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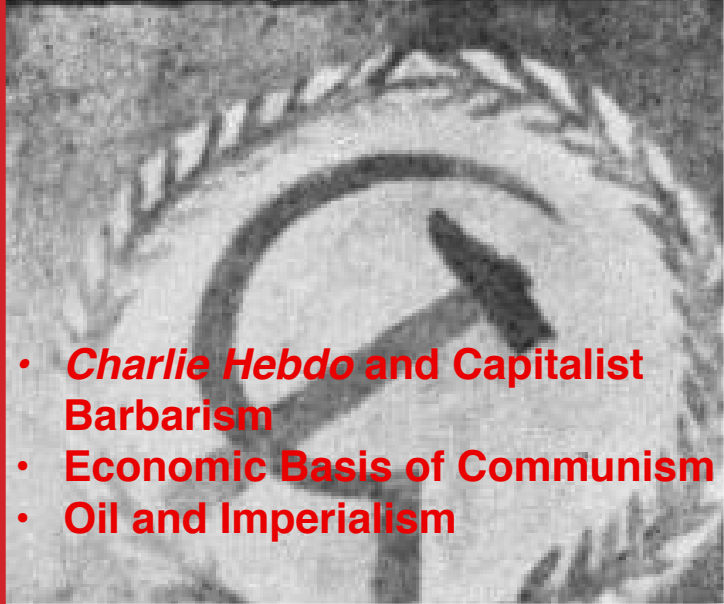
Revolutionary Perspectives

05

Bologna Congress 1919



- *Charlie Hebdo and Capitalist Barbarism*
- *Economic Basis of Communism*
- *Oil and Imperialism*



Revolutionary Perspectives

*Magazine of the Communist Workers Organisation
Affiliate of the Internationalist Communist Tendency*

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Front cover:

Armed workers during the factory occupations, Turin September 1920

Editorial

The Aftermath of the Charlie Hebdo Murders

As we go to press the dust following the terrorist outrages in Paris has still not settled. The ramifications are likely to be felt for a long time to come although we think our statement (reproduced in this issue) has identified the main political games of the various capitalist factions.

First of course will be the gains for the “populist” right. In Germany for example the PEGIDA movement had managed to get at most 17,000 for its weekly marches in Dresden but attempts to spread it throughout Germany have largely failed. They are openly proclaiming their hope that now this will change and did get Over 20,000 for the first time on the Sunday after the murders. In Britain Nigel Farage, leader of UKIP has done the UK proud in expressing an unbeatable level of ignorance. He has already proclaimed that accepting migrants as citizens is a mistake as “they hate us”. No point telling him or his like that there was no Islamic terrorism before the invasions of Afghanistan or Iraq in 2003. And in France itself the message of the racists has shifted. The previous anti-semitism of the far right National Front has (for now) been replaced by anti-islamism since the targetting of a kosher supermarket by the killers. In fact racist attacks on Jewish people by islamist extremists and criminal gangs using religion as a cover has reached such a level that more Jews than ever are leaving France for Israel.

In fact the capitalist economic crisis, racism of all kinds, and imperialism are all deeply inter-related parts of the condition of the world as it opens in 2015.

The end of the post-World War Two boom in the 1970s brought with it the collapse of the secular movement of Arab nationalism in countries whose boundaries had been drawn on maps by Europeans with no regard for local circumstances. The consequence of this was the increased domination of the Middle East by the forces of global imperialism. There is no secret about why they wanted to be there. Oil was by then the leading industrial commodity, and as we show in our article in this issue, energy security was to become a dominant concern of the leading industrial states. But this concern morphed into greater and greater interference as the crisis developed. The backlash was not long in coming. It led to the victory of the ayatollahs in Shia Iran in 1979. In the same year the invasion of Afghanistan by Russian imperialism paved the way for the West to support the military and ideological movements of Islamic jihadism as a tool for use against Russian imperialism. This eventually gave birth to the Taliban and to Al Qaeda. These movements based themselves on a version of Islam, Wahhabism, which had its roots in 18th century Saudi

Arabia and is still the religion/ideology of that state today. For Wahhabism the decline of the Muslim Empire was due to Islam's abandonment of its earlier 7th century purity. Its followers today believe the same thing goes for the Arab world in the face of Western imperialism. And once the Cold War was over they turned their guns on their former paymasters. The Islamic State is only the latest manifestation of this obscurantist cult which is opposed by the overwhelming majority of Muslims. It now makes the Saudi monarchy, which originally inspired and financed these movements (15 of the 19 9/11 bombers were from Saudi Arabia), quiver over what the future holds for their authority, not only in the Arab world, but in the Saudi peninsula itself.

However, if they really are to take advantage of the horrific events in Paris, the racists will have to catch up with the capitalist state. In France Hollande was quick to define the meaning of the incident for the bourgeoisie. The idea that the terrorist attacks were an assault on free speech and amount to a full-scale "war against France" has allowed not only the French state but also all the "democracies" to stage monster demonstrations to re-affirm the loyalty of their citizenry. To complete this orgy of bourgeois nationalism the French state has donated 1 million Euros to Charlie Hebdo in order to fund the next addition of the magazine. The new edition, which is to print 3 million copies in a number of languages instead of the usual 60,000 in French, is to contain further cartoons of the prophet.

It is all a useful diversion from the capitalist crisis which is making life more miserable for millions across the planet. And we have to ask ourselves, where was this concern for democracy when similar numbers, and with no "official" mobilisation, took to the streets in cities across the world to oppose the imminent invasion of Iraq on February 15 2003? That invasion went ahead nonetheless because the war over oil was at its height. The British state has consistently refused to publish the results of its own inquiry (Chilcot) into why such a criminal decision was taken by the Blair Government. Any jihadist terrorist threat in the UK is due entirely to that imperialist adventure. "Not in my name", the slogan of many in 2003, could belong to humanitarian workers from the US or Europe barbarically murdered by the Islamic State in Syria, as well as those Muslims in Europe attacked and firebombed by the racist backlash against jihadist terrorism. But capitalism the world over thrives on such divisions amongst its wage slaves. The more wage workers are divided the more they will accept capitalist exploitation and ... oppression.

While the capitalist class trumpet their undying love of free-speech, freedom of expression and political freedom, at the same time they use atrocities, such as Charlie Hebdo, precisely to stifle, undermine and trample these freedoms under foot. Such attacks are a useful pretext to increase interception and surveillance of all communications, to permanently monitor people's movements, to ban political organisations they disapprove of, to imprison without trial, to

confiscate passports of suspect citizens, torture suspects to obtain information etc. The Snowden disclosures and the recent US Senate report on CIA torture indicate how little our rulers really care about all the freedoms which they today proclaim from the rooftops. For example how many of those 40 world leaders who marched in Paris already gaol journalists? Russia and Turkey who have both imprisoned or murdered hundreds of journalists (remember Anna Politkovskaya?) are the two worst, but both brazenly turned up. Today they may use the arsenal of repressive measures mainly against the “Islamic enemy;” but this is an enemy which, in the historical perspective, poses no real threat to the capitalist social system. Tomorrow when that system is under threat, the arsenal of repression they are accumulating will be used with a vengeance against its real enemy, the working class and its political organisations.

Nor should we forget that globally the main victims of this terrorism are still those in predominantly in lands where most profess to be Muslims. 20 people (including the terrorists) have so far died in the three attacks in Paris in three days. That’s 20 too many. But this number pales into insignificance alongside the scores who are daily murdered in Iraq by suicide bombers or the 2000 indiscriminately killed in Baga by Boko Haram¹ on the same day the Paris crisis ended, though no-one seems to have taken much notice. A further 300,000 have been forced to flee North East Nigeria due to these Boko Haram atrocities. According to Al-Jazeera, Boko Haram may have killed 20,000 in the last decade. Like Al Qaeda, like the Islamic State these organisations are all the consequences of centuries of Western imperialism. The destruction of local economies by the imposition of monocultures in the name of development has reduced them to dependency on a world market run by financiers in faraway places. The consequence for many is that they have gone from being able to feed themselves to relying on the vagaries of the world capitalist system to scratch a livelihood. It is no accident that diseases like Ebola or Aids have emerged in West Africa where local populations, in desperate poverty, have resorted to eating wild animals which are normally shunned, with all the consequences for health that we now know. Pious and hypocritical words about the civilisation and democratic values of the West sit very uncomfortably with the reality of the world its imperialist actions have created.

The Crisis is not Going Away

Our previous issue in June 2014 appeared as the bubble in world commodity prices peaked. When 2014 closed that bubble had well and truly burst. As we suggest in our article on oil and imperialism in this issue, the consequences will be more than economic. 2014 was also the year in which Thomas Piketty's *Capital in the 21st Century* was hailed as the financial book of the year despite an initial volley of withering attacks upon its scholarship (which seem to have withered themselves). Now "orthodox" capitalist economists are rushing to endorse its major conclusion – that capitalism, just as Marx said it would, thrives on inequality. Piketty differs from Marx in that the author of *Das Kapital* located the contradictory mechanism of capitalism which leads to periodic crises firmly in the process of production (as our article in reply to Gilles Dauvé in this issue argues) whilst Piketty analyses the unequal distribution of wealth which derives from that. Whilst Marx sought to reveal the underlying laws of the system which were not easy to discover, Piketty sticks to the superficial phenomenon of differential wealth for which there are oceans of statistics.

What has made the issue of inequality such a burning one is the clear evidence that since the speculative bubble burst in 2007 the disparity in wealth between the world's wealthiest and the rest of us has multiplied. Whilst executive pay is 180 times the median wage, wages for all workers have fallen 8% in UK and the most optimistic estimate claims it will not achieve 2007 levels until 2019.

