept Lonmin’s pay offer, which is at present in force, he had a brick thrown at him and subsequently lost an eye. This time, when an NUM official came to speak to the miners, he was brought in a police armoured car to the hill where the miners were meeting, but refused to get out of the vehicle! He tried to speak from inside it! The message of the NUM was that the demand of R12500 was *“not achievable”* and workers should end the illegal strike.

The NUM has a lot at stake at the Marikana mine since it is losing members to the AMCU, and if its membership drops below 50% of the workforce it loses its negotiating rights. A host of privileges, bribes and incentives for union officials, which the mine owners provide, fall away if this right is lost. The NUM has done all it could to discredit the strikers and the AMCU union which supported their demands. Before the police massacre 10 people had already been killed. It is rumoured that the earlier trouble started when snipers supporting the NUM shot 2 strikers dead. This led to retaliation in which another 8 people

## Class Struggle

were killed including 2 policemen and an informer. The NUM has divided the workers and engineered a situation where they have killed each other. This did not, however, deflect the strikers from the central issue of pay. Instead this initial bloodshed made the strikers more determined.

At the time of writing Lonmin have withdrawn the deadline for miners to return to work and the strike continues. The South African president, Zuma, in an attempt to restore credibility to the ANC regime has declared a week of mourning, ordered an enquiry and visited the mine. He told the strikers:

*"I was not aware of any agreement between the government and employer that you must be killed as you say, but that must be investigated."*<sup>2</sup>

This strike follows a similar strike at Impala Platinum's Rustenburg mine in January in which demands by miners were eventually won. This strike was outside the NUM and like the present strike declared illegal. After the usual ultimatum the mine owners fired 5000 miners. However, this led to more miners coming out on strike. The owners responded by firing a further 17000 workers but still the strike continued. After 6 weeks of strike, and the loss of 21% of annual production, the owners capitulated and most of the sacked miners were re-employed and their pay was increased from R3000 to R9500. The Marikana massacre has generated a lot of sympathy in SA and as we go to press there are reports of the strike spreading. Other miners, in the Anglo American group and at Royal Bafokeng Platinum, have bypassed the NUM and put forward similar pay demands to the Marikana miners. The massacre may actually fail to drive the miners back to work and Lonmin may well have to reach a pay settlement with the strikers.

### ANC- the Political Arm of South African Capitalism

. As we have explained in previous texts<sup>3</sup> the ANC was brought to power to rescue South African capitalism from the cul-de-sac in which the apartheid regime had trapped it. The ANC has become the executive arm of South African capital while the African nationalists have used the power of the state to convert themselves into members of the bourgeois class. The present shooting of striking workers illustrates which side of the barricades the ANC is on

more clearly than any of their previous crimes.

The South African capitalist class as a whole has benefitted from the 18 years of ANC rule. During their period of power the SA economy has grown by an average of 3.3% year on year whereas in the earlier 18 years the equivalent figure for growth was 1.6%. The size of the economy has almost doubled in the period of ANC power. In the same period the conditions of the working class have, of course, deteriorated. There is an unemployment rate of about 40%, an urban underclass of 12 million living on welfare payments and 50% of the population live below the poverty line.<sup>4</sup> SA has become the most unequal society in the world according to the World Bank.

A narrow group of SA politicians have enriched themselves enormously. There are dramatic examples of this. Cyril Ramaphosa, ex-leader of the NUM in the 1980's, is now a mining magnate, one of SA's richest men, and is actually on the board of Lonmin which is fighting against the miners wage demands. Zuma himself is embroiled in corruption scandals and has just built himself a £15.5 million mansion with the spoils of office. Both Zuma and Mandela's family members have been involved in mining ventures. Just as in other capitalist regimes the majority of parliamentary deputies and three quarters of all the cabinet members have external capitalist interests outside their parliamentary offices.

Political voices are being raised against the ANC as their bourgeois nature becomes ever more apparent. This is how the "Abahlali baseMjondolo" or "Shack dwellers" association described the ANC in a press statement released after the Marikana bloodbath:

*"The ANC have shown no regard for the people of this country. They are putting us in transit camps and trying to keep us in bantustans. They are leaving us to burn in our shacks every winter. They are beating us in the police stations. They are shooting us in the streets. Millions of us cannot find work. A government that kills its citizens is immoral and must be opposed by everyone. A government that kills its citizens has lost all moral right to govern. What happened yesterday is no different from the killings of the apartheid government. This is no different to the Sharpeville*

*massacre in 1960 which claimed 69 lives. It is no different to the Boipotong massacre in 1992 which claimed 45 lives"*.

*"We have to stop pretending that the politicians are our comrades"*<sup>5</sup>

This is quite right! The ANC have used the working class as its foot soldiers in its rise to power but when this class asserts its own interests in the only way it can, through withdrawal of its labour, the ANC is happy to shoot them down like mad dogs.

### Role of the Unions

As has been mentioned above the trade union confederation COSATU is in a tripartite alliance with the ANC and the SACP which rules South Africa. For workers to go outside the unions and raise their own demands is a threat to COSATU and the entire alliance. For the present, the alliance is pretending workers have been misled by the unofficial unions and strike leaders which is why SACP called for the arrest of the strike leaders and AMCU leaders. We have not heard a word of condemnation of the police.

The COSATU unions, especially the NUM, have been richly rewarded for their role in disciplining the working class. The leader of the NUM Frans Baleni, who in contrast to the miners he is supposed to represent is paid R105 000 per month (£8000), has expressed open contempt for the rock drillers, describing them as the most uneducated and illiterate of workers. When another group of workers at a mine owned by Zuma's nephew Khulubuse Zuma and Mandela's grandson Zondwa Mandela were not paid for 18 months the NUM refused to take up their cause, despite their membership of the NUM. This is a further illustration of their true role, namely to sabotage the class struggle and support the interests of South African capitalism.

AMCU is a relatively new union formed in 1998 by workers dissatisfied with the NUM and officials expelled from it. It is not affiliated to COSATU. These factors give it a certain amount of independence and the recent strikes have seen its membership increase. However, if it replaces the NUM as the union recognised by the mine owners it will become the negotiator of the sale of labour power. This role will inevitably cause it to become a

tool of the mine owners in the same way as the NUM is at present. This is because any permanent organisation of the class can only negotiate the sale of labour power. Working for better conditions within the present system of wage labour entails recognising the logic of the system. This is to recognise the need for profit and hence the exploitation of workers to produce this profit. The section of capitalism in which the unions operate should therefore become more profitable so that more crumbs can fall to the workers. The unions thus become defenders of the national capital and defend its need for increased efficiency, competitiveness etc. Their role becomes the organisation of labour, administration of reforms, implementation of redundancies, pay cuts and all the things with which workers in the metropolitan countries are so familiar.

The alternative to this is the revolutionary overthrow of the capitalist system and the ending of wage labour, a path which no union will take. The only organisations which can take such a path are political organisations. The struggles of workers worldwide desperately need political orientation towards the construction of higher social form of production. This means the class struggle needs to be given a revolutionary orientation. There is a desperate need for a global political organisation of the working class. As we wrote in our statement on the Marikana massacre:

*“The tragedy is that the murderous violence of capital has no borders. The same things are happening in China, Brazil and many other countries on the so-called periphery of capitalism whilst in the “democratic” West nothing like this is taking place for the simple reason that there is no visible revival of the class. However at the first significant sign of a working class response even in our political latitudes the axe of repression will not be long in striking. In Italy, for example, the juridical weapons are already in place and comprehensive experiments have already been carried out on the ground (Genoa in 2001) even though this was not realised at the time.*

*It is no longer a time “just” to denounce this scandal, to weep for the dead of the international working class, it is also time to make a real effort and organise*

*a class party, a revolutionary programme, so that the future revival of the class struggle will not have as its target just the repression of the international capitalist class but also the political objective of overthrowing this class-divided society, of breaking the iniquitous relationship between labour and capital and of destroying the mechanism of capitalist productivity. The tragic episode of Lonmin and the 36 slaughtered workers is not the local story of a brutal event in far-off South Africa but is one act in a tragedy which is destined to be played out wherever the working class tries to raise its head”.*<sup>6</sup>

CP

### Notes

1 Lonmin is a British mining company registered on the London Stock Exchange. It is the world’s 3<sup>rd</sup> largest producer of platinum.

2 *Financial Times* 23/8/2012

3 See *Revolutionary Perspectives* 60 “ANC – A hundred years in the service of capital.”

4 48% of the population live on £2 per day. <http://www.unionbook.org/profiles/blogs/marikana-platinum-mine-massacre>

5 <http://www.unionbook.org/profiles/blogs/marikana-platinum-mine-massacre>

6 See <http://www.leftcom.org/en>

### Consciousness Pamphlet An apology

Due to an oversight part of the text on page 36 is missing. This is hidden beneath the picture of Lenin. The missing text reads as follows;

“topple the Provisional Government. However the rest of the class was not yet ready. The consequences of the failure of the June Offensive had not yet sunk in to a wider layer of the class. This the Bolsheviks, present in the factories, understood so the sailors action left them in a terrible dilemma. Here demonstrating below the balcony of the Kshinskaiia Palace, where the Bolsheviks had their headquarters, were thousands of armed sailors demanding that the Bolsheviks put themselves at the head of the demonstration (which, after all, only repeated the Bolshevik ...”

We apologise to all of you who bought the pamphlet.

**This trade union take on wages in South Africa highlights just how much unions represent the interest of capital and why workers time and again find that the union sells them out.**

### South Africa: Wages of the Unskilled Are Too High - Report 8 MAY 2012

South Africa’s lack of employment has now become a crisis that is over two decades old, said economist Mike Schussler as he presented the trade union UASA’s 2012 South African Employment Report (SAER).

According to PoliticsWeb, Schussler said that the problem is that the cost of producing goods and services in South Africa has risen too quickly. Unskilled wage rates have rocketed, while management and specialised skills are often underpaid.

“These factors, more than anything else, explain why people cannot find work as the price of certain labour has become unaffordable. South Africa’s unskilled earn too much in both relative and in absolute terms,” Schussler said, adding that in the 2nd quarter of 2011, less people were employed in manufacturing in South Africa than any time since 1972.

“The fact is that the productive sectors in South Africa have now struggled for decades to create employment.” UASA suggested that South Africa should employ people in “training” jobs at lower salaries for a period of time, allowing them to gear up their employability, PoliticsWeb reports. A starting wage subsidy may help lower the effective salaries of unskilled and semi-skilled people and could make a difference in the rate of unemployment. See:<http://allafrica.com/stories/201205080753.html>

## CWO Introduction

The following article has been translated from the latest edition of *Prometeo* (May 2012), the theoretical journal of the ICT's representative in Italy, the PCInt, otherwise known as *Battaglia Comunista*. Although the argument is directed towards the criticisms of another group in Italy<sup>1</sup>, its subject matter — the underlying cause of the present capitalist crisis — goes beyond local debate. Since the bursting of the financial bubble in 2007 the fact of the capitalist economic crisis is no longer in doubt yet too often this crisis is equated simply with the financial sphere, with speculation, 'greedy bankers' and the so-called bonus culture.

At the same time there is a widespread assumption amongst self-styled 'anti-capitalists' that a Marxist economic analysis is inadequate to explain this crisis of 'post-industrial', 'post-modern' capitalism which they see as weighed down more by an accumulation of debt than the problem of extracting more and more surplus value from the working class (whose existence is anyway no longer seen as key to understanding the society in which we live, much less how to get rid of it). However, for a growing minority who have read something of Marx's *'Capital'*, who understand the intrinsic tendency of capitalism to propel itself into life-threatening crises and are searching to understand the present situation, this article provides a compelling overview.

This is not simply because the analysis focuses on the key role of the falling rate of profit, itself a consequence of the rising organic composition of capital. As the article states, there is no shortage of Marxist analyses proving the falling rate of profit with an almost equal number attempting to show otherwise. Many of them use data from the U.S. Bureau of Economic Analysis, as is the case with *Pagine Marxiste*, whose extrapolations from these official statistics to 'disprove' the falling rate of profit are contested here. Insofar as the debate turns round official statistics based on financial returns on a country-by-country basis they can only provide a rough indication of real value relations. This should not cloud the fact that the debate

over the falling rate of profit is not simply an academic exercise. The article here helps to show why. It reminds us that the crisis — which is rooted in the basic, inescapable way in which capitalism is driven to extract more and more unpaid labour from the working class — has a history which has now gone on for more than four decades and which in strict economic terms can be seen in terms of capitalist attempts to offset and revive a decline in the average rate of profit. That history also shows that at every turn the working class has come under attack, so much so that in the old capitalist heartlands the very self-identity of the working class has been undermined. This situation is a product of the capitalist crisis. Moreover capital's drive to reduce the cost of labour power, and to increase the rate of surplus value, ensure the attacks will continue because the capitalists have no other option. To argue, as *Pagine Marxiste* in Italy do — and many other political groups elsewhere — that the revival of working class consciousness depends on workers regaining a stronger bargaining position by raising piecemeal demands for 'achievable' economic goals is mistaken. This is not to say that revolutionaries do not raise demands which can unify workers in struggle. However, the key is to understand the present situation and that means recognising that the economic crisis is central, that it is permanent and closes down capital's room for manoeuvre just as surely as it obliges wage workers, however reluctantly, to resist. The role of the political organisation can only be to pose a **political** way forward for the whole working class.

### Footnote

1. *Pagine Marxiste* is the theoretical organ of a group which was formed in 2003 from a fairly obscure split with Lotta Comunista, a group originating from the anti-fascist partisan movement way back in 1943, which recognised that the USSR was a state capitalist system and was thus opposed to Togliatti's new 'Italian Communist Party'. *Pagine Marxiste*, like Lotta Comunista, believes that the unions can still be an arm of the workers' movement.



## The Tendency for the Rate of Profit to Fall, the Crisis and its ‘Detractors’

The present crisis, which began back in August 2007 and which is still having a devastating impact on the world economy and on the working and living conditions of the international proletariat, at least has the ‘merit’ of reopening an old unresolved debate on whether or not the Marxist law of the tendential fall in the average rate of profit exists and if it does, whether it is the primary cause of the crisis itself. According to the clear, inescapable framework set down by Marx the law is destined to make itself felt despite a series of counter-tendencies which slow it down and, in some instances, temporarily annul it altogether. For Marx the same cause which determines the law of the falling rate of profit (development of the social productivity of labour) also creates its opposite, or rather its slowing down in accordance with the proportional increase in productivity. The concept itself can be reversed: the same factors that impede the operation of the law are the very ones that determine its existence, with the conclusion that over the long term no increase in the productivity of labour can prevent the effects of the increased organic composition of capital, and thus the operation of the law itself. In other words, higher productivity of labour, higher rate of (relative) surplus value, these are the basis of the falling rate of profit. The concept is simple enough in itself, even if the person who discovered it needed a lifetime to elaborate on the details. It is based on three principal observations:

1. Increased productivity of labour, based essentially on the use of relative surplus value, means the progressive replacement of living labour by dead labour. That is, proportionally more investment in constant capital than variable capital limits the ground for the extortion of surplus value.
2. Thus, increasing the productivity of labour serves to heighten the organic composition of capital: the relationship between the quantity (value) of machinery, raw materials, etc. necessary for production, and the quantity (value) of labour power employed.
3. The law not only operates in this

way, but — over the long term — the higher the organic composition of capital the less any increase in labour productivity is capable of creating a sufficient amount of surplus value to recompense the capital invested. Moreover, the counter-tendencies become increasingly less effective unless they involve increased productivity based on absolute surplus value (prolongation of the working day), on the intensification of exploitation by upping the pace of production, by lowering the cost of labour and by all those techniques of production which do not involve an increase in the organic composition.

According to some economists in the Marxist field, such as Gilman, Bihr and Husson, the law only has ‘value’ on paper since in reality capitalism’s development has demonstrated the opposite, or rather the rate of profit, instead of falling, has either remained unaltered or has directly increased. Thus the argument runs, not only is it a mistake to speak about the falling rate of profit but this crisis can never ever be caused by the law and its associated consequences as described by Marx. This is followed by a series of anathemas against anyone who says the contrary, ranging from accusations about giving a scholastic interpretation to the writings of Marx to the contention — with eyes closed to an empirical reality which demonstrates the opposite — that this is an attachment to an “ideological” position which is blind to factual reality. It is in this context that the position of PM (*Pagine Marxiste* or *Marxist Pages*) can be found. Even if they do not quote us, by virtue of the much abused principle whereby you ask the daughter-in-law about what the mother-in-law has in mind, they criticise our position on the crisis and on the falling rate of profit as its primary cause.

Even though they refer to Husson, PM goes further:

*We are Marxists because we share the general monist and materialist perspective of Marx along with his dialectical method but this does not mean we uncritically accept every idea of his as revealed truth. Even the theory of Capital is verified step by step by the real development*

## Capitalist Crisis

*of capital, perennially changing and in perennial movement— otherwise we would not be materialists.*

Well said. Marxism is a method of analysis and as such is constantly being verified. The purpose of studying Capital is not to make eschatological prophecies as if it were the Bible, the Koran or the Talmud but to confirm its validity in ‘corpore vili’ (real life, lit. ‘worthless body’), otherwise it can be criticised, corrected or accepted at will. Let’s see then if this is the case.

For PM Marx’s predictions on the question of the fall in the rate of profit and the changes in the organic composition of capital which underlies it have failed miserably. The underlying reason for this is that the counter-tendencies, particularly the devaluation of constant capital as a result of the development of the productive forces through technological innovation, have allowed the capitalist system as a whole to maintain a ‘just’ equilibrium between the two factors. Thus the law has been prevented from coming into force. In all, over a time period of at least eighty years, if not a hundred. In practice international capitalism, with American capitalism taken as the statistical model, has always been level and smooth, without problems of crisis apart from the ‘normal’ ones of periodic adjustment. In over a hundred years practically nothing has happened.

Certainly, amongst the counter-tendencies which contribute to offsetting the falling rate, if not temporarily annulling it, is the development of the forces of production and the increased quantity of commodities produced. The increased productivity of labour tends to reduce the value of the components of capital (both fixed and circulating), of the commodities produced and of labour power itself. The price of an individual commodity is lowered, the mass of commodities increases. The amount of profit realised by capital overall also increases, but the rate of profit diminishes. For the counteracting process to come into effect the devaluation of constant capital, of both the commodities produced

and of labour power, all need to take place at the same time in every sector of production. Otherwise the development of the productive forces, and with this the increased rate of surplus value, reduces the quantity of profit made on each individual commodity produced and depresses the rate of profit itself, regardless of the reduced value of the constituent elements of production. The reduced value of machinery, as for other commodities, only means that any specific quantity of dead and living labour is materialised into a higher quantity of commodities. What in the short term can translate into an increased mass or rate of profit for an individual plant or capital, over the longer term — when competition re-establishes equilibrium — it turns into the opposite, or rather into the resumption of the falling rate. This is because:

1. Despite the increased rate of exploitation, along with the reduced price of commodities comes a reduction in the overall sum of unpaid labour in any single commodity;
2. The reduced portion of variable capital in relation to constant capital serves to modify the organic composition which implies a reduction in the proportion of living labour in relation to raw materials and capital goods.

These two elements, which are characteristic of the contradictory development of capitalist relations of production, are fundamental to at least beginning to discuss the law of value itself. “In this respect — Marx says:

*... the possibility of compensating for the reduced number of workers by increasing the rate of exploitation of labour has insuperable limits; the fall in the rate of profit can be obstructed but not annulled. (Marx in the Third Volume of Capital ‘Conflict between the extension of production and valorisation’, p.303 Riuniti Italian ed.)*

### Empirical Evidence to Support the Law

In fact this is the point. PM, with its ‘estimable’ research work, presents

a series of data, tables and graphs which are intended to demonstrate:

a) that the organic composition of capital of the US economy has essentially remained constant. The USA is understandably taken as the reference model because of its dominant position in the world during the 20th century and because this is the area of interest of the analysts themselves who provide a wealth of data about the US in relation to the rest of the world;

b) that the subsequent fall in the average rate of profit has not occurred, contradicting Marx’s prediction and his whole analytical framework in the third volume of *Capital*.

‘Data cantant’ (facts speak for themselves), they admonish us: theory is one thing, it is another to empirically verify it with concrete evidence over the span of a century.