Piketty, and others, have though looked at the wider historical issue. They point out that after 1945, thanks to workers' struggles and the need to avoid class struggle in the Cold War, Western states introduced welfare payments and in some cases a state health scheme. In the post-war boom they became increasingly capable of funding a wider social safety net. This reduced inequality. However, when the post-war boom ended in 1971-3 the state was forced to renege a little on this. At first workers organised in large workplaces were able to resist early attempts to make them pay for the crisis and in the middle of the 1970s even managed to push workers share of the national income to record levels. At this point the bourgeoisie were simply printing money and running up a deficit to buy off the struggle. However this only worsened the crisis and brought both inflation and unemployment. The Keynesian consensus in the ruling class collapsed, as did working class resistance under the hammer blows of mass unemployment. As a consequence workers' wages as a share of national income fell from over 60% when the crisis hit at the start of the 70s to 53%² when the bubble burst. Today it is closer to 50%. In the broader historical picture the disparity in wealth has now returned to what it was in 1920 and more austerity is to come. A million public sector jobs are to go in the next Parliament to reduce the deficit and both major parties have committed themselves to doing just that. Whoever wins next May the future is bleak for the working class.

Amongst economists there is much wringing of hands because they can see that the continued drive to austerity will have both social and economic consequences which threaten the very existence of capitalism. No or little growth means that the world's debt will continue to grow astronomically and reducing the cost of wage labour will continue to be the norm. People on part-time, zero hour and precarious working contracts increasingly have nothing to lose. More and more capitalist pundits are voicing fear that the political and economic alienation of those with nothing to lose will threaten the stability of the system. Yet in truth none of them have a solution to the crisis. Some suggest spending money on infrastructure as an alternative to financial engineering. This would create short-term jobs but the historical record of such projects is patchy. In Roosevelt's New Deal the USA spent millions of dollars in trying to kick start the economy (1933-6) but the crisis still came back in 1937. It was only the build up to the Second World War and rearmament which really turned the USA (and much of Europe) around. In the end it was only the massive devaluation of capital in the Second World War which enabled a new cycle of accumulation (the post-war boom) to begin.

We have been in an era of permanent low-growth since 1973 and only the various interventions of the capitalist state have managed to prolong, but not solve, this global crisis. They have tried everything from deficit financing to neo-liberalism, from nationalisation to privatisation, from wage freezes to deregulation. They have dismembered old industries and replaced them with a microprocessor revolution which, unlike previous technological revolutions, has had no spin-off in new industries (in fact it has reduced jobs). We have had globalisation and financialisation as capitalism has chased the bottom line by extracting more and more value from workers paid less and less. And to finish it off, globalised capitalism gave us a long speculative boom which ended in financial collapse in 2008. The economists told us at every stage the system would correct itself. Today they mumble that this or that micro-policy might work but are almost as discredited as bankers. Piketty himself says that the only solution is a permanent wealth tax plus a progressive income tax reaching 80% for higher earners. He admits that politically this is utopian as the ruling class will never agree to such a decline in income. We would argue that economically it won't work any better than the other neo-Keynesian schemes he correctly rejects but like social democracy in the past it would ensure greater social stability for the capitalist system.

What capital really needs is a massive devaluation of current values. However no capitalist is prepared for this to happen to their own capital although they are quite happy to see it happen to their rivals. And this lies behind the current imperialist encounters from Ukraine to the Pacific. The ultimate capitalist solution is war no matter what individual capitalists might desire. The only alternative is for the sleeping giant of the world's working class to begin to fight for its own interests again. Accepting austerity is not just a short-term burden

but can only lead to worse consequences in the long-term. If the capitalists impose their agenda on the world then humanity itself will be threatened.

But fighting austerity is only the start. Only a conscious working class which has regrouped and reorganised itself politically with a clear revolutionary programme can stand in capitalism's way. This means we have to learn from our own past. This is why the publication of Onorato Damen's reflections on the political failure of Italian revolutionaries to found a Communist Party at the Bologna Congress in 1919 is neither a simple act of homage nor a piece of historical nostalgia. It is part of our contribution to the theoretical fight for a new international organisation of the world working class. As 1919 showed, even an extremely militant class cannot win unless it gives itself the right tools. Only by understanding our past defeats will we prepare the way for future victory against a system which brings only exploitation, terrorism, poverty, and war.

Footnotes

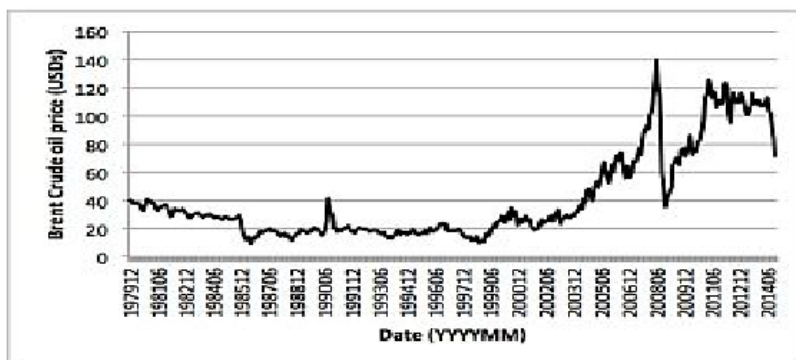
1 The figure is from Amnesty International. For more on Boko Haram See <http://www.leftcom.org/en/articles/2014-05-27/the-imperialist-legacy-of-boko-haram>

2 <http://www.tuc.org.uk/sites/default/files/tucfiles/TheGreatWagesGrab.pdf>

Oil and the Shifting Sands of Imperialism

The collapse in oil prices represents a significant blow for global speculation and thus a further intensification of capitalism's crisis. It also heralds an increase in imperialist tensions with as yet untold consequences for the struggles, not just in the Middle East and the Ukraine, but in an increasingly competitive and aggressive wider world. The following article examines the meaning of this collapse and the developments which brought it about. The key question is whether lower oil prices could lead capitalism out of its present crisis. We think this will not occur. The text also contrasts the position of OPEC in the 1970s to that today. The attempt by the Saudis to regain market share by bankrupting "tight oil" production, which is mostly in the US, through sustained lower prices sees the Saudis acting against the interests of their imperialist master for the first time. This can only represent a symptom of a more general US loss of hegemony in the Middle East. This has been most clearly visible in its contradictory position in Iraq and Syria and its withdrawal from Afghanistan. The biggest beneficiary of lower oil prices is likely to be China but as we also argue here it is not without its own problems. 2015 will thus be a year of crisis and increasing international tension which will bring misery to millions, once again revealing that the capitalist system is not the final resting place of history.

The oil price collapse



The dramatic 50% drop in the world oil price in the second half of 2014 has sent shockwaves through the world economy. However, when you think about

it, the fall is not so strange. What is really odd is that in the face of a global recession the price has remained so high for so long in the first place.

The graph on page seven is for oil prices from 1987-2014. It shows that after a brief blip in 2009, following the bursting of the speculative bubble, oil prices continued to surge to levels never seen before. In fact it appears that demand has never faltered. In the third quarter of 2012 world output reached 90 million barrels a day. It has not gone below this ever since and, according to the International Energy Agency is currently close to 94 million barrels a day.¹ This continual “demand” and hence high price is in itself slightly mysterious given the decline in production growth in the developed world.

The answer appeared to lie in the appetite for more oil from the “developing world”, in particular China and India. Or at least that’s what they kept telling us. In fact it gives an extremely misleading impression. Even for China and India, economic growth has slowed down. Both had double digit growth before 2008 but now they have slipped to 7% and 4.5% respectively. For China the slowdown came quite quickly in the wake of the 2008 puncturing of the global speculative bubble. In fact what happened was that the Chinese Communist Party recognised that economic disaster beckoned if they did not act. As a result they used the 4 big state banks to lend record sums of money to stimulate the economy mainly through a housing bubble in China itself.² In India the trajectory was slightly different with as much as 12% growth as late as 2012. However in 2013 this nosedived to around 4% and has only reached about 5% under the new Modi government, despite the great hopes that were pinned on his ability to free up the private sector. Now both countries have revealed deeper economic problems.

*In the third quarter of 2014, China’s gross domestic product expanded 7.3 percent year-on-year, slumping to a five-year low. The slowdown was driven by lower property investment, dwindling credit growth and weakening industrial production.*³

And India is no better off as this report from the *Financial Times* makes clear.

*Indian companies, furthermore, were heavily indebted and more than a third did not make enough money to cover their interest payments ... The banks, in turn, were exposed to high levels of bad and doubtful debt — 11 to 12 per cent of total assets.*⁴

This signalled that the great commodities boom in the so-called BRICS since 2000 was coming to an end and not just for oil. The iron ore price fell more than oil in 2014 and only nickel amongst industrial commodities has avoided a sharp drop. But why is the commodity boom only ending now and not in 2008-9? The answer lies largely in speculative activity. In some respects with commodity trading there always is speculation.

Speculation and Debt

Oil is typical. Oil prices which are fixed on the NYMEX (West Texas Intermediate (WTI) index) for the US or for the world in the more important ICE (Brent Crude Index) in London have long since been unconcerned about present needs⁵ but only with future prices. They in fact establish what the price will be in 18 months to 2 years time. The complication does not stop here. As the price contractors are basically gambling on a prediction they also have to ensure that they have not got it completely wrong so they engage in hedging⁶ (just like a bookmaker who finds they have taken in too much money on one horse and lay the bets out with other bookmakers) by parcelling out that risk to others. And this is only the simplified beginning of the process since the world financiers keep coming up with more and more elaborate ideas for pooling this risk as well as sharing the benefits. Credit derivatives, default swaps and all the other fancy names they have given to bundles of debt are the result. Over the last few years financial speculation has not stopped but they have discovered, or rather renamed, some of these instruments. What used to be called junk bonds are now sanitised as “High Yield bonds” (i.e. high risk bonds) and instead of CDOs (collateralised debt obligations) we now have collateralised loan obligations. CLOs are a type of bond that bundles together cash flows from loans made to highly indebted companies with safer investments and then slices them according to risk. Both have played a major role in the speculators’ strategies. In truth there is nothing new here.

What is different is that there is a new element in this speculation. Until 2002 only 5-10% of commodity trading was “attributable to investors” (i.e. managers of investment funds who have no real interest in long-term productive investment only in the amount of revenue they can acquire in the shortest time via the various equities and bonds issued) but after this the figure suddenly leaps to 30% and with it the rapid boom in commodities. And where better to speculate than in the one commodity that is the backbone of nearly all economic activity on the planet?