The first thing to ask ourselves is what method lies behind the assumptions about and focus on particular data — whether they can be categorised as Marxist or simply bourgeois statistics. Next, as far as graphics on the real or presumed fall in the rate are concerned, there are dozens of others which demonstrate the opposite. In the Marxist orbit there is a long line of economists who, data at hand, demonstrate exactly the reverse. They only differ about the significance of the occurrence, not its inexistence. From Mattick to Cagoy, from Brenner to Gill, from Freeman to Carchedi — just to mention the most notable — meticulously, detail by detail, they draw up a long time span graph which highlights a falling rate, save for the period 1986-2009 when the rate jumps up again, only to revert afterwards to its downward course. And here, where it registers the biggest reversal point (2009) we are very far from the indices of the 1940s–50s. At this point, either the statistics are unanimous or the authors are selecting figures to suit their own theories. For example, with the rate of profit, it can be calculated on the basis of financial firms, non-financial companies or a combination. In the three cases the outcome is very different. The same goes for whether the value of constant

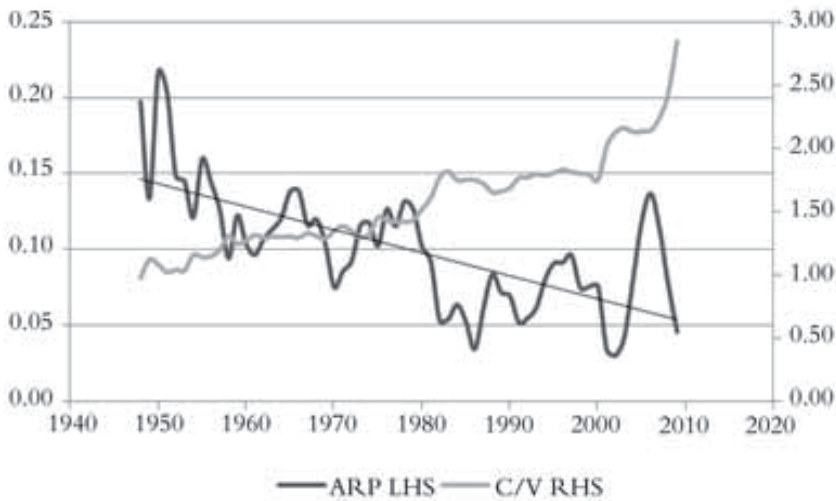


Figure 1: Average rate of profit (ARP) and composition of capital (C/V) of USA productive sectors, 1950-2009.

Source: profits—BEA (Bureau of Economic Analysis) tables 6.17A, 6.17B, 6.17C, 6.17D; fixed assets— BEA table 3.3ES; wages—BEA table 2.2A and 2.2B.

capital is calculated over a short or historical period of time. Whether it is calculated on the basis of annual turnover, as Marx did, or over a longer period; whether only private firms are taken into consideration and, not least, the method of calculating profit. We'll take these in turn and present a graphic which shows a different story from that of the disclaimers.

Out of the many graphics we have chosen this one, proposed by Carchedi (in his article 'Behind and Beyond the Crisis') because it shows a similar course to our own graph in Prometeo no.2, series VII, October 2009, and because, along with the curve of the rate of profit, it also shows the organic composition of capital and directly relates the two tendencies over a sufficiently long time span.

There is a very long list of analysts who have collected data on the falling rate of profit. For Mandel, in his work, 'The Crisis' (ed. La Salamandra, 1978) the rate of profit on the capital of non-financial companies in the USA (drawn from sources relating to the revaluation of shares) went from 16.2% in 1948 to 10.5% in 1973. For Gallino ('The Irresponsible Firm', Einaudi, 2005):

*In the United States, despite frequent oscillations, the gross rate of profit for non-financial companies appears to fall from 24% to 12% between 1965 and 1982. Other estimations indicate a drop from 21% to 10% during*

*the period 1968-80.*

Changing the scenario but not the author, the preceding paragraph says:

*... that in the major economies of the world, those of the G7 countries, the gross rate of profit — before taxes — of the large non-financial companies between the 1960s and the 1980s fell sharply, with an estimated fall of 50% between the beginning and the end of the period.*

Battle of statistics? Maybe, but there is a curious detail.

The graph in question, as with a good part of the tables presented by PM, are derived from the same source as all the others, that is from the Bureau of Economic Analysis (BEA). The only difference is that, while the graphic above, like others, and like the data we present further on, are 'nude and crude', just as shown by the Bureau, these of PM have been partly re-worked. The rest of the not particularly significant data, such as figures on the relationship between non-residential fixed capital and GDP or on gross returns from the former to the USA in the period 1929-2010, deserve at least a more sophisticated breakdown in terms of C-V and GDP. In fact, apart from the already-mentioned problems of calculation which are not even minimally clarified, putting C with GDP and V with GDP, i.e. with a particularly complex aggregate value

such as the gross domestic product is a particularly oblique and misleading method. Thus they fail to mention that the key investigation should cover the direct relationship between the value of the units of labour power for a single unit of capital goods in the productive sectors, as shown in Figure 2, while other statistics are completely ignored, as if they did not exist in massive volume in the BEA.

So, let's begin with an important, unambiguous source that should be a common starting point for the discussion but which, however, PM has unexpectedly decided to dodge: i.e. the first chart clearly presented by the statistical survey of the BEA.

### Fall in the Rate of Profit and Counter-tendencies

According to the BEA data, after reaching its highest point in 1950 (22%), the rate of profit (RoP) in the USA fell precipitously to 3% in 1986, then jumped back to 14% in 2006 only to return to its downward course, at 5% in 2009. Leaving aside for the moment the equal and opposite movement of the increase in the organic composition of capital, the period 1986-2006 — where the RoP goes against the overall trend over the long period from 1950 to 2010 — must be accounted for. Evidently, during the period in question the counter-tendencies have played a decisive role. If they had not come into play, the fall in the rate would have been even more direct and quantitatively more consistent. In fact you can see from the chart that an initial trough had already been reached in the early '70s, a time when a series of measures were unleashed in response to the fall that were only partially effective, and that only from 1986 to 2006 did the rate improve for a limited short-to-medium period. In 1971 the damage from the decreased RoP that choked the U.S. economy forced the Nixon administration, which was already struggling with the costly war in Vietnam, to take three drastic measures. On August 15, 1971 starting from the reduced competitiveness of American imperialism's productive apparatus against its competitors, above all Japan and Germany; with an external balance of payments in the red for the first time since the close of World

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War II; with its gold reserves halved and the worrying decline in the RoP; President Nixon was forced to drive home three "historic" protectionist stakes in order to defend the world's prime imperialist power against its own economic weakness:

1. 10% tax on all imported goods. A protectionist measure aimed at defending the domestic market and in favour of increasingly less competitive American goods.

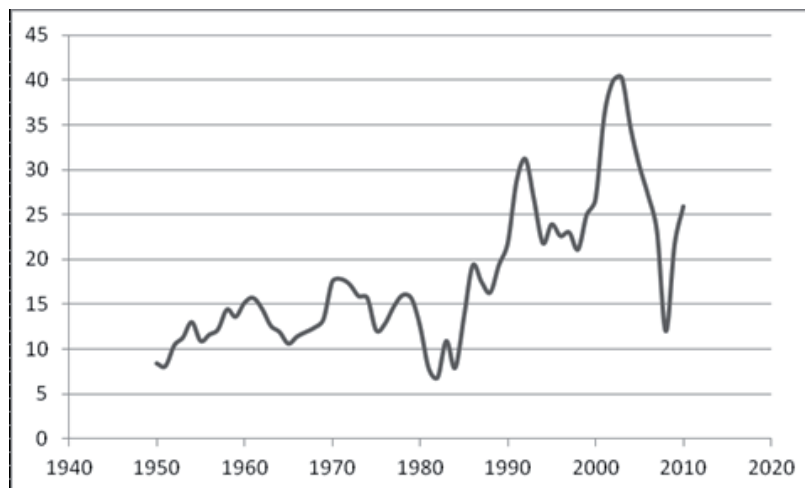
2. Devaluation of the dollar, which went from \$35 per ounce of gold to \$38 an ounce in a 9% devaluation, again for competitive purposes, to revive the fortunes of ailing domestic industry.

3. Declaration of the inconvertibility of the dollar into gold, thus tearing up the Bretton Woods agreement of 1944 which stipulated the exchange rate between the dollar and gold, thus revolutionising the world of international finance and exchange.

At the same time, the first attacks on the labour force were launched in support of these three measures. Production was reorganised with increased work rates and wages were progressively contained.

The unavoidable comment is that that the measures of 15 August — i.e. the preliminary arming of American capitalism against the world of work — were the consequence of a RoP that was too low, not a series of decisions taken '*spontaneously*' simply because no-one had thought of them before. Despite these measures the condition of the real economy did not change very much. The technical and organic composition of capital increased while the RoP continued to decline. The only significant point to note is that the first counter-tendencies were ineffective, or (more precisely) that their '*positive*' effect was relatively less than the '*negative*' effects of the increase in the organic composition of capital over the falling RoP which, aside from insignificant oscillations, continued until 1986.

Since the second trough of 1986 (4% lower than the already alarming 8% of 1971) the RoP started to rise thanks to a series of more effective counter-tendencies which have not only lasted



**Figure 2: profits in the financial sphere as a percentage of the total profit of companies in the USA** Source: BEA tables 6.16A, 6.16B, 6.16C, 6.16D.

longer but have been stronger.

Amongst the various factors which have boosted the counter-tendency has been the introduction of new technology to improve productivity. In the short term the organic composition of capital can be lowered when the value of constant as well as variable capital is reduced, thus breathing new life into the RoP. In reality the effect of technological innovation is ephemeral and brief. As can be seen from Figure 1, in spite of the devaluation of capital the organic composition has revived and shot up again, nullifying the '*positive*' effects obtained by the improved methods of production. The explanation for what has been happening to the RoP over more than twenty years has to be sought elsewhere.

The years since the 1980s until the end of the first decade of this century have been characterised by the increased use of absolute surplus value (longer working hours), as well as the type of relative surplus value that does not alter the organic composition of capital (intensification of exploitation by increasing production rates). Meanwhile the use of relative surplus value, that is the sort which changes the organic composition, continued its course as in Figure 1. Furthermore, in the same period wages rates were contained below their previous value while the relocation of production, something which has always characterised the life of capitalism, accelerated sharply over the same period. In other words, we have witnessed a migration of

productive capital from economic areas with a high organic composition to those with a lower composition. From '*high*' labour cost zones to '*paradises*' where the cost of labour power is ten or twelve times lower, if not more.

As well as all this the crisis itself has been financialised, or rather ever-increasing portions of productive capital are flying towards speculation and the variegated world of finance in search of the profit it is more difficult to make in the real economy. Even this is nothing new. Speculation has always existed and is a natural part of the capitalist economic system. However, this became abnormal once the difficulty of realising returns on capital in the real economy impelled it towards the mirage of extra-profits in the financial sphere. As we know, the financial sphere does not create new value. If someone gains by dealing in derivatives rather than government bonds, on the foreign exchange market or raw materials, somebody else loses. On the one hand speculation — which lies behind the financialisation of the crisis — simply represents the transfer of value which has already been produced. On the other, it inflates a gigantic bubble of fictitious capital (through the loan and credit system) which, once exploded, impacts on the crisis-ridden real economy which provoked the swelling of the bubble in the first place. The consequences have been devastating and the world economy is still feeling its effects.

A third point to consider is the

depressive role played by speculation. If it is true that financialisation of the economy temporarily ‘paralyses’ the RoP, draining off surplus value produced elsewhere, over the long term — explosions apart — subtracting from productive capital to add to speculative capital ends up by shrinking the productive base itself.

Here it is clear that the measures taken by capital to extract itself from the grip of a progressively declining RoP are attempts to respond to the law and are not a normal part of its behaviour. Despite the counter-tendencies which have been brought into play over the last twenty years, the crisis exploded just the same. It burst out in the financial sphere, that last link in the chain of contradictions which began in the realm of production where the valorisation of capital became increasingly difficult, fuelling declining profit rates and prompting the turn towards speculation, the financialisation of the crisis, the creation of huge amounts of fictitious capital that, once exploded, has brought in tow the wreck of a productive economic sphere that is ever more in crisis and in search of the oxygen ‘*tank*’ that is called profit.

The graph is extremely significant. The advance of profits in the financial sector really starts during the 80s, when the RoP in the real economy was at its lowest. The financialisation of the crisis grew on a geometric scale until the deafening explosion in the middle of 2007 (the subprime crisis), when the entire American financial system was not longer capable of meeting the voracious appetite for returns on the enormous mass of fictitious capital that had been created. It was a collapse which reduced the capitalisation of American finance to the level of the 1950s, burning up billions of dollars, literally reducing the most important finance institutions to nothing as if they were a house of cards. The ‘*addiction*’ for profit did not simply mean the transfer of portions of capital from production to speculation but some of the giant productive firms were themselves directly involved in speculation. Companies such as General Motors, General Electric, and many others in the raw material (oil companies) and manufacturing

sectors, found independent sources of finance and became directly involved in the financial sphere. Their aim was to compensate for what they had lost in the field of production by speculation, thus contributing to the swelling of the speculative bubble and to its inevitable bursting. From another source (I. Joshua, ‘*Note on the Trajectory of the Rate of Profit*’ published in *Contretemps*, October 2009) we have the following figures for the profits of US financial companies between 1980 and 2008:

<b>1980-86</b>	<b>+20%</b>
<b>1987-96</b>	<b>+15%</b>
<b>1997-08</b>	<b>+22%</b>

The chronology absolutely bears out the explanation above. The recourse to financialisation begins at the moment the RoP reaches its lowest point. The revival, stimulated by the ‘quick fix’ of profits from financial corporations, becomes stronger in the same period and the RoP temporarily reverses its downward trend.

The graph in Figure 2 shows that even after the nosedive of 2007 financial profits started to go back up in 2009. This reversal is due to three factors:

1. State intervention, not only to save America’s most important finance houses but which also literally provided the banks with new liquidity in order to resuscitate the credit mechanisms which had been paralysed during the first part of the crisis.
2. The impossibility of families, already up to their necks in debt, being able to divert even a minimum portion of their income to savings also meant the banks were unable to raise fresh money.
3. The continuation of the economic crisis with the associated failure of small and medium enterprises, not to mention the bankrupt condition of the huge manufacturing colossi, has led the banking system to remain in the realm of speculation, thus failing to meet the expectations of the government itself.

The conclusion in the short term is that banks, investment funds,

financial institutions have seen fit to buy money from the Federal Reserve at a minimal cost (0.5%) to invest in Brazilian, Indian, Chinese government bonds which guarantee a rate of interest above 7-8%, or else they are buying the usual petroleum and raw material derivatives, including agricultural ones. Thus the situation is back where it ruinously began, bypassing yet again the tormented course of the real economy, slowing down the recovery and ultimately penalising the fundamentals.

Whilst the new wave of speculation recreates the condition for another profits’ ‘fix’, it also creates the conditions for the formation of new bubbles and their prospective explosion.

There is nothing more ‘normal’ than the index of financial profits momentarily rising. Nothing more mistaken than to maintain that the present crisis is due to the caprices of the financial world. The implosion of the financial sphere is not the cause of the present crisis but — and it’s worth documenting this — the effect of the difficulty the system of production has in obtaining a satisfactory return on capital invested productively.

**The Evolution of the Organic composition of Capital Over the Course of the Crisis**

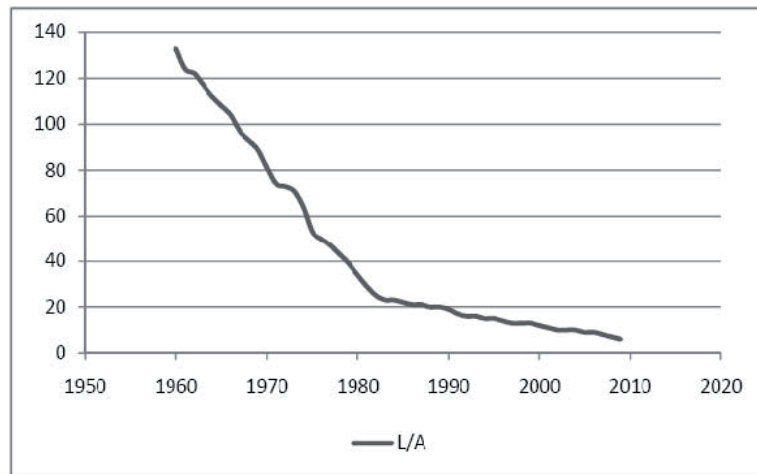
Still focussing on Figure 1 (Source BEA), let’s consider the course of the organic composition of capital from 1950-2010. The curve shows no sign of discontinuity. It rises gradually, almost without interruption, until there is an exponential increase from 2000 onwards. It is the graphical representation of the constant and progressive increase in the organic composition of capital over sixty years. According to PM, however, even though the organic composition has increased considerably when it comes to the material mass of machine tools, of raw materials and so on, devaluation brought about by technological innovation means it has remained constant in value terms. In simple terms: technological innovations have consistently devalued constant capital, preventing the organic composition from changing, above all from becoming higher. Thus, no change in the organic

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composition of capital and no fall in the RoP. Curiously, in support of this thesis PM presents a series of figures, again from the BEA, but reworked, showing the growth of fixed capital from 1925 until 2010. According to this table:

*Faced with an increase of 3.4 times in the number of employees, the equipment they work with has increased as a "mass" about 20 times, an increase of about 6 times per capita of this component in the "technical composition" of capital [... with the caveat that] this affects the physical quantities (size, power, capacity, etc..) while from the point of view of value it is not the case that there has been a corresponding increase in the "organic composition" given that productivity in manufacturing machinery and plant has grown in parallel to their mass during the period.*

In this case, therefore, only the technical composition of capital, not the organic composition, has increased thanks to greater productivity. At the outset it must be said that it is much more plausible that the figures refer to the value of fixed capital and not its "mass", by which they indicate the change in the organic composition as well as the technical. If this is not the case it would be interesting to know the method of measuring the "mass" of fixed capital. Is the increase a linear one or is it measured in square kilometres, or in cubic metres? Next, for a more precise estimate, you would have to consider not only the important changes in fixed capital, but also the changes in constant capital (fixed more than circulating). A third point to note is that an increase in labour productivity ('capacity', 'output', or rather technological advance) devalues variable capital as well as constant. Which means that in the formula for the organic composition of capital —  $C/V$  — not only is the numerator reduced, but also the denominator, whilst noting in passing that the technical composition of capital has gone from  $X$  to  $6X$ . Or more exactly, an increase in labour productivity leads to a reduced value for  $C$ , increasing the rate of surplus value which can briefly increase the



**Figure 3: Single unit of labour power per unit of capital good in the industrial sector 1960-2009. Same source as preceding.**

rate of profit but which also reduces the value of  $V$ , in absolute or relative terms. Thus the technical and organic composition of capital are higher so that in the long run the rate of profit tends to fall for the reasons we have already given in the first part of this article.

An example: if we start from a given average organic composition, expressing the relation between dead and living capital thus:  $C/V = 80/20$  and we made a "virtual" increase, according to PM, the organic composition cited above, we would have  $80 \times 20 / 20 \times 3.4$ , which gives  $1600/68$ . This is pure abstraction given the fact that you not only have to calculate the fixed capital but also all the constant capital and take into account that the variable capital is reduced as well. Added to that you would need to devalue  $C$  over 80 years to keep the same ratio to  $V$ , taking into account that the number of workers per unit of capital employed is still diminishing, thus reducing the basis for the extortion of surplus value? As you increase the level of extortion of surplus value, as the productivity of labour grows, 100 units of production units will never provide the same amount of surplus labour and surplus value as 10,000. The response of PM is suitably vague:

*We repeat that this refers to the physical quantity whilst from a value standpoint no corresponding increase has been verified for the 'organic composition', given that productivity in manufacturing machinery and equipment has grown in parallel with their mass*

*during the period.*

So we get back, very indistinctly, to the part played by the absolute counter-tendency to the rise in productivity. For it is really this (relative surplus value) which, in the long run, prompts the organic composition of capital to change and the rate of profit to fall by continually eroding the numerical base of the labour force from which surplus value and profits are drawn, despite (or because of) the increased rate of exploitation.

There is only one case where increased productivity does not lead to a higher organic composition of capital and which is therefore a counter-tendency to the falling rate of profit and that is when the process of capital valorisation is based essentially on the use of absolute surplus value (such as the lengthening of the working day). Unlike in the previous century, the development of capitalism in the twentieth century rarely resorted to this except in times of crisis, along with the use of relative surplus value (intensification of the pace of work) which — we repeat — does not entail significant changes in the organic composition of capital.