The vehicles of this increased speculation have been the traded equities and bonds used to finance shale oil and gas exploration and production in US. This is particularly noticeable in the category of “tight oil” which includes fracking, horizontal drilling, deep water drilling and heating up oil sands with steam to extract usable crude as they do in Alberta, Canada. They are “tight” because they are not as cheap and easy as conventional methods for extracting the crude and have lower profit thresholds. The rise in oil prices gave the green light to private equity firms which were sitting on piles of capital but, given the low global rate of profit, with few places to invest. As the *Wall Street Journal*

put it

For the most part, private equity has been a friend to shale drilling, which emerged about a decade ago. Wildcatters combined sideways drilling done miles beneath the surface with a rock-cracking process called hydraulic fracturing to unlock vast reserves of fuel. Private-equity firms were poised to profit. At the time, major oil companies had turned away from the U.S. in pursuit of far-flung prospects, and bank financing all but dried up during the recession. The financiers, meanwhile, had piles of cash raised before the financial crisis for buyouts.⁷

As a result of this investment the US alone has added 4 million new barrels of crude oil per day to the global market since 2008. And yet until last June it seemed to have no effect on prices. Some have tried to argue that the politico-economic conditions in 2014 suddenly changed. They point to the renewal of Libya's oil exports as the rebels have opened up a couple of ports but with IS seizing Syrian and Iraqi oilfields, with a continuing dispute between the Kurdish Regional Government and Baghdad over oil revenue (and thus oil flow⁸), with Iran still hampered by sanctions, it is difficult to see how things have improved much here either.

The initial fall has to be the result of doubts amongst the speculators. In the first place they based their gamble on forecasts for an increased future demand. In 2013 the financial magazines were full of articles about how oil production would never keep up with Chinese demand. But halfway through 2014 it was clear that this was not picking up as they had expected. The recovery was not happening. Those dealing in the futures markets began to notice that though a lot of oil was getting sold this was because the countries pursuing energy security were stockpiling it. This becomes clear when you analyse the difference between "demand" and "consumption". Even though China and India's demand was increasing they were not actually using it all but increasingly storing it (largely for energy security reasons). According to the US Energy Information Administration's *Short Term World Outlook Report* (Douglas-Westbrook analysis) their actual consumption began to stagnate and then decline during 2013 even though demand continued to increase. Initially oil, finance and other energy organisations paid little attention. Those involved in oil investment had a vested interest in not noticing and pretending that oil was still on the up.

However in 2014 when they saw that crude oil was increasingly ending up in storage tanks at key locations, not just on the other side of the world but in the USA itself, then warning signals were triggered. The West Texas Intermediate (WTI) index for sweet American crude takes its lead from the oil storage facilities at Cushing, Oklahoma which were the largest in the world when built, taking about 41 million barrels. However the facility has been expanded and

now holds something like 69 million barrels. By the end of 2013 oil analysts were noticing that the reserves were mounting and getting close to a critically high level (i.e. the tanks were almost 80% full – and they always try to keep 20% free). This sparked the original price drop last June but was not the main cause of the steep decline that followed. For the answer to this we have to turn to Saudi Arabia and OPEC.

Saudi Arabia, OPEC and 1973

In the history of oil production and pricing since the 1970s one factor stands out. This is the role played by Saudi Arabia and OPEC in maintaining relative price stability. The bedrock of this system dates back to 1945 when Roosevelt was on his way back from Yalta. Sailing on the *USS Quincy* in the Suez Canal he met with Abdal Aziz, the Saudi monarch.⁹ It was not the first contact between the two sides. US-Saudi relations began in 1937. In that year the discovery of oil by the US firm, Standard Oil, set the US on course to an understanding with the Wahhabite autocracy of the Saud family in the Arabian peninsula. It was the only Middle East oil country where the US had managed to muscle in over the British (who had assisted the Saud's rise in the 1920s until they finally set up the kingdom in 1932). As Standard Oil (soon to become the Arab-American Oil Company (Aramco), and sharing profits with the Saudis) began to find more oil during the Second World War the significance of Saudi Arabia to US imperialism had become obvious. The deal was that the US would give unstinting military support and a secure market to the Saudi regime in return for an assured supply of cheap oil. And cheap it was throughout the post-war boom. In fact the oil price fell in real terms as a gentle but continuous inflation increased costs in almost every other aspect of economic life. By the end of the 1950s the US was in a relatively luxurious position. In 1960 it encouraged the formation of OPEC (the Organisation of Petroleum Exporting Countries) of 12 of its international oil-producing friends (including Iraq, Venezuela and Iran)¹⁰. At this point the world had not taken much notice of these countries getting together.

The picture changed with the end of the post-war boom as the immanent laws of capitalist production once again began to assert themselves. We have explained many times how they operate specifically in response to the tendency of the rate of profit. Anyone wishing to investigate further can start with the links cited here¹¹. All we will say here is that the reappearance of the crisis of accumulation was the most significant turning point in world history since the Second World War. All the cosy assumptions that the longest secular boom capitalism had ever seen would go on for ever (as Keynesian economists believed at the time) were shattered. The clearest signal that the party was over was Nixon's abandonment of the Bretton Woods Agreement in 1971. At Bretton Woods in 1944 the US had agreed that the US dollar would be always equivalent to \$35 an ounce. It was thus as "good as gold" and would be the fixed currency of the so-called "free world".

However, US GDP plunged by 4.2% in 1970¹² and the economy went into recession. US Treasury outlays increased, as did both the budget and trade deficits. As more and more dollars were printed to cover the deficit (a fact made worse by the mounting costs of the Vietnam War) the US state realised that it could no longer cover all the promissory notes it had issued with its gold reserves. Hence in 1971 the US abandoned the gold standard and floated the dollar. With flotation came devaluation and Nixon realised that the US was “over a barrel” economically in another sense too. In 1945 the US had been the biggest producer and trader of oil in the world. This peaked in 1970. In that year US oil production stopped growing and the US Government’s secret survey of the prospects (carried out by James Akins who after 1973 became US Ambassador to Saudi Arabia) concluded that new wells were unlikely to come onstream in the short term, especially if oil prices remained relatively low. The US Government thus faced a double whammy. Not only was the US likely to import more and more oil over the foreseeable future but a devaluing dollar would make this more expensive. The dollar was the bedrock of US dominance of world markets because of its guaranteed statutory value. Now other states (including oil producing states) might find they could no longer rely on the dollar. The fear was that they would turn to other currencies thus further reducing the value of the dollar. This would have been calamitous for US domination of the world economy.

Nixon thus proposed a new military alliance with the Saudis in return for them permanently making all oil transactions in dollars. King Faisal agreed and what came to be known as “petrodollars” were born¹³. US policy ever since has been to try to ensure that the world continued to use these dollars for most of its transactions. This has allowed the US Treasury to print money which need not circulate in the US and thus create inflationary pressures. In effect the rest of the world would be paying for the crisis in the USA. And as John Authers pointed out in the *Financial Times*

... ever since the postwar version of the gold standard ended in 1971, with President Richard Nixon’s decision to end the dollar’s fixed price in gold, oil has been its closest replacement as a store of value in the world economy.¹⁴

This has no doubt encouraged Saudi Arabia to remain true to its word, not only by sticking to the dollar in pricing, but even investing massive amounts of the dollars it receives in the US economy.

The Oil Crisis of 1973

Despite the mythology Saudi Arabia was still sticking to the deal in 1973. 1973 was an important year in global history. Whilst the popular press has it that in that year the Arab oil embargo created the economic crisis that brought the post-war boom to an end, in reality it was the other way round. The oil

producers had been cheated for years in the boom. While nominal oil prices remained roughly the same despite runaway demand, oil revenues were actually declining in real terms due to annual inflation of 1 or 2% in the world economy. The oil embargo may initially have been politically motivated but it morphed into a demand for fairer oil prices. The same demand was being made by all commodity producers in the so-called developing world but only the oil producers had such a strategic weapon in their hands to do anything about it. This was when the world first took notice of OPEC.

The great problem for US imperialism in the Middle East was that its policy rested on unquestioning support for two states, Israel and Saudi Arabia locked in opposite sides over the dispossession of the Palestinians. Throughout the Cold War the US managed it fairly well by playing on the Saudi monarchy's fear of communism. However after the Israelis won the Six Day War in 1967 they continued to occupy parts of Egypt and Syria as well as Gaza and the West Bank. By 1973 the Arab pressure for Israel to withdraw had mounted and one weapon that Faisal of Saudi Arabia deployed was the threat of an embargo. He began threatening at the beginning of the year but did not actually impose it until a meeting of OPEC in Vienna after the Yom Kippur War began in October. For once, Israeli intelligence had failed and Syrian and Egyptian forces caught the Israeli Army by surprise. However as the Israelis began to recover lost ground the US delayed a UN resolution on a ceasefire and this became the provocation for the calling the embargo. At the same time other Arab states in OPEC like Kuwait and Iraq, announced that they would reduce production by 5% a month until Israel withdrew from occupied lands.

The panic this caused in the West is legendary, with unemployment rising, short-time working and long queues at petrol stations. But in truth this was not the result of the embargo. There had been long queues earlier in the year in the US due to Federal Government measures to reduce oil consumption in the wake of falling US production.¹⁵ The embargo itself lasted only 5 months and was never properly carried out. No other significant oil producer (especially Iraq and Iran) ever stopped supplying the US with oil. Even Saudi oil continued to discreetly flow to the US via tankers from Bahrain (from where the US Army in Vietnam was supplied). And in any case, given how the oil markets worked, an instant embargo was impossible, since much oil was already in tankers on its way to the States. Even the threatened reductions of 5% a month by other Arab states were abandoned after only two months (mid-December 1973).