In reality for America during the period in question, and not just America, both the technical and organic composition of capital increased. In other words, in both value and material terms. Staying with the same source (BEA), Figure 3, showing the relationship between a single unit of labour power per unit of capital good in the industrial sector, is

significant.

The progressively declining curve reveals how, in value terms, the quantity of labour power in each unit of capital good is continually being reduced. It substantiates the picture of an ever-increasing technical and organic composition of capital, confirming the “classical” Marxist paradigm and not refuting it. The ‘concrete’ nature of the graph well supports Marx’s theory about the presumed power of an absolute counter-tendency to the development of the productive forces.

As far as the labour power applied is concerned, the development of productivity again takes a double form — firstly, there is an increase in surplus labour, i.e. a shortening of necessary labour time, the time required for the reproduction of labour power; secondly, there is a decline in the total amount of labour power (number of workers) applied to set a given capital in motion. These two movements not only go hand in hand; they mutually condition one another, and are phenomena that express the same law. ... One of these factors, the rate of surplus value, is rising; the other factor, the number of workers, is falling (relatively or absolutely). In so far as the development of productivity reduces the paid portion of the labour applied, it increases the surplus value by lifting its rate; but in so far as it reduces the total quantity of labour applied by a given capital, it reduces the number by which the rate of surplus value has to be multiplied in order to arrive at its mass. Two workers working for 12 hours a day could not supply the same surplus value as 24 workers each working 2 hours, even if they were able to live on air and hence scarcely needed to work at all for themselves. In this connection, therefore, the compensation for the reduced number of workers provided by a rise in the level of exploitation of labour has certain limits that cannot be overstepped; this can certainly the fall in the profit rate, but it cannot cancel it out. (Marx, *Capital*, Volume 3, ‘The Conflict Between the Extension of Production and Valorisation’ p.355-6 English ed. Penguin Books, 1981)

All the graphics absolutely support this explanation, including the figures

which follow. We’ll deliberately start from the early 1900s to trace the decreasing value of the quantity of labour per unit of capital. Or, which is the same thing, the increasing quantity of value of constant capital in relation to the quantity of labour power employed. Already in 1933 H. Grossmann, in a letter to Mattick, pointed out that with the relationship between dead and living labour at 10 or 12:1 the first was clearly higher than in previous decades.

According to M. Cagoy (in his piece inside ‘*Il comunismo difficile*’ [the Difficulty of Communism], Dedalo, 1978) the progression is this:

<b>1909</b>	<b>5,040</b>
<b>1929</b>	<b>7,530</b>
<b>1948</b>	<b>6,534</b>
<b>1957</b>	<b>7,589</b>

**USA: manufacturing firms, evolution of the value of constant capital per unit of production**

According to the calculations of G. Carchedi, in the article already quoted, whilst in 1960 133 workers were necessary per unit of capital in the industrial sector, in 2009 6 were enough. The figures are for the technical composition of capital, but it must be emphasised that by reducing the workforce it is increasingly difficult to extract a sufficient return of surplus value on the same unit of constant capital, no matter what its assumed or real devaluation. Remaining in Italy, Francesco Farina (*l’accumulazione in Italia*, 1959-1972 [*Accumulation in Italy*], De Donato, 1976) estimates that the capital-labour power ratio for industrial production increased by a value of 1,464 in 1959 to a value of 2,778 in 1971. This is despite an increase in productivity over the same period, from 944 to 1789.

This, on the other hand, is what L. Gallino says in his book *Se tre milioni vi sembra pochi*, [*If Three Million Doesn’t Seem Much to You*], Einaudi, 1998:

*These days, in engineering, consumer electronics, mass transport, chemistry, mass distribution, creating a single*

*job requires 200 to 800 million lire or more, while in developing countries it takes five to ten times less. Thus, Fiat has invested in Melfi, with State assistance of 3500 billion lire, to create 7000 jobs which means 500 million for each one. Toyota, in Valenciennes in France, has invested 10 billion Swiss francs, equivalent to 3000 billion lire, to give employment to 3000 people — a billion per head.*

Getting all the debts to pile up over the whole length of the turnover period and given the counter-tendential role of the techniques of computer science and microprocessors, which certainly have raised the rate of profit, the change in the organic composition of capital is evident.

But for PM nothing has happened. The only thing that might have gone up is the consumption of fixed capital which, in the worst of cases, may have led to a modest increase in “dead labour”, bringing it up to “around 1:10 of living labour”. This allows them to conclude that “*the reduction in price of the elements of constant capital over the last eighty years and in the United States has counter-balanced the tendency and made it inoperative*”. What a problem that, on the threshold of the most serious economic crisis since World War II, necessitates squabbling over the most recent figures about the state of capitalism a dozen years ago. From the law of the average rate of profit to fall we have passed to the law of the constancy of the average rate of profit.

The political conclusions reached by PM are in keeping with their analysis of the crisis:

*Wages are stagnant not because capitalism is ‘up to its neck in it’ but because the workers’ movement is splintered, without a class organisation, unable to defend itself from the attacks of the bourgeoisie.*

We can only agree on the second part of this. The proletariat is indeed without a political compass, at the mercy of the ruling ideas of the ruling class. Its responses to the attacks of capital are scarce and hesitant,

## Capitalist Crisis

infinitely inferior to the aggressive violence of the economic system. But if wages are low, pensions are being reduced, the pace of work is more intense, the working day gets longer, there is less welfare, worse health care, fewer benefits and allowances; if there is more unemployment, if the elderly have to remain at work longer whilst the young are unable to enter the world of work and, when they succeed, are penalised by "atypical" contracts with infinitesimally small wages; if the cuts in public spending and tax increases are endless ... If all this has occurred over the past twenty years in the shape of the most colossal attack by capital on the workforce, it tells us that the crisis of capitalism has made its previous living standards unsustainable. It means that capitalism is 'up to its neck in it', much more than it has ever been since the end of the second world war. It means that for capitalism to survive its contradictions — which have exploded in the financial sphere but which developed inside its productive system as a result of the progressive fall in the rate of profit — with the enormous problems for accumulation and the valorisation of capital, it has to attack working class living standards and up the rate of exploitation. The fact that the working class, for innumerable reasons, has not yet found a way to make a significant response is one thing. It is another matter completely to say that capitalism is not 'up to its neck', that it would not be in crisis if it were not for the 'habitual cycle' which hampers capitalist production every so often.

Our reply to their typical nagging rebuke, "*hence the communists rather than pinning their hopes on a deadly disease of capitalism (the falling rate of profit), must turn their gaze to the weakness of wages in relation to the value produced ...*" is to repeat as many times as need be, that we hold to the conception that the crisis stems from the falling rate of profit.

*This does not mean that capitalism is about to self-destruct in a sort of death spiral. Escape routes exist for capital, such as the destruction of capital value through wars to recreate the conditions for a new cycle of accumulation at a*

*higher level, even if the same old contradictions remain. Among the others, and by far the most important and most utilised, is to attack the economic and living conditions of the international proletariat, which in this crisis, like the previous ones, is called upon to pay the bill. Only the revival of the class struggle for a different kind of society, which breaks from the infernal capital-labour relationship, where the production and distribution of wealth are no longer the means for capital valorisation, where profit is no longer the god and the proletariat the sacrificial lamb, and finally where the condition for the fulfilment of social needs is in keeping with the interests of those who socially produce and socially consume. (From Prometeo, as cited above.)*

Nor is there any validity in their false and baseless accusation of (our) giving up on the economic struggle because the prospect for winning demands is so limited. If anything, this attitude belongs to trade unionism since when the unions do act, they do so within the frame of what is compatible with the system that should never even be disturbed. It is a fact that capitalism's pressing need to survive its crisis means there is scant opportunity to raise or win demands. This demonstrates the economic and social context that for years, it would be better to say for decades, has characterised the social conflict. No longer is the proletariat picking up the crumbs that capitalism was forced to concede under pressure from its own demand struggles (welfare state, wage increases, shorter working hours, etc.). Rather, the bourgeoisie is attacking workers' living standards and economic rights. When the proletariat does react it does so in sporadic outbursts to try to defend itself against capital's increasingly violent and deep attacks. The profits crisis has shifted the ground for how the class struggle is played out. From the offensive for ... it has turned into, the defence of ...

Today's struggles have to be geared towards defending jobs against rising unemployment. Action aimed at stemming the disastrous consequences of a policy of sacrifices

which includes the extension of working life, forcing the old to work longer and young people to be excluded from paid employment; which demands lower wages at higher rates of exploitation, all in the context of an increasingly slimmed down welfare state that is destined to become almost extinct. Struggles against growing impoverishment, against starvation wages, for those who have a wage, and against the ineffectiveness of social safety nets. There are clashes because the reform of the labour market does not create enough flexibility for capital to hire and fire. The struggles go on because the proletariat cannot simply stand by without resisting as capital makes its inhuman attempt to push the effect of its contradictions onto the proletariat. Like it or not, it is not the class, nor the political advance guard, who can choose the ground and terms of the battles. Rather, these will be shaped by the evolution and maturing of the system's economic dynamics which widen or, in this case, narrow the options available to it.

This does not mean giving up making demands because there is limited room for bargaining, it just means being aware that the framework in which the class struggle can and must be revived is shaped by the economic crisis and that this needs to be changed in order to go beyond the boundaries set by capital. For the class struggle to move on to anti-capitalist political ground it must, necessarily, start at the level of demands or, as at present, from a defensive position, under the leadership of a political vanguard that has long understood how to develop a strategy and tactics for struggle, based on its analysis of capitalist reality. For us, the second phase is impossible (moving onto a political struggle) unless the first (economic struggle, whether of attack or defence) at least already exists. But in our case no one is thinking of playing a role of primarily making demands, radical or otherwise, whilst pretending that the epochal crisis is irrelevant (everything is as usual), so that the second phase is postponed to a more mature time, when the crisis is "*real and definitive.*"

Fabio Damen



# Communist Workers' Organisation Annual General Meeting Sheffield July 2012

Although the AGM is the sovereign body of our organisation and our Statutes demand that it be held annually this was the first formal such AGM for some years. This was necessitated both by our modest expansion in membership and the recognition that the impasse which capitalism has reached imposes new tasks and responsibilities on revolutionaries and their organisations.

The meeting also had an open session which was attended by other left communists and anarchists (members of the Anarchist Federation) as well as unattached comrades who had been members of the Sheffield No War But Class War group or the Midlands Discussion Forum. Some comrades who were not able to physically attend also sent messages of support.

All participants had been sent two documents prior to the meeting. The theoretical work on the falling rate of profit which we had translated from *Prometeo* (theoretical paper of our sister organisation, **Battaglia Comunista**) [see p.15], and a draft on our perspectives and tasks (which follows). There was no shortage of opinions expressed in all three sessions of the AGM. The big issue which confronts all real revolutionaries is how to get the message across now that capitalism has commenced an open frontal and global attack on the working class. We do not expect immediate responses as the actual attacks will take some time to really make themselves felt (and many have yet to be implemented) but at the same time it was recognised that we cannot in the meantime simply carry on as before.

The CWO has never been afraid to review its publications policies and have changed the form of our papers many times to make them fit for purpose at any one time. Now however there was also the website and internet to take into consideration. It was generally recognised that the older members of the organisation tended to shun the web (including our own site!) but that we would need to give this more attention. At the same time the revolution will not be made by people just looking at computers

(if you are not outside how can you have a collective activity?) so the discussion also focussed on our priorities. There were several proposals regarding the Platform of the ICT, Revolutionary Perspectives and Aurora and in the end the only concrete decision that was taken was regarding the role of Revolutionary Perspectives (see panel). It was also agreed that we needed simpler shorter statements on basic issues (like unions) as introductions for new people we encountered. In fact there was so much discussion that it was recognised that a further meeting would be needed in order to resolve the issue.

In recognition of the new developments in the organisation a new EC was elected which will have as its main responsibility the better coordination of the activity of our three main sections [North East, Transpennine and Southern]. The meeting also decided on a new edition of our old pamphlet "*Socialism or Barbarism*" which was to be called "*For Communism*".

In the open session a number of issues were raised by participants including whether revolutionaries raise economic demands in struggles (the consensus was that it was not our role), or whether Russia could still be called imperialist given its weakness (strength was not a criteria for judging imperialism) but the main issue discussed was the situation of the working class and its future. There was broad agreement amongst all the participants with the perspectives draft so we are publishing them on the next page.

## Revolutionary Perspectives

This is the last *Revolutionary Perspectives* (RP) that will be produced in this format. Our plan is that from now on RP will consist of compilations from the website with additional theoretical material. RP will still continue to be published in some format which is still under discussion. Current subscriptions will continue to be honoured and we thank all subscribers and supporters for their loyalty. Subscriptions will continue at the same rate for all those who still wish to receive a paper copy of our journal.

## Draft Perspectives 2012 The Crisis of Global Capitalism

It is now almost 5 years since the subprime bubble burst leading to the collapse of Lehmann Brothers and the run on Northern Rock in the UK. However, after half a decade of state bail outs and nationalisation of banks, printing of money and draconian austerity programmes, global capitalism still hovers on the verge of an abyss. The collapse of Northern Rock, a minor bank, signalled the start of the present acute phase of capitalism's crisis. But it soon became clear that this collapse was only a symptom of the general rottenness of the whole system. Today the bourgeoisie openly consider the possibility of the collapse of sovereign states, such as Spain or Italy, the breakup of the Eurozone and a global economic collapse leading to 25% contraction in global Gross Domestic Product.

The ICT argue that the roots of this crisis lie in the sphere of production and can be traced to the tendency of the rate of profit to fall as the organic composition of industrial capital rises. An empirical confirmation of this historical tendency for the USA is presented in the text "*The present Crisis*" (Graph 1) *Prometeo 7* by Fabio and circulated in translation. Although the crisis appeared in the financial sphere, and continues to be expressed in terms of banking debt, sovereign debt and so on, these issues are symptoms of deeper problems in the production of surplus value. The secular tendency of capitalism to increase constant capital at the expense of variable capital leads to a reduction in profit rates. There are counter tendencies which can offset this decline; however, over the longer term the fall in the average rate of profit will assert itself.

*As well as all this the crisis itself has been financialised, or rather ever-increasing portions of productive capital are flying towards speculation and the variegated world of finance in search of the profit it is more difficult to make in the real economy. Even this is nothing new. Speculation has always existed and is a natural part of the capitalist economic system. However, this became abnormal once the difficulty of realising returns on capital in the real economy impelled it towards the mirage of extra-profits in the financial sphere. As we know, the financial sphere does not create new value. If someone gains by dealing in derivatives rather than government*

*bonds, on the foreign exchange market or raw materials, somebody else loses. On the one hand speculation — which lies behind the financialisation of the crisis — simply represents the transfer of value which has already been produced. On the other, it inflates a gigantic bubble of fictitious capital (through the loan and credit system) which, once exploded, impacts on the crisis-ridden real economy which provoked the swelling of the bubble in the first place. The consequences have been devastating and the world economy is still feeling its effects. (The Tendency for the Rate of Profit to Fall, the Crisis and the 'Disclaimers' Fabio Damen Prometeo 7 [2012])*

The present crisis is the latest phase of problems of reduced profitability which struck the system in the early 70's and marked the end of the post war recovery. The bourgeoisie have attempted to counteract these problems by transferring the burdens of the crisis onto the working class. The principal strategies for achieving this have been:

- **Increasing productivity of labour.**

The main way this has been done is through the introduction of more productive machinery and expelling workers from the process of production. The dramatic increase in constant capital to labour in the 50 year period to the present is illustrated by the graph (Fig 3) in Fabio's text mentioned above. US labour is today approximately 13 times more productive than it was in 1960. However, this increase in productivity entails increasing the constant capital in relation to the variable and hence increasing the organic composition of capital. While this may produce short term benefits for the corporations which introduce more productive equipment, once these measures become generalised, the effect is to reduce the rate of profit. In the longer term this strategy will only aggravate the problem.

- **Reducing the price of labour power through globalisation of**

**production**

This strategy has gathered pace since the 1980s and has succeeded in reducing the average price of labour power. Whole units of production have been moved to areas in Asia, South America or elsewhere where real wages are an order of magnitude less than in the capitalist core countries. This has lowered wages in core countries and brought some oxygen to the system. As a strategy it has not yet been exhausted. However, it is resulting in unemployment in the core capitalist countries. Financing unemployment benefits is leading to increasing state deficits and unsustainable debts. A secondary and unintended consequence of this strategy is the material unification of a proletariat engaged in global production.

- **Reduction in the social wage**

In order to reduce the amount of the social product that workers receive the capitalist class is also attempting to reduce the amount paid by the state to workers in the form of social benefits for unemployment, health care, pensions etc. The part of the social product taken from the workers will, of course, go to the capitalist class and ultimately be used to prop up profit rates. The reduction in the social wage is an attempt to overturn the post war settlement in the core capitalist countries and reduce workers living standards to those of the peripheral countries. This strategy is producing impoverishment and social unrest. It was a mobilising factor behind the Indignados and Occupy movements.

However, these measures are all insufficient to reverse the tendency of profit rates to fall. Though they may produce periods of stability and short term relief, the mass of constant capital has become too large for such measures to have a lasting effect. The only effective solution is a massive devaluation of

constant capital values. This is the very event which the capitalist class of every nation is desperately trying to avoid. For this reason such a devaluation can only be brought about through generalised war. War allows capital to be devalued through elimination of competition, which enables capital accumulation to cease, while existing capital equipment is used until its value is exhausted. In addition modern war destroys capital equipment and infrastructure on a vast scale thereby reducing constant capital values. This was the real economic function of the 2<sup>nd</sup> world war and the real means whereby the slump of the 1930s was ended. Such a war is not, however, on the horizon though the crisis is leading in this direction.

The earthquakes in the financial sphere have been met with the measures described above, and the hardship workers are facing in countries such as Greece, Ireland, Portugal and Spain have been described in our press. These measures, however, are long term ones while the crisis has demanded immediate action to prevent meltdown of the entire financial system. The measures adopted, however, though they have staved off immediate collapse, amount only to a shifting ownership of the problems from one organisation to another. In general problems are becoming more centralised as institutions and states are bailed out by central bodies. Initially the insolvency of the banks was met by the state. Bank debts became state debts. In the UK some £850bn was expended bailing out the banks and financial system.

Once the debts became state debts they could be devalued by devaluing the national currency. This has been done by so-called "Quantitative Easing" or buying of government bonds with printed money. In the UK £325bn has been spent on this so far and another £50bn is being spent at present. The beneficiaries of this have been the banks and the financial institutions themselves since they owned these bonds to start with. Of course, these measures could only be effective where the countries had control of their own currency, and debts were denominated in the national currency. This has given breathing space to countries such as the US and UK. For countries in the Eurozone, such as Greece, Ireland and Portugal, debauching the currency was not possible and the transfer of bank debts to government debt has led these states to the brink of

national bankruptcy. The rescue of these states by the European Central Bank (ECB), the EU and the IMF represents a further centralisation of debt and a strengthening of the bonds between the centre and the periphery of the Eurozone. This has again proved a temporary measure. Greece has required a second bailout, and with Spain and Italy approaching bankruptcy new centralisation has been proposed. The project is to create a Eurozone banking union with a treasury and with the ECB as the lender of last resort. The next step will be mutualisation of some of the state debts. All this will bring about a further centralisation of the EU and the transfer of its problems to the central economic organs. If these steps are taken, and we consider they are likely to be taken, they will have to be accompanied by steps towards political union. This will lead to the strengthening of the EU as an imperialist bloc under the domination of Germany.

These measures may provide a breathing space for capitalism as the stronger countries support the weaker, and will cause the crisis to be more drawn out. However, they do not address the debt crisis let alone the fundamental issue of falling profitability and the need for a massive global devaluation of capital. The bourgeoisie, therefore, has the ability to attenuate the crisis but not the ability to solve it.

What has been described above is essentially the strategy of the bourgeoisie to transfer the burden of the crisis onto the backs of the working class, and is a global strategy; a parallel approach is the imperialist one. This amounts to transferring the burden of the crisis onto other opposing sections of the bourgeoisie. This was the approach adopted in the 1930's and, of course, paves the road towards war.