Whilst Nixon's envoy Henry Kissinger recorded in his memoirs that his failure to believe that the oil embargo was for real was a "blunder", many commentators have challenged this interpretation. According to the famous Saudi Oil Minister and OPEC negotiator Sheikh Yamani, the US actually wanted a price rise at that time. Then, as now, a higher price for oil would give them sufficient profit to invest in "tight oil" production in the States. Yamani had at first not really

believed that the US were comfortable with this but was told to visit the Shah of Iran who told him that the Americans wanted a price rise. In an interview with two *Guardian* journalists in 2001 he stated that in 1973,

'I am 100 per cent sure that the Americans were behind the increase in the price of oil. The oil companies were in real trouble at that time, they had borrowed a lot of money and they needed a high oil price to save them.' He says he was convinced of this by the attitude of the Shah of Iran, who in one crucial day in 1974 moved from the Saudi view, that a hike would be dangerous to OPEC because it would alienate the US, to advocating higher prices. 'King Faisal sent me to the Shah of Iran, who said: "Why are you against the increase in the price of oil? That is what they want? Ask Henry Kissinger - he is the one who wants a higher price".' Yamani contends that proof of his long-held belief has recently emerged in the minutes of a secret meeting on a Swedish island, where UK and US officials determined to orchestrate a 400 per cent increase in the oil price. ¹⁶

No-one has seen these minutes but there is circumstantial support for Yamani's view. In an OPEC meeting in Algeria in 1972 Nixon's energy advisor James Akins had already suggested a rise to \$4 or \$5 a barrel (equivalent to a 40% increase at the time). The Shah of Iran, the US strongest supporter in OPEC, actually advocated pushing the price to \$20 and it was Yamani himself who fixed the "compromise" figure of over \$11 or a rise of about 400%.

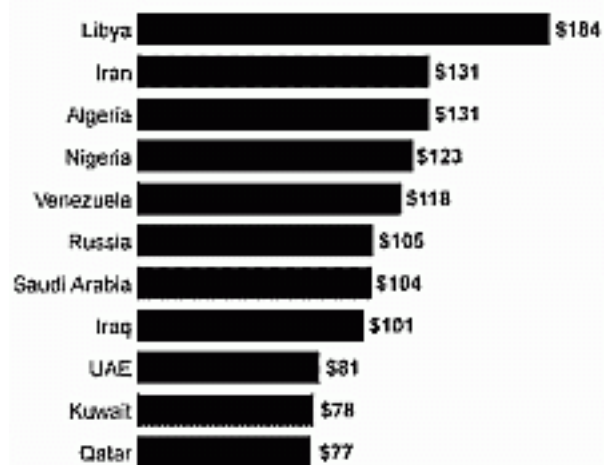
The problem for the US is that today it has few friends able or willing to do this now. In past periods when the oil price has fallen the Saudis have always been the first to cut. After all, the Kingdom has 25% of the world's oil reserves and 85% of spare production capacity. Previously it has used, or not used, the latter to keep prices relatively steady. However, in 2001 Saudi Arabia cut production to keep prices up only to find their market share was simply taken by other producers without it raising the oil price. Saudi Arabia thus is no longer prepared to be the reservoir to stabilise prices to satisfy the US. It is no longer worth it. However this time it has gone further. Not only has it not cut its production but ever since the prices started to fall it has accelerated that fall by increasing output. This is clearly a policy and in November, Saudi Arabia succeeded in getting the rest of the OPEC club to go along with it, despite the fact that all of them would prefer higher prices to balance their budgets. OPEC output has been above its stated quota limits for most of the last six months. Ironically the policy is reminiscent of US monopolies like Rockefeller's Standard Oil who in the US oil boom spent their reserves to force down prices to bankrupt rivals and then bought up their production at knock down prices. Saudi may not be planning on buying anyone else's productive capacity, but they are making a decisive and strategic attempt to destroy "tight oil" in the US (including shale) once and for all, even if this means a sustained period of low prices.

The Consequences for Oil Producers

Other OPEC members have little choice but to follow them. Many commentators describe OPEC as a cartel but this it has never been since it has never included all major oil producers (the USA and USSR/Russia for example). It is a club which was set up in entirely different circumstances to today when the world economy was booming. In fact many of the commentators who still call it a cartel then go on to say it is ineffectual. They don't seem to see the contradiction. In fact the OPEC producers have realised for some time that they are no longer in the same fortunate position as they were in 1960 or even 1973. However they have no option but to follow the Saudi insistence that if OPEC producers cut production to increase prices other non-OPEC producers will simply fill the gap as they have increasingly done over the last 20 years. In short, OPEC can do nothing but agree to keep on producing the same quotas despite the strain this will cause for many.

Low prices are not painless for Saudi Arabia itself. Since 2005 King Abdullah, worried about threats to the monarchy from his own youth, has done more

Oil price needed to balance budgets



Source: Deutsche Bank and IMF

than any previous monarch to establish schemes to give Saudis jobs (rather than rely on foreign workers as in the past). He spent \$112 billions on social programmes in 2011 alone.¹⁷ This was partly a recognition that many unemployed Saudi young men were heading off to the jihadists movements around the world (see the editorial in this issue) and partly also a recognition that there has to be something beyond oil to sustain the Kingdom in the future. This means that state expenditure is higher than it has ever been which is why as late as June 2014 oil minister, Ali al Naimi, was loudly proclaiming that \$100 a barrel was a fair price. Saudi Arabia has huge financial reserves (these are estimated at anywhere between \$500 billion and \$900 billion). The Saudi rulers are thus prepared to run a budget deficit which is predicted to be 14% if oil is at \$60 a barrel for some time, in order to cause even more pain to their rivals. The Riyadh regime has no sovereign debt so

more than any previous monarch to establish schemes to give Saudis jobs (rather than rely on foreign workers as in the past). He spent \$112 billions on social programmes in 2011 alone.¹⁷ This was partly a recognition that many unemployed Saudi young men were heading off to the jihadists movements around the world (see the editorial in this issue) and partly also a recognition that there has to be something beyond oil to sustain

obtaining loans from international financial markets would be no problem. In a remarkable volte-face oil minister, Ali al Naimi, is now saying he is prepared to carry on producing the same amount of oil even if the price falls to \$20 a barrel¹⁸. This is no piece of bravado as Saudi production costs are less than \$10 a barrel. Few can match that.¹⁹

This means that the graph on page 15 (which is only one version of the oil price that each country needs in order to balance its budget – there are others and they don't all agree on the precise figures) needs to be interpreted carefully. However as a rough guide this it shows that not one oil producer can be said to be happy with a price under \$60.

Low prices do have a disproportionate impact on some rather than others. Nigeria and Venezuela are so much more dependent on oil revenue that the crisis will be much more profound in those places. Nigeria's economy so recently proclaimed itself as the largest in Africa but the declining oil price has hit export earnings (oil accounts for 90% of export earnings), government revenues (60% of which come from oil) and the currency (the naira) is falling rapidly despite an 8% devaluation. In Venezuela, where social welfare programmes are based on the previous high price there is a sense that something has to give. Oil accounts for 96% of export earnings and estimates are that every dollar drop in the oil price costs Venezuela \$700 million). Some analysts suggest that Venezuela needs a higher oil price (\$130) than the table above suggests. In addition, the economic mismanagement of the Maduro Government over inflation and basic supplies means it looks like there are tough times ahead for the so-called "Bolivarian Revolution".²⁰

Despite the evidence presented here, there are some who do not believe that the motives of the Saudi regime are simply economic. The most vociferous of these is David Gardner in the *Financial Times*. He argues that the main target is Iran, and the motive, religion.

The Wahhabi nation's visceral hatred of its Shia rivals should be factored into the equation ... the more threatening regional rival to the House of Saud and its absolutist brand of Sunni Islam is Iran – which, since the 2003 US-led Iraq invasion installed a Shia government there, has forged an Arab Shia axis from Baghdad to Beirut, with influence, too, in Saudi neighbours Yemen and Bahrain.

This is undeniable and the fact that the US and Iran are now fighting the same Wahhabist-Sunni enemy in Syria and Iraq in IS will not have been lost on the Saudi regime. But the ruling elite are not so stupid as to think that lowering the oil price will bring down the Iranian regime (although it might give the ayatollahs pause for thought over the massive financial aid they are sending to their allies in Syria, Iraq, Yemen and Lebanon). And it might even be counter-productive.

If Iranian options are restricted due to falling oil revenues then this could force the Iranian regime to do a nuclear deal with the West and thus have sanctions lifted. This would then lead to Iran getting investment from the West and greatly strengthen its imperialist position. The Iranian “reformists” (i.e. those seeking a deal with the West) also think that Saudi oil policy is aimed at them. President Rouhani denounced the drop in the oil price as “treachery” (without specifying the traitor or the deed) and there is no doubt it will make the position of his government weaker (He has been carrying out economic reforms to undo some of the stupidities of the previous Ahmedinejad presidency but the new oil price will undermine this as the table above shows). In short, it could go either way. Rouhani might cut a deal with the US but equally he might be paralysed for lack of revenue and this would open the door to the hardliners (in the Pasdaran or Revolutionary Guards)²¹ who are just waiting for the chance to get rid of him. Iran wants and needs the oil price to go back up, but for the moment is also a prisoner of the OPEC decision, and any break with OPEC would only make things worse for the Iranian oil industry.

The Threat to Russian Imperialism

Beyond OPEC there is the particular case of Russia. The Russians at first also seem to have increased oil production and through Lukoil, the main oil company, gave discreet diplomatic support to the OPEC states’ stance in not reducing supplies in the summer. It seems that they too saw a long-term threat from shale oil in the US so were initially prepared to go along with the Saudi policy of not ceding ground to other producers. Economically though this was a dangerous game for the Putin regime. Russia is much more dependent on oil exports (as opposed to gas the price of which, in any case, has now also fallen to a record low on the NYMEX) for its revenues than is sometimes supposed. It gets 33% of its foreign exchange from sales of crude and also sells about half as much again in refined petroleum products. Russia is already facing enough economic problems thanks to sanctions which were said to be causing a loss of \$40 billion a year in November²². The economic pressure from sanctions and falling oil revenues is leading to flight from the rouble which has only been floating on foreign exchange markets for a couple of months. Much of this is because rich Russians are selling them for dollars. The central bank has reserves but is not prepared yet to use them to support its own currency. Instead it decided to raise interest rates to 17% but this did little to arrest the decline of the rouble which fell to 50% of its October value in December 2014.