**Imperialism**

Since the collapse of the USSR in 1991 we have entered a multi polar imperialist situation. Initially the US considered that the collapse of its Russian rival gave it a free hand to impose its will unilaterally and did not hesitate to launch wars in the Middle East, Balkans and Afghanistan to support its economic interests by military means. Its rivals have found indirect means to oppose these ambitions. Examples of this are the threatened French veto of the UN resolution justifying the Iraq invasion which ensured

## ***Life of the Organisation***

that the war was launched against the wishes of the UN and therefore illegal and the Chinese support for Iran and Pakistan which has made the Afghan war more difficult. After 2 decades of foreign wars we are seeing the US extricating itself from Iraq and Afghanistan with its ambitions largely unfulfilled.

In these wars the US aims to keep control of the flow of oil from the Middle East and maintain the position of the dollar as the currency of the oil trade in particular and the commodities trade in general. While the dollar remains the currency in which commodities are traded and the US remains the sole issuing authority of dollars, the US gains a tremendous economic advantage. We have estimated this amounts to \$500bn annually. The weakening of the US economically and its growing indebtedness to its rivals such as China and Japan has however weakened the thrust of US imperialism.

The creation of the Euro as an alternative international currency, and one in which oil is now being traded, represents a threat to dollar hegemony. The Chinese foreign currency, the Renminbi, is also beginning to establish itself as a competitor to the dollar. Bonds are now being issued in Renminbi via the Hong Kong exchange, Iran is accepting the currency as payment for its oil and it has been accepted as a currency for trading on the London Metal Exchange. Similarly the US ambitions to control the flow of oil and gas from the Middle East and the Caspian basin are being opposed by Russia and China. US attempts to manoeuvre Iran into a position where a military attack can be justified are frustrated while attempts to control oil, and particularly gas, from the Caspian Basin are being opposed via the Shanghai Cooperation Organisation in which Russia and China are the dominant forces. In addition China is attempting to safeguard its shipping route for oil by establishing a line of naval bases in friendly countries and modernising its naval forces. In addition it is building pipelines to avoid pinch points where its enemies could blockade its oil supplies. This indicates that the Chinese ruling class do not expect the present policy of peaceful trade and expansion of influence into Africa and elsewhere will continue forever, and are making plans for war.

Russia has also reasserted itself in the Caucasus via the Georgia war and is again demanding that the US missile shield is not built in Eastern Europe, while

threatening in turn to install missiles in the enclave of Kaliningrad.

It is therefore possible to identify 4 independent imperialist forces, US, Russia, China and the proto-imperialist bloc of the EU. At present there are no firm identities of interest and no firm alliances. This means that the road to another global war will be a long one. War is not, however, an inevitable outcome of the present crisis. The alternatives are war or socialism. Socialism entails the destruction of the capitalist system by the working class. For this to be achieved the working class needs to be conscious of necessity for this change and to have created the means to carry it out.

### **Situation of working class**

As has been mentioned above the bourgeoisie is trying to load the weight of the crisis onto the shoulders of the working class. The working class, in the core capitalist countries, is suffering increases in exploitation, reduction in wages, often direct cuts in pay such as we have witnessed in Greece and Ireland, and reduction of the social wage by means of the savage austerity programmes. In addition there is unemployment on a scale not seen since the 1930s. The response of the working class has in no way matched the severity of these attacks. Explanations for this lie in the material conditions workers now face.

In the core capitalist countries workers have been outflanked by globalisation. The methods of struggle of the 60s and 70s are no longer effective. Because the bourgeoisie is quite happy to close factories and relocate to areas of cheaper labour power, workers in the core capitalist countries find themselves faced with redundancy if they oppose the new conditions of employment which they are faced with. The strategic defeats for the working class in the 80s, particularly the miners and printers strikes opened the way for this. The result has been dissolution of the large battalions of workers and fragmentation of those workers who have retained their jobs into much smaller production units. Workers have been faced with new conditions demanding, speedups, flexibility and part time working.

Industrial jobs disappeared to the extent that in the UK manufacturing now represents only 12% of the GDP whereas at the end of the 2<sup>nd</sup> World War it was

50%. The majority of the European working class now works in the service industries. Unemployment has soared particularly youth unemployment. In March this year youth unemployment in Greece and Spain was over 50%, in Portugal and Italy approximately 35% and in the UK and France about 23%. We are in fact witnessing an absolute pauperisation of the working class in the core capitalist countries. How far this can be taken without a social explosion is the question. However, at present it is clear that all these developments have dampened militancy and eroded class consciousness.

Generally the struggles that have taken place in recent years have been defensive ones against renewed attacks. Examples of this in the UK have been the civil service pensions struggle and the Electrician struggle. Similar struggles have taken place in Europe, a recent example being the Asturian miner's struggle in Spain.

While the methods of struggle of the earlier period are no longer effective workers are finding it hard to break with these methods. In particular struggles still generally remain dominated by the trade unions despite decades of union sabotage of effective struggle. What is needed is struggle controlled by the workers themselves outside of the trade unions which extends itself to other workers and becomes a threat to capitalism itself.

In the peripheral countries there have been massive struggles in the face of 19<sup>th</sup> century conditions of exploitation. These struggles are often made up of first generation proletarians and despite their general militancy lack wider class consciousness. At present there is no understanding of the need to link these struggles to those of workers in the central capitalist countries despite the interdependence of workers around the world and their existence as an international class. The material conditions for the development of international proletarian solidarity and international class consciousness are now more developed than ever before and the present situation could change in the coming period.

The developments of capitalism are, however, affecting society generally. Sections of the middle class are being forced into the ranks of the proletariat

and joining the ranks of the unemployed or the part time precarious workers. This is leading to outbreaks of social struggle which bypass the political organisations of capitalism such as the political parties and the trade unions and take directly to the streets. The movements of revolt in the Arab countries and their echoes in the Indignados and the Occupy movements are examples of this. These movements point to a new questioning of capitalism as a system and permit open discussion of this. These movements have been tolerated by the capitalist class as they posed no immediate threat to the system. The threat to the system remains the threat from the working class and the true relations of power were shown in Tunisia and particularly Egypt when strike action by workers was the force which caused the authorities to capitulate. While these movements have been dominated by the middle class, workers have participated in them as individuals. What is needed is for workers to organise themselves as workers within these mobilisations, take the lead and use them for coordinating struggles against the system. Once such a lead was given the malcontents would follow.

What is needed is struggle of a different order. As the text by Fabio, quoted above states:

*“Only the revival of the class struggle for a different kind of society, which breaks from the infernal capital-labour relationship, where the production and distribution of wealth are no longer the means for capital valorisation, where profit is no longer the god and the proletariat the sacrificial lamb, and finally where the condition for the fulfilment of social needs is in keeping with the interests of those who socially produce and socially consume.”*

For this to take place on an international scale the construction of a class party is required.

#### **CWO/ICT tasks**

The task of the ICT is one of uniting revolutionary nuclei in key countries which have real roots in the working class and are able to contribute to the formation of a global revolutionary organisation. Such a task is a distant project. At present we can only proceed with the modest forces at our disposal and set ourselves tasks we are capable

of accomplishing. Above all it is important that we broadly agree on the nature of the immediate period we are facing. When the financial bubble burst we recognised that the so-called credit crunch and the subsequent announcement of the state spending cuts spelled a new political period. On the one hand, however weak and confusedly, there was the beginning of a revival of interest in ‘marxism’ as capitalism was discredited. A period of political questioning opened and new groups have appeared. There are undoubtedly more opportunities now to get our views across than before 2008. However, we have also to recognise that much of this renewed enthusiasm for political activity is/was predicated on the prospect of a much stronger working class response to ‘austerity’ than has so far been the case. At the moment the evidence is of a decline in the recent political revival as well as a shying away from clarification about what ‘marxism’ and ‘anti-capitalism’ mean amongst the variegated elements who have emerged onto the political scene. In the absence of a much stronger class-wide response to capital’s attacks we can expect petty bourgeois theories and ideas to dominate in this ‘anti-capitalist’ political (increasingly non-political) scene. As for the wider working class, all the evidence so far, is that they are by no means ready to reject the existing political set up: the ground is being prepared for a return to Labour. In terms of the prospect for the coming year we should not exaggerate the possibility for political revival of the organisation. The following represent proposals for the coming period and should be considered by the AGM:

- We need to increase our membership in the UK: how? We need to have a higher public profile; we need to be able to show we can respond to ‘modern’ political ideas.
- We need to identify where we can be most effective in our propaganda. We should be prepared to work with any force which broadly accepts the notion that fighting the cuts means fighting capitalism. We should be ready to debate in an open manner with all those who are close to this perspective. This includes groups like the Commune and AF.

- This is a sine qua non We should try to assist any strike of any group of workers in attempting to find solidarity and support with other workers. We will be listened to more when we can demonstrate in day-to-day life that we are on the side of the working class. We must take up every opportunity to participate actively wherever we can to carry this out.
- We should intervene in the social movements such as the “Occupy” movements if they recur. We should attempt to participate in them, where we are able to do this and direct sympathetic elements towards class positions as our comrades in Rome have been tried to do.
- Publications need to be reviewed. There is a proposal to change RP to an A5 format to save postage costs and to investigate providing it in an electronic format that can be used with the new media instruments such as Kindle.
- Aurora is designed as an instrument for getting our name and politics across in situations of ‘mass’ protest and where workers are out on the streets. Should we try local Auroras, tailored to local events? present format but we should consider more frequent production and new ways of distribution.
- The successful work on the internet should continue but we need to consider allotting tasks where certain comrades are overloaded.
- We need to re-establish a programme of self-education in which everybody participates. Should we also create situations which are open to ‘outsiders’?

EC  
July 2012

**The Communist Workers' Organisation** was founded in 1975 and joined with the Internationalist Communist Party (Italy) to form the International Bureau for the Revolutionary Party in 1983. The Internationalist Communist Party was the only significant organisation to emerge in the Second World War (1943) condemning both sides as imperialist. It is the most significant organisation produced by the internationalist communist left which fought the degeneration of the Comintern in the 1920s as well as the process of "bolshesisation" (i.e. Stalinism) imposed on the individual communist parties. In 2009, in recognition of the new elements that had joined the founding groups, the IBRP became the **Internationalist Communist Tendency**.

We are for the revolutionary party but we are not that Party. Nor are we the only basis for that party which will emerge from the workers' struggles of the future. Our aim is to be part of that process by participating in all the struggles of the class that we can with the aim of linking the immediate struggle of the class with its long term historic programme — communism.