Rosneft, the heavily indebted Russian oil company, has asked to borrow \$40 billion from Russia’s sovereign wealth fund but was not given it. Instead it has issued rouble denominated bonds worth \$11 billion which it is believed were only bought by the largest state banks. According to Sergei Guriev this has been accompanied by some dubious financial practices. Not only did the investors

charge Rosneft a ridiculously low interest rate but they were then allowed to use the bonds as collateral to borrow even more money from the central bank.²³ Russia has no current account deficit but it does have historic debt. With \$120 billion of that debt due for repayment in 2015 it is not surprising that the rating agencies have downgraded Russia's sovereign credit rating to junk. Little wonder that in November the Russians had changed tack over the oil price and tried to sound out the OPEC meeting about some sort of production cut agreement but without success²⁴.

According to Putin the whole business has less to do with economics than it has with a Western plot (along with sanctions) to once again reduce Russian power and influence. Only last June Putin signed into being the Eurasian Economic Union in Astana (capital of Kazakhstan) with Kazakhstan and Belarus. This was one response to the sanctions imposed by the West. Theoretically allowing free movement of labour, capital and goods between member states it is believed that it will mainly benefit Russia given its overwhelming economic clout²⁵. But Russia's standing as an imperial power in the states of the former USSR have taken a hammering as their currencies have fallen dramatically in the wake of the rouble's decline. Belarus, which has 59% of its imports and 35% of its exports with Russia, was already a victim of Putin's retaliatory ban on western food imports. Now as the Russian rouble falls it has been forced to raise interest rates to 50% and impose a 30% tax on buying foreign currency to try to hold its own currency up. Despite these drastic measures it still fell by 13.3%. It was not alone. All the "stans" apart from Turkmenistan lost heavily with the Kazakh tenge leading the way in a 15.2% fall. The Moldovan leu fell the most to 17.1%. The only consolation for the Kremlin was that hostile states such as Georgia (8.7%) and Ukraine (47.9%) also got sucked into the vortex of currency falls.

There is no question that 2015 looks bleak for Russia. Even a (former?) Putin ally, Alexei Kudrin, has forecast that Russia will face a "full-blown economic crisis next year". He predicted that if the price of oil stayed at \$60 a barrel the Russian economy would contract by 4% (the Russian central bank actually forecasts 4.7% at this price). Already the central bank has had to bail out Trust Bank (so far injecting \$2 billion into it) and is planning an \$18 billion recapitalisation of the whole financial sector next year.²⁶ Putin continues to put a brave face on it even as those impoverished London-based oligarchs squeal about the hundreds of millions they have lost with the fall in the rouble. The poor things though would be better to remain silent as in the particular state capitalist regime which is now Russia the loss of state patronage (and Putin's support) can be costly, as Mikhail Khordokovsky's years in gaol prove. Putin is still popular, riding on the fact that life in Russia has improved dramatically since the disastrous Yeltsin years. His nationalist narrative in restoring Russian pride by his interventions in South Ossetia, Abkhazia and now the annexation of the Crimea has reversed years of Russian retreat in the face of an ever more

arrogant advance by Western states. There is no question that this policy, as well as his support for the breakaway entities in Eastern Ukraine, has boosted his popularity. And he will continue to play on this by blaming all the impending economic problems on the West. He set the tone in a recent press conference;

... he compared Russia with a bear .. "They will always try to put it on a chain," he said. "As soon as they succeed in doing so they will tear out its fangs and claws." That, he said, would leave it nothing but a "stuffed animal".²⁷

Desperate sounding stuff but it represents a kind of truth for the Kremlin. Putin cannot back down from the game of brinkmanship that he is playing, either politically or economically. He counts on disunity between the EU and the USA for ultimate success but increasingly he is driving his opponents together. It is a dangerous game and the oil price collapse might threaten to bring down the entire economic edifice. Still when faced with estimates of a 5% economic contraction next year (with a further 3% the year after), pro-Putin spokesmen just give a shrug and say that the Russians have suffered worse in the past. This gathering economic storm will do nothing to halt the war in Eastern Ukraine or give much scope for negotiations. And with a global economic slowdown leading to all political leaders seeking refuge in increasingly nationalist rhetoric, tensions can only mount in 2015.

And Consequences for the Global Economy?

As the main Saudi aim is to reduce US shale production, just how dangerous is the Saudi/OPEC policy for shale producers? Journalists have speculated about as much as the financiers on that one. With some there is almost a sense of ideological bravado as they argue that shale production can still be profitable at \$50 a barrel due to new (but unspecified) technological advances. Others insist that the game is up for shale at under \$80 or whatever price they think. Our own view as expressed in our previous article on this subject takes us back to the speculation we mentioned at the beginning of this piece.

Even the much-trumpeted energy independence, which according to the most optimistic forecasts would be achieved at the earliest by 2050, appears to be more a mirage than a hope. It is much easier to see shale gas as yet another speculative bubble in the US. In fact, thanks to the interest of speculative financial capital on Wall Street, data on US reserves of shale gas may have been exaggerated 400%.

Almost certainly hidden behind the euphoria about the exploitation of shale gas deposits lies the fact that current production comes from just two deposits of shale oil (the Bakken Shale in North Dakota and Montana and the Eagle Ford deposit in Texas), whose production peaks are concentrated in very limited areas, and five other fields of shale gas.²⁸

In short the shale revolution is neither as wide nor as deep as its promoters maintain²⁹. There seems to be a recognition by the more involved pundits that there will be blood (i.e. some bankruptcies amongst shale producers) but in the good old US tradition this will only allow their less-indebted competitors to buy up their capital cheaply.

In the US shale oil industry, where growth has been fuelled by borrowing, Pearce Hammond of Simmons & Co, the investment bank, says “companies that have good assets but that don’t have good balance sheets” will likely fall to acquisitions. Large oil companies are already reviewing potential targets, hoping to use their financial strength to pick up assets and companies at attractive prices.³⁰

In other words we are in for the next round in the historical game of oil monopoly capitalism. The big oil companies will attempt to pass on the pain to the oil services industry. The great thing about being an oil major (monopoly) is that you contract out the real work to lots of smaller companies and then pull the plug on them when times are bad. The UK should expect a lot of redundancies and wage cuts in places like Aberdeen where many of these contractors are based. This will also trigger some concentration and centralisation of capital in the supply companies.

Many are talking up the benefits of an oil price fall. Leading the way is the IMF’s Christine Lagarde. She argues that the economic benefits of the lower oil price will boost global growth by 0.6% for the next two years (with beneficiaries including non-oil exporting nations like India and China as well as Western “consumers” who will face lower inflation) as happened the last time oil prices fell in 2008-9 or back in 1986. However, there are some who recognise that things could be different this time. In fact, if the world goes into a period of stagnant or falling prices generally in the wake of commodity price falls in 2014, then there is no incentive to spend, as is the norm when inflation will eat away at savings. If that happens there will also be little economic growth and little investment. As it is the amount of debt washing round the world since 2007 has not diminished but has actually almost doubled to \$60 trillion³¹. With no inflation and little growth (the financial markets have now realised that much of China’s current growth is based on unsustainable financing of technically bankrupt firms) it is difficult to see how this trend can be reversed.

Which brings us back to the original question about speculation. Given that the fundamental crisis of the falling rate of profit can only be addressed by a massive devaluation of capital and this no owner of capital naturally wants to do (but wants everyone else to do) there are few outlets for profitable investment. Hence capital shifts from one category to another trying to achieve the maximum return. This explains why the stock markets have remained ridiculously high even though there is no economic performance in real terms

to justify the current index. Shale production is already beginning to register a downturn.

Many investments remain in the black. But the nearly 50% drop in oil prices since this summer has wiped at least \$12.7 billion of value from private equity's holdings, based on the stock moves of nine exploration and production companies that represent some of firms' largest publicly traded energy positions.³²

So much for direct investment, but what are the wider consequences for the collapse of the oil price on this latest speculative bubble?

The shale surge has been built by borrowing: companies have typically spent more on drilling and completing wells than they have generated in cash flows and over the past decade about \$163bn worth of high-yield debt has been issued by US oil and gas producers. Some have relied much more heavily on debt than others, however.³³

High yield debt is as we explained above the new name for “junk bonds”. The question will be who will pick up the tab for the ones that do fail. As banks have been reluctant to further endanger their existences by backing shale it has been left to private equity and hedge funds to take up the challenge.

Some hedge funds were already in trouble before the oil price registered.

Hedge funds are shutting at a rate not seen since the financial crisis, with 461 closing in the first half of the year, according to Hedge Fund Research Inc.³⁴

And much of this is related to speculation in energy extraction.

Speculative grade-rated energy debt has recorded a total return of minus 5.27 per cent so far this year.

As a result

Big bond investors are cutting their exposure to energy companies in the \$1.3tn US market for junk-rated debt as the year ends with little sign of oil prices stabilising.³⁵

And that was on 3 December before the oil price fell even further. Given the level of indebtedness more selloffs and write-offs are likely to follow, as Tracy Alloway explains.

Investors have been rushing to analyse their holdings of collateralised loan obligations. CLOs are a type of bond that bundles together cash flows from loans made to highly indebted companies and then slices them according

to risk.

Commercial mortgage-backed securities, which pool loans secured by commercial properties such as offices and industrial facilities, are also under scrutiny. Some 25 CMBS deals worth \$251m have loans on properties in the Bakken formation of North Dakota — where shale drillers have been scaling back — according to Morgan Stanley estimates.

Pressure to identify and potentially offload energy-related debt is likely to intensify as the end of the year approaches and asset managers prepare portfolios for review by investors — a process known as window-dressing.

In short they are trying to present a picture which is brighter than it really is. In fact the inter-connectedness of the energy companies, hedge funds, private equity and institutional investors that is the stuff of modern financial capitalism suggest that we might be talking about a wider financial crisis. As Ralph Atkins put it

What might seem a local squall is spreading. As an asset class, high-yield bonds have already given up this year's gains. The danger is of a broader shift that spills into equities and other assets.³⁶

The world derivative market stands at \$236.8 billion of which about one sixth is in energy-related high yield bonds. The returns on these that shale was supposed to bring cannot but lead to default. How serious the consequences for wider financial disaster is a matter of debate but one thing is clear. There is no universally rosy scenario for global capitalism arising out of the oil price fall. And with the world plagued by mounting debt and minimal growth there are few options for manoeuvre amongst the imperialist powers. Saudi Arabia and its Arab followers have to stand firm on keeping up oil production and Putin cannot back down in the Ukraine. The US Congress don't appear ready to do a nuclear deal with Iran any more than the Iranian hardliners want one. With the Middle East in turmoil we can also expect to see more of the same humanitarian catastrophe that we have seen since the Arab Spring began in 2011. Oil may now be cheaper but the continuing existence of capitalism comes at an increasingly higher price for humanity.

Jock

Footnotes

1 <https://www.iea.org/oilmarketreport/omrpublic/> Some analysts don't appear to accept this figure (see Brad Plumer at <http://www.vox.com/2014/12/16/7401705/oil-prices-falling>) and put it as low as 75 million barrels a day but the former appears to be confirmed by almost all other sources including other articles by the same Brad Plumer!

2 <http://www.bbc.co.uk/news/business-25805227>

3 <http://www.tradingeconomics.com/china/gdp-growth-annual>

- 4 <http://www.ft.com/cms/s/0/d62b80e6-8774-11e4-8c91-00144feabdc0.html#axzz3NxwKekZB>
- 5 If you want to buy oil now you pay the “spot” price. This is the actual price for immediate delivery and fixed on these exchanges. “Fixed” is probably the right word as the oil majors like BP and Shell have been accused of rigging the price in a cartel-type agreement. See <http://www.theguardian.com/business/2013/may/16/oil-price-fixing-criminal>
- 6 There is also hedging by big oil users like airlines to ensure they guard against the very price fluctuations we are analysing but that is different from the spread-betting of the financial speculators.
- 7 <http://www.wsj.com/articles/kkr-shale-investment-stumbles-1418865243>
- 8 See John Dizard at <http://www.ft.com/cms/s/0/843b7f6e-29e3-11e4-8139-00144feabdc0.html#axzz3BUGWXFLq>
- 9 See <http://www.leftcom.org/en/articles/2011-11-01/imperialist-manoeuvres-in-the-wake-of-the-arab-spring>
- 10 The full list is
Algeria, Angola, Ecuador, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, the United Arab Emirates and Venezuela.
- 11 <http://www.leftcom.org/en/articles/2009-11-24/the-fall-in-the-average-rate-of-profit-the-crisis-and-its-consequences>
<http://www.leftcom.org/en/articles/2012-09-24/the-tendency-for-the-rate-of-profit-to-fall-the-crisis-and-its-%E2%80%98detractors%E2%80%99>
<http://www.leftcom.org/en/articles/2009-09-16/does-the-tendency-for-average-profit-rates-to-fall-exist>
- 12 <http://useconomy.about.com/od/GDP-by-Year/a/US-GDP-History.htm>
- 13 <http://en.wikipedia.org/wiki/Petrodollar>
- 14 <http://www.ft.com/cms/s/0/574e879a-7708-11e4-944f-00144feabdc0.html#axzz3Md4zQOqE>
- 15 This is from the right-wing US think tank the Cato Institute. They have an almost touching nineteenth century belief that laissez-faire capitalism can still work well even in the epoch of imperialism. Nevertheless this article is not only a useful source of information on 1973 it also underlines how imperialist policy in oil is driven more by future fears than current realities. <http://www.cato.org/publications/commentary/time-lay-1973-oil-embargo-rest> For a more radical take on 1973 see the following video (unfortunately commentary only in French and German) http://www.youtube.com/watch?feature=player_embedded&v=fQJ-OjAr3LQ The interview with Akins is particularly revealing.
- 16 <http://www.theguardian.com/business/2001/jan/14/globalrecession.oilandpetrol>
- 17 <http://www.ft.com/cms/s/0/27cbd5e0-7fa0-11e4-b4f5-00144feabdc0.html?siteedition=uk#axzz3Md4zQOqE>
- 18 See “Opec leader vows to maintain oil output even if price hits \$20” in the *Financial Times* 23 December 2014.
- 19 See Lex Column *Financial Times* 24 December 2014.
- 20 Figures in this section from Chris Giles “No guarantee of a magic stimulus in

new low price era" *Financial Times* 16 December 2014.

21 As we go to press Rouhani accuses them of corruption (indirectly of course) and has suggested that there is a referendum on the nuclear issue to undermine the Pasdaran's opposition.

22 Last two figures from <https://uk.finance.yahoo.com/news/russia-faces-oil-export-catastrophe-130144943.html>

23 Sergei Guriev (Professor of Economics at Science Po Paris) "Russia is heading into an economic storm with no captain" *Financial Times* 17 December 2014.

24 loc cit.

25 See Jack Farchy "Primary Colours" in *Financial Times* 10 June 2014

26 "Putin ally predicts a full-blown economic crisis next year and urges improved ties with the West" *Financial Times* 23 December 2014

27 *Financial Times* 19 December

28 See <http://www.leftcom.org/en/articles/2014-12-10/the-fall-in-the-price-of-oil-and-international-imperialist-competition>

29 We are obviously not dealing here with the appalling ecological consequences of all forms of "tight oil" extraction such as shale and tar sands or even deepwater extraction. The disaster at Deepwater Horizon was just waiting to happen and will not be the last. See <http://www.leftcom.org/en/articles/2010-06-09/bp%E2%80%99s-deepwater-horizon-capitalism-is-the-disaster>

30 <http://www.ft.com/cms/s/0/67c7708a-851a-11e4-bb63-00144feabdc0.html#axzz3N2E53AeU>

31 http://www.economist.com/content/global_debt_clock/

32 <http://www.wsj.com/articles/kkr-shale-investment-stumbles-1418865243>

33 <http://www.ft.com/cms/s/2/1fedfe66-7f9b-11e4-b4f5-00144feabdc0.html#slide0>

34 <http://www.bloomberg.com/news/2014-12-19/meredith-whitney-s-hedge-fund-said-to-be-in-turmoil.html>

35 <http://www.ft.com/cms/s/0/6156b79c-7af7-11e4-b630-00144feabdc0.html?siteedition=uk#axzz3NHtJBuXx>

36 <http://www.ft.com/cms/s/0/353eace8-8608-11e4-b11b-00144feabdc0.html#axzz3NHtJBuXx>

Communist Society

Value, Labour and Time

A reply to Gilles Dauvé

In all social systems of production the social relations of production are primary while those of distribution are derived from them. The defining characteristic of communist society will be that it has communist, (or socialist)¹, relations of production. The key task in the replacement of capitalist society by communist society is therefore to establish communist relations of production. Once communist relations of production have been created communist relations of distribution will follow. The relations of distribution are, consequently, a secondary issue while those of production are primary. Much of the recent discussion on the transition to communist society has focussed on the system of distribution in the lower phases of communism as if this was the key issue whereas it is, in fact, a derivative issue. As Marx notes:

The communal character of production would from the outset make the product into a communal, general one. The exchange initially occurring in production, which would not be an exchange of exchange values but of activities determined by communal needs and communal purposes, would include from the beginning the individual's participation in the communal world of products .. Labour would be posited as general labour prior to exchange, i.e. the exchange of products would not in any way be the medium mediating the participation of the individual in general production.²

Once relations of production become communal, products become communal also. They are common property of the freely associated producers and in full communism they will be distributed free on the basis of need. The distribution of products is the outcome of the conditions of production themselves. As Marx emphasises in his *Critique of the Gotha Programme*:

Any distribution whatever of the means of consumption is only a consequence of the distribution of the conditions of production themselves. The latter distribution, however, is a feature of the mode of production itself. The capitalist mode of production, for example, rests on the fact that the material conditions of production are in the hands of non-workers in the form of property in capital and land, while the masses are only owners of the personal condition of production, of labour power. If the elements of production are so distributed, then the present-day distribution of the means of consumption results automatically.³

To change the mode of production the nature of labour itself must be changed.

Wage labour, which is a defining feature of capitalism, must be abolished. Under the system of wage labour, as pointed out in the quotation above, a worker owns nothing but his labour power. Under capitalism this labour power takes the form of a commodity which the worker is forced to exchange this for wages, which are, in turn, exchanged for food, shelter and other means of consumption. These serve to reproduce the worker's labour power and allow the cycle to start again. However, the actual labour, produced by workers' labour power, belongs to the capitalist class. Labour is embodied in the products of the production process. When these products are exchanged they become commodities and the abstract labour embodied in them is attached to them as their value. Labour in this process takes the form of value.

Since workers' labour becomes embodied in the commodities produced and these are the property of the capitalist class workers' labour also becomes the property of the capitalist class. This process is one in which workers' labour is alienated. Marx points out that, under capitalist production relations, labour can only become social labour because it is alienated. In *The Critique of Political Economy* he writes:

*Commodities are the direct products of isolated independent individual kinds of labour, and through their alienation in the course of individual exchange they must prove that they are general social labour, in other words, on the basis of commodity production, labour becomes social labour only as a result of the universal alienation of individual kinds of labour.*⁴

This alienation of labour allows it to become "labour in the abstract." In the same work, Marx criticises the proposal of Benjamin Franklin's to use labour time instead of metallic money. Marx notes that labour can only serve as a measure of value if it is alienated labour:

*... the labour contained in exchange value is abstract universal social labour, which is brought about by the universal alienation of individual labour, he (Franklin) necessarily fails to recognize in money the direct embodiment of this alienated labour*⁵

Money represents exchange value of labour in the abstract and can only do this since it is the embodiment of alienated labour.

In communist society labour must be directly social, producing social products which will be freely distributed on the basis of social need. Labour will therefore produce social use-values but not exchange-values. Labour, therefore, cannot take the form of value, nor can products of labour take the form of commodities. If labour cannot take the form of value, money cannot exist as a medium of circulation. The premise that labour cannot take the form of value under communism is a fundamental tenet of Marxism. If labour does take the form of

value the new society will remain a type of capitalism, as occurred in Russia and all its later imitators. This axiom is generally expressed in the statement that in communist society the Law of Value (LOV) will no longer operate.