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## **The Internationalist Communist Tendency**

### **Britain**

The Communist Workers' Organisation which produces Revolutionary Perspectives (a quarterly magazine) and Aurora (an agitational paper)  
BM CWO, London WC1N 3XX

### **Italy**

Il Partito Comunista Internazionale  
which produces Battaglia Comunista (a monthly paper) and Prometeo (a quarterly theoretical journal)  
CP 1753, 20101, Milano, Italy

### **Canada**

Groupe Internationaliste Ouvrier / Internationalist Workers' Group  
which produces Notes Internationalistes/Internationalist Notes (quarterly)  
R.S. C.P. 173, Succ.C, Montreal, Quebec, Canada H2L 4K1

### **USA**

Write to: [us@leftcom.org](mailto:us@leftcom.org)

### **Germany**

Gruppe Internationaler Socialistinnen  
which produces Socialismus oder Barbarei (to appear quarterly)  
GIS, c/o Rotes Antiquariat, Rungestrasse 20, 10179 Berlin, Germany

### **France**

Bilan&Perspectives  
produces a quarterly journal of the same name  
ABC-LIV, 118-130 Av. J. Jaures, 75171 Paris Cedex 19

## **Meetings**

**The Communist Workers' Organisation (North East Section) holds regular meetings in Durham open to all who are interested in defending the independence of working class action**

The next meeting will be on

**Wednesday September 5th at 7.00 p.m.**

in the

People's Bookshop, The Attic, Saddlers Yard, 70 Saddler St, Durham  
DH1 3NP

All Welcome.

For more details email: [uk@leftcom.org](mailto:uk@leftcom.org)

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### Issues 1-20 are still available

**21** Class Consciousness and Political Organisations (1); China; Fighting Capitalism; Foot and Mouth; Middle East; Balkan Wars; Ukrainian Communists; US Unions; Mexico.

**22** Class Consciousness (2); Genoa, Real Face of Capitalist State; Italian Strikes; Unemployment; Argentina Crisis; Racism in Britain; Autism; Ireland; Son of Star Wars; Capitalism's 3rd Sector.

**23** 9-11; Afghanistan; Oil; US Economy; Opposing War; Consciousness (3); Ireland; Monbiot; Islam and SWP; Rail; Miners' Pensions.

**24** Argentina; PO; Railworkers; The Euro; Consciousness (4); Immigrants are Same Class; War on Terrorism; ICC and War; West Bank.

**25** Fascism and Democracy; Palestine; Nationalism; PO Workers; Italian General Strike; Council Housing; Consciousness (5); Lenin, Luxemburg; Little Steel; Zimbabwe; Venezuela; US Imperialism in Afghanistan.

**26** No War But Class War; 11 months after 9/11; Stock Market Falls and War; Public Sector Strikes; Rail Farce; Consciousness (6); Immigration; Colombian Debt.

**27** Iraq; Firefighters; Palestine; Consciousness (7); SWP and Stalinism; Earth Summit.

**28** Iraq; Firefighters; North Korea; Consciousness (8) - Cult of the Party; Class Composition(1); Brazil.

**29** Iraq; Galloway and Luxemburg; ME Road Map; 9/11: State Terror; Firefighters; Pensions; Consciousness (9) - Bordiga; Class Composition.

**30** Iraq; US Imperialism and The Hutton Enquiry; Middle East; Workers Begin to Act; Class Struggle; Trades' Unions and Left-wing Leaders; Review Hard Work; US: Claimed Recovery; Class Consciousness (10); World Proletarian Party; Class and Education; A Hot Autumn for Pensions

**31** Middle East, Britain and Class Struggle; Italian Rail Strikes; Africa; Anti-Globalisation; Parmalat; Universities; RESPECT; Hutton and BBC.

**32** Terrorism, inc IBRP Statement; Iraq; Iranian Elections; Israel; Crisis; Decadence; EU Imperialism.

**33** ESF; Beslan; Housing; Class Struggle; IBRP in Germany; Iraq; Saudi Arabia; Matteotti and Oil; Fahrenheit 9/11.

**34** US Election; Iraq; Middle East; China; Ukraine; 1905 Russian Revolution (pt 1); Germany; IBRP; Tsunami.

**35** UK Election, Abstentionism, Rover; Capitalism's New Economy (1), Pensions, 1905 Russian Revolution (2), John Paul II, Lebanon and Syria, US and Iran, Germany, Letters on Parliamentarism

**36** Tribute to Mauro Stefanini Jr; Oil; Airline Workers; London bombings; IRA "Stand-down"; Holocaust and Hiroshima; History and Empire; Marx is Back; Capitalism's New Economy( 2); Uzbekistan; Make Poverty History; Africa, Aid and Debt Relief; Future of the EU.

**37** French Riots; Gate Gourmet; Hurricane Katrina; German "Left Party"; Capitalist New Economy(3); Iraq; Iran; Gaza; Economic Role of War in Capitalism's Decadent Phase; Critique of Gotha Programme; Recuperated Factories in Argentina;

Review: Collapse.

**38** Tehran Transport Workers Gaoled; Workers Fight Outside Unions; Anti-Terrorism: Smoke-screen for State Repression; Turner Pension Plan; Capitalism's New Economy (4); Russian gas; Revolt in Paris Suburbs; Hamas victory; Latin America; Global Warming (2).

**39** France: Class struggles: CPE: Student Movement; Human Rights; Democracy and Profit; Car Workers: Only International Unity Can Bring Victory! British State Terrorism; Shipwreck of US Ambitions; Immigration; Capitalism or Communism? Palestine; Gas Follows Oil; Gas and Imperialist Manoeuvring; India; Myth of Parliamentary Road to Communism.

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**41** Capitalist Barbarism: War without End; BA and Civil Service Strikes; Student Fees; Somalia; Gaza and Lebanon; Working Class under Imperialism; Falklands; Turkish Communists.

**42** Civil Service Attacks; Iran; Barcelona May '37; Bilan on May '37; Zimbabwe; Global Crisis; Tata Takes over Corus.

**43** Postal workers; PM Brown; Housing; China protests; Russian Imperialism; Turkish Elections; Subprime crisis; Reply to ICC on Economics of War.

**44** Britain: Repression; NHS; Inequality; Urban Decay; Class Struggle in Germany, Italy and Egypt; Lessons of October; Capitalist Financial Crisis; Iran, Turkey and Pakistan: Contradictions of US Imperialism.

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**46** Food Riots; Pomigliano Struggle; Biofuels; Zimbabwe; Education Crisis.

**47** Public Sector Workers; Economic Crisis; Olympics; Georgia; Chinese Imperialism in Africa; New Development for the IBRP.

**48** Class War in China; Education Fight in Italy; Mumbai Massacre; Obama; Capitalist Barbarism in Congo; Learning from German Revolution; Left Communism in Turkey.

**49** British Construction Workers' Fight; Unite: The Union that Divides; Gaza; End of Paper Money Economy; Gas Wars in E. Europe; Darwin's Revolution; Letter from Greece.

**50** MPs Expenses; EU's Reactionary Agenda; GM Bankruptcy; Fiat and Pomigliano; the Af-Pak War; Obama in Cairo; Midlands Discussion Forum; The Commune.

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**52** CWU Sabotages Postal Workers' Struggle; Nationalism Against Working Class; Berlin Wall;

Climate Change; 30th Anniversary of Death of Onorato Damen; Anti-Zionism, Anti-Semitism and Revisionism; Reviews: *The Power of Yes* by David Hare, Learning from the Revolutionary Experience in Russia; Fall in the Rate of Profit: Crisis and Consequences.

**53** Capitalism's Global Attacks; Struggle Must be International; Racism in Italy; Global Warming; Haiti; Afghanistan; Reply to the ICC, Commune's Reply to RP50; Public Meeting in Manchester.

**54** Unite and Fight; Class War at BA; Financial Crisis Engulfs Eurozone; Chinese Workers Show Their Class; BP's Deepwater Horizon; The Bolshevik Left and Workers' Power; Armenian Genocide 1915; Review: Capitalism—A Love Story

**55** Austerity Britain; Global Crisis Will Have to be Fought Globally; Unions' Phoney War; The Financial Manoeuvres of the Bourgeoisie; English Defence League; Education 'Reform'; Los Angeles Teachers' Struggle; Make the Bosses Take the Losses; The National Question Today; The Other Global War; Life of the Organisation.

**56** Tunisian Rising; Student Protests; Open Letter from FIAT Workers; Student Movement; Heinz Struggle: Pension 'Reforms' in France; Wikileaks; Crisis in Ireland; Bangladesh Workers Struggle; US Prisoners Fight Back; Cancun Climate Conference; State of Global Capitalism; ICT meeting report.

**57** Fighting Cuts Means Fighting Capitalism; NHS; AV Referendum; Class War in Wisconsin; Sovereign Debt; Iran Austerity; Nuclear Disaster in Japan; Cote d'Ivoire; Marxism or Idealism, differences with ICC; SPGB; Life of Organisation.

**58** Sovereign Debt; Terminal Crisis; News International; Legal Aid Cuts; Failure of Capitalism; Arab Uprising; Crisis in Iranian Ruling Class; Great Unrest 1910-14; Bordiga; Life of Organisation.

**59** N30: One-off Protest?; Occupy: No Solution; Oct 15 Rome Riots; Housing Question; Economic Crisis and Edinburgh Coalition Against Poverty; Euro Crisis; Germany and Euro Crisis; Egypt; Imperialism and Arab Spring

**60** Britain: All in it Together; The Occupy Movement - Just another diversion?; Thirty Years On: The Falklands War and the Working Class; Italy: "The Revolt of the Pitchforks" and the Southern Proletariat; Social Protests in Romania; ANC - A Hundred Years in the Service of Capital; Murder and Manoeuvre in the Middle East; Book Launch: Onorato Damen: Bordiga - Beyond the Myth; Durham Open Meeting: Communist Intervention in the Workplace

**61** Workfare-A Scroungers Charter; One Law for the Rich; There is an Alternative; Presidential Election in France; Red Squares: The Student Strike in Quebec; Syria: Caught in the Vice of Imperialism; Sudan: Open War for Oil Breaks Out; Review: Debt, David Graeber; The Committee of Intesa 1925 in Farsi; Report on the Manchester Meeting; Beyond Protest; Manchester

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