Despite these being fundamental tenets of Marxism, various critics of Marx's writings about future communist society claim his prescriptions for this society preserve the value form and are at best contradictory or at worst prescriptions for new forms of capitalism. That is to say they preserve the Law of Value. That such a penetrating analyst of value, as Marx, should have made such a fundamental error is implausible but not, of course, impossible. It is therefore necessary to review the basis of these criticisms. What follows is based on one of these critics, Gilles Dauvé and his text "Value, Time and Communism".⁶

Use-value and exchange-value

Gilles Dauvé (GD) argues Marx is confused about the abolition of value and criticises his view of labour and labour time. He correctly states that Marx wants communist society to be one in which production is production of use-values without exchange-values. Although GD recognises that Marx was clear that the LOV was the key determinant of exchange values he claims his proposals for post-capitalist society amounts to a retention of the LOV.

GD employs two main lines of argument to support this.

Firstly he argues that Marx saw value as arising in the market after production is complete but not in the production process.

*[Marx] describes the process as if value, instead of being born out of a very specific type of production, came after the productive moment and imposed itself upon work as an exterior constraint."*⁷

He argues that since value arises in production, all labour necessarily produces value, and hence exchange-value. Further, he notes that Marx asserts:

Labour is a necessary condition, independent of all forms of society, for the existence of the human race (Capital Volume 1 chapter 1)

If this is the case, it follows that communist society will require labour. If communist society requires labour, then value will be produced in the labour process, and the LOV will operate. If the LOV operates the system of production will lead straight back to capitalist production. Consequently GD reproaches Marx for saying that labour is necessary in all forms of society. He claims, in the text mentioned above, that Marx did not want to:

Abolish the labour/capital reunion but only wanted to liberate work from

capital.⁸

GD wants communism to eliminate labour itself and claims this was the view of the young Marx in the 1840s but was a view contradicted by the older Marx of the 1870s. To support this he quotes from *The German Ideology*

*The communist revolution is directed against the preceding mode of activity, does away with labour, and abolishes the rule of all classes...
(German Ideology part 1 D)*

Whereas in the *Critique of the Gotha Programme* we read that:

In a higher form of communist society, after the enslaving subordination of the individual to the division of labour and with it the antithesis between mental and physical labour has vanished; labour has become not only a means of life but itself life's prime want; after the productive forces have also increased with the all-round development of the individual and the springs of cooperative wealth flow more abundantly – only then can the narrow horizon of bourgeois right be crossed in its entirety and society inscribe on its banners: From each according to his ability, to each according to his needs.

The second line of argument GD advances is a theoretical one. GD implies that Marx made a theoretical mistake in imagining that exchange-value could be abolished without abolishing use-value. Exchange-value, GD asserts, encompasses use-value.

*But use value is an analytic category both opposed to and encompassed by exchange value: it is impossible to do away with one without doing away with the other.*⁹

Since use-value is an analytic category, exchange-value, which encompasses it, must also be an analytic category and consequently cannot be abolished without abolishing use-value.

Both these arguments are wrong.

The first argument that starts with the premise that Marx saw value as arising in the process of circulation, that is, the market. This premise is simply incorrect. The principal postulate of the labour theory of value is that values are determined by labour time, and labour time is the time devoted to production. What the market does is convert value into exchange-value by relating commodities to each other in terms of their abstract value. Marx shows in the first chapter of *Capital* that exchange-values are crystallisations of homogeneous human labour. Exchange-value is the phenomenal form of human labour in the abstract and is measured by labour-time. Value is clearly

seen as created in production and as Marx states,

It is not the exchange of commodities which regulates the magnitude of their value, but the magnitude of their value which determines their exchange proportions. (Capital Volume 1 Chapter 1)

The market, under capitalism, equates various types of labour to each other by reducing them to human labour in the abstract. A certain amount of weaving is equal to a certain amount of fishing etc. and this proportion is what the market manifests. The value of the labour which has gone into the production process is congealed in the commodities produced. When these commodities are brought to market, the market carries out the social function of relating various labour activities to each other. It does this by assigning an exchange-value to each commodity in accordance with amount of abstract human labour congealed in it. The aggregate sum of human labour in society is consequently divided up by the market and human activities are related to each other by the exchange-values which the market assigns to commodities. Marx, contrary to GD's assertion, does "insist" that value is produced in production by labour. The market forms the role of equating various types of labour by reducing all to the measure of human labour in the abstract. If human labour in the abstract did not exist in the commodities when commodities were brought to market the market could not equate them. Human labour in the abstract is therefore produced by labour in the production process and not by the market.

GD claims that Marx did not wish to abolish the labour/capital relationship. This is such an extraordinary statement one can only conclude that it must be the result of careless writing. Marx's entire work, including his study of capitalist society, was directed towards the abolition of capitalist society and the ending of the capital/labour relationship. Marx wished to abolish wage labour but recognised that labour was needed in all forms of human society and would be needed in communism. In the *Grundrisse* Marx for the first time drew a distinction between labour power and labour. This was a key theoretical advance. It led to his realisation that labour power appeared as a commodity in capitalist society and like other commodities had an exchange value and was exchanged in the market. However, the labour produced by this labour power when incorporated in the product of labour had a greater exchange value than the labour power which produced it. This exposes the secret of surplus value and exploitation which lies at the heart of capitalism. It is important to realise that when Marx wrote his earlier works, such as *The German Ideology* this discovery had not been made and his ideas were less developed.

As GD noted, Marx in *The German Ideology* writes that the revolution will do away with labour. But even though the distinction between labour power and labour had not been made, it is still quite clear that it is labour under capitalism, namely, wage-labour, which Marx wishes to see abolished. A page before the quotation GD cites we read:

*In a revolution ... the proletariat rids itself of everything that still clings to it from its previous position in society. Only at this stage does self-activity coincide with material life, which corresponds to the development of individuals into complete individuals and the casting off of all limitations. The transformation of labour into self-activity corresponds to the transformation of the earlier limited intercourse into the intercourse of individuals as such.*¹⁰

It can be seen, from the quotation above, that Marx envisages a society where labour is self-activity, self-development and development of human potential. In the *Critique of the Gotha Programme*, quoted above, Marx indicates how some of these things could be achieved. He speaks of the ending of the division of labour and the antithesis of physical and mental labour and a situation where the springs of cooperative wealth flow abundantly. As Marx states labour is a necessary condition for the existence of humanity, but labour in communist society will be labour of a different quality, self-expression and self-development and self-fulfilment instead of the antagonistic, brutal and mentally degrading labour of capitalism.

In the later works it is more clearly labour under capitalist relations of production and its existence as labour power which Marx wishes to see abolished. Throughout his works Marx returns to his hypothetical society of freely associated producers who produce communal products and whose labour is directly social. Yet labour exists nonetheless. GD sees all labour as producing value and the social relations of production are simply irrelevant. He wishes to see labour, as such, abolished.

However, it is somewhat perverse to look to Marx's early writings to find support for this position, when his later studies led him to produce more precise and developed analyses, and, consequently, more developed prescriptions of what needed to be done to replace capitalism.

The second argument advanced by GD also appears extraordinary, not only from the perspective of the greater works of Marx, but in view of Chapter 1 of *Capital* Volume 1 from which GD himself quotes extensively in his text. In this chapter Marx takes great pains to show that exchange-value does not encompass use-value but that it is attached to use-value because of the social relations of capitalist production.

The existence of commodities as values is purely social. (Capital Volume 1 Chapter 1 3C)

Value is the result of the form which human labour takes under capitalism. Labour appears as a property of commodities themselves, since it assumes a

form which permits commodities to exchange. It becomes attached to them as exchange-value. The social relations between producers appear as social relations between commodities by virtue of their exchange-values. To view exchange-value as attached to use-value by labour in the production process, and consequently as a property of the product, as GD does, is to make the mistake for which Marx criticised Smith and Ricardo. It is the failure to go beyond appearances and to accept the fetishistic nature of commodities which results from capitalist production.

At the end of *Capital* Volume 1 Chapter 1 Marx considers other social forms, in which products of labour neither take the form of commodities, nor have exchange-value. He points out that use-values which a person makes for himself, as the famous Robinson Crusoe does, are not commodities and do not have exchange values. A further example he gives is that of the peasant patriarchal household, which preceded capitalism. Here we find a division of labour which results in the production of use-values for the family, but the clothes, food and other products are not commodities and do not have exchange-value. The final, and certainly the most significant example from our point of view, is a society of associated producers. This society is almost identical to that which Marx identified as the lower stage of communism in his *Critique of the Gotha Programme*, where associated producers produce social products which are use-values but not exchange values. In all these examples we see use-values produced by labour which do not have exchange-values stamped on them.

By saying use-value is an analytic category GD is asserting that an analysis of the products of human labour would reveal that they contained the quality use-value. In philosophical terms the subject, namely the products of human labour, contains the predicate use-value. While this is correct, GD goes on to simply assert, without explanation, that this subject also contains the predicate exchange-value. Hence, he concludes, the abolition of the predicate, exchange-value, cannot be achieved without abolition of the subject, namely labour. Or to put it simply, only by the abolition of labour can exchange-value be abolished which is the conclusion GD is aiming for. GD is consequently claiming Marx made a fundamental philosophical mistake in arguing that use-value could be produced without exchange-value. Marx had not realised, he implies, that both use-value and exchange-value are predicates of human labour. It is again implausible to argue that Marx, whose entire works are underpinned by the philosophical studies of his early life, would have made such egregious error. But has he, in fact, made this error? Marx himself shows in the examples given above the products of human labour do not necessarily contain exchange-value. They only do so under capitalist production relations. Exchange-value does not, therefore, as GD asserts, encompass use-value nor is it an analytic category of the products of human labour. Exchange-value is a social category and will disappear with new social production relations.

Labour time and disposable time

We have seen from the discussion above that labour in itself does not entail the production of value. It only does so under capitalist relations of production. GD claims that not only labour but also the measuring of labour in terms of time ensures labour will express itself in the form of value as in capitalism. He concludes:

Labour time is capitalist blood labour time it is the substance of value. (Value, Time and Communism)¹¹

If labour itself ensures the production of value, as GD argues, the question of how it is measured is a somewhat irrelevant. However it is measured, and even if it is not measured at all, we will end up with production of value, and hence with capitalist relations of production. Such an absurd and ahistorical position, which is the conclusion of GD's arguments, is not, of course, the outcome he is aiming for. His unstated implication is that only labour, which is not measured by time, could be considered as free and could lead to communist production. This, of course, is in contradiction to Marx's writings on post-capitalist society. In the *Grundrisse* Marx writes:

On the basis of communal production, the determination of time remains, of course, essential. The less time the society requires to produce wheat, cattle etc., the more time it wins for other production, material or mental. ... Economy of time, to this all economy ultimately reduces itself. Society likewise has to distribute its time in a purposeful way, in order to achieve a production adequate to its overall needs; Thus, economy of time, along with the planned distribution of labour time among the various branches of production, remains the first economic law on the basis of communal production. It becomes law, there, to an even higher degree. However, this is essentially different from a measurement of exchange values (labour or products) by labour time ¹²

Marx considers it as axiomatic that communist society will require planning and labour will have to be distributed in accordance with a social plan. To plan effectively it will be necessary to have a measure of labour and this will be by labour time. He also points out that this is essentially different from a measurement of exchange values by labour time. Why is it essentially different? It is essentially different because the social relations of production are essentially different. The similarity is only formal.

GD, completely ignores the social relations under which labour is carried out. This leads him to the ridiculous, and again ahistorical, assertion that any measurement of labour time leads back to capitalism. This leads him to also reject any planning in communist society.

Marx saw planning of production in terms of labour time a means, not only to ensure society's needs are met, but also to bring about the reduction of necessary labour time, and increase the disposable time for human development, as the quotation above indicates. In communism, he sees the development of human capacities and powers as ends in themselves and as representing the true wealth of society. But these ends will be achieved by social allocation of labour time. As communist society progresses from the lower to the higher stages the antithesis between direct labour time and disposable time, which exists in bourgeois society, will be eroded and disappear. Direct labour time will come to serve the development of the individual as much as disposable labour time.

Distribution of the social product

We have noted above that the relations of production are primary and once they become communal the relations of distribution will become communal also and that communal production does not entail production of value. Marx, in his *Critique of the Gotha Programme*, makes this point clearly:

Within the cooperative society based on common ownership of the means of production, the producers do not exchange their products; just as little does the labour employed on the products appear here as the value of these products, as an objective quality possessed by them, since now, in contrast to capitalist society, individual labour no longer exists in an indirect fashion but directly as a component part of the total labour.

Clearly, in Marx's view, once communal production is established, labour does not take the form of value and hence the law of value no longer exists. However, writing about the initial phases of communist society as it emerges from the womb of bourgeois society Marx suggested that distribution should be controlled by labour time certificates, or vouchers. He proposed this as an initial means of bringing relations of distribution into harmony with those of production.

The individual producer receives back from society – after deductions have been made – exactly what he gives to it. What he has given to it is his individual quantum of labour. For example, the social working day consists of the sum of the individual hours of work; the individual labour time of the individual producer is part of the social working day contributed by him, his share of it. He receives a certificate from society that he has furnished such and such an amount of labour (after deducting his labour for the common funds), and with this certificate he draws from the social stock of means of consumption as much as the same amount of labour costs.¹³

Much of the discussion of transitional society has been taken up with this proposal. It has been attacked from many quarters as either as a disguised

system of money or a value system without money which retains the Law of Value. GD takes the second view. What these critics are really arguing is that the system of distribution will determine that of production. As we have argued above this is inverting the relationship between relations of production and those of distribution. Is this a possibility?

We have argued above that in the initial phases of communism retaining money would be suicidal. Because money represents exchange value, and since it circulates and can be accumulated, it is a direct path back to capitalist production. Labour time vouchers are not, however, money nor can they be accumulated. In a short passage in *Capital* Volume 2 Marx writes:

*In the case of socialised production the money capital is eliminated. Society distributes labour power and means of production to the different branches of production. The producers may, for all it matters, receive paper vouchers entitling them to withdraw from the social supplies of consumer goods a quantity corresponding to their labour time. These vouchers are not money. They do not circulate.*¹⁴

Marx is clear that these tokens are no more money than a theatre ticket.¹⁵ Rather than retaining value production the labour time vouchers complement socialised production relations and represent a break with value production.

It can be seen from the quotation above that Marx categorically denies that products take the form of value in the in the lower phases of communist society. There are a number of reasons for this.

Labour in transitional society is not alienated labour

As we have mentioned above in a society of freely associated workers based on common ownership of the means of production and control of the entire production process, an individual's labour is socially owned. It is directly social in character and belongs to the freely associated workers themselves. It is therefore not alienated labour. We have noted above how Marx showed that in earlier historical systems of production where labour was not alienated, but remained the property of the labourers, labour did not take the form of value and become attached to the products of labour as exchange-value. Labour can serve as the substance of value only if it is alienated labour. Consequently, in the transitional society described by Marx labour will not take the form of value because it is not alienated and the law of value will not operate.

Average socially necessary labour is abolished

If labour does not take the form of value products will not take the form of commodities. However, Marx's critics assert that the actual exchange of labour

time for equivalent labour time products operates on the basis of the exchange of equivalent values and amounts to a retention of the value system. Exchange-value value will, they assert, creep back through this distribution system and undermine the socialist production system.

The exchange of values is, however, only formally similar to that under capitalism. The content of the exchange is entirely different. Under capitalist production relations it is human labour in the abstract which serves as the substance of value, and it is only the socially necessary labour which determines the exchange value of commodities. Under the labour certificate distribution system, outlined by Marx, the exchange of labour and means of consumption is based on the actual labour time. Hence in the lower phases of communist society, although there is exchange it is an exchange of activities measured by actual time, not socially necessary time. The socially necessary labour time, which determines exchange value under capitalism will not exist. If socially necessary labour time is abolished, human labour in the abstract, which is the component of socially necessary time, will also be abolished. The components of exchange-value, abstract labour time and socially necessary labour time, will therefore no longer exist. Exchange-value will therefore cease to exist. Money, because it represents human labour in the abstract, will also cease to exist.

Labour becomes directly social

In capitalism, since labour takes the form of value because of its alienated nature, the social character of labour only appears when commodities confront each other in the market. The social character of labour is therefore indirect since it is manifested behind the backs of the producers in the process of exchange within the capitalist market. The result of this is that the social character of labour appears to belong to the products of labour themselves. As Marx points out social relations in capitalism are crazy. Instead of social relations between producers, capitalism creates social relations between products or things. In *Capital* Volume 1 Chapter 1 he writes:

In other words, the labour of the individual asserts itself as part of the labour of society, only by means of the relations which the act of exchange establishes directly between producers. To the latter, therefore, the relations connecting the labour of one individual with that of the rest appear, not as direct social relations between individuals at work, but as what they really are, material relations between persons and social relations between things.¹⁶

Marx's critique of capitalism is directed primarily at the alienated nature of human relations under the system. Dead labour in the form of capital

dominates living labour, exchange value dominates use value, and abstract labour dominates concrete labour. The world is upside down! In communist society, as described by Marx, things are turned the right way up. Here an individual's labour is clearly part of the social aggregate labour, and is therefore directly social. Relationships are transparent. There is exchange of activities. So many hours of one type of work, less deductions, are exchanged for an equivalent amount of work producing food, shelter, energy etc. The social nature of work is directly apparent.

Dual character of labour abolished

Labour under capitalism exists as both concrete labour and as abstract labour. The concrete labour is that which produces use-values, such as steel, fishing, electricity etc. while labour in the abstract produces the exchange-values of these things. Human labour in the abstract is the content of abstract value. The abolition of abstract value, therefore, means the abolition of abstract labour. Only concrete labour remains. The labour employed in the production of products cannot, therefore, appear as the value of these products. The products will simply be use-values. Thus we will have production of use-values without the production of exchange-values. Something which, as we have seen, GD argues is impossible.

From labour certificates to higher phase of communism

Labour certificates as a means of distribution are something Marx proposed for the lower phases of communism as it emerges from capitalist society. It is important to understand that this is a transitional measure which operates as a link between the initial phases of communism and full communism. It will disappear in the higher phase of communism. As more products become distributed freely the labour hours deducted for the social fund will increase, and the exchangeable labour hours will reduce. The usefulness of the labour certificate will therefore reduce until it finally disappears entirely in the higher stage of communism. This distribution system is a comprehensible link from the lower phases of communism to the higher phase. Of course, as Marx puts it once the "springs of cooperative wealth flow abundantly" the actual hours of labour will also reduce.

In full communism each person will contribute according to their ability and each receive according to their needs. Such a society can only be created after a period of radical change in which the productive forces are refashioned to meet mankind's needs, and the hangovers from capitalist society are stripped away. The defects of transitional society in general, and the labour certificate distribution method in particular, have been pointed out by many critics. Marx himself pointed out that distribution according to labour time was unjust as

it took no account of an individual's needs. Such defects, he argued, were an inevitable result of the new society having to be born out of the womb of capitalist society. However, it is completely incorrect to argue as Stalin, Trotsky and others have done, in attempting to camouflage the true nature of Russian state capitalism, that Marx considered wage labour and value production would be an inevitable feature of the lower phase of communism. This is utterly untrue. The numerous quotations given above and the critical section of the *Critique of the Gotha Programme* refute this.

All this is, of course, not to deny that there remain a host of practical problems which transitional society will need to solve. Workers councils will have to continually struggle to plan for human needs, to increase free distribution of products and to stamp out attempts at reinstating value production. What we have at present is only a general outline of the transition from capitalist to communist society and some pointers to guide us, but this outline remains theoretically correct despite attempts to discredit it.

CP

Footnotes

1 The words communist and socialist are equivalent. Marx and Engels did not distinguish between them.

2 *Grundrisse*

<https://www.marxists.org/archive/marx/works/1857/grundrisse/ch03.htm>

3 *Critique of the Gotha Programme*

4 Marx *Critique of Political Economy*. Quoted by David Adam

<https://libcom.org/library/marx%E2%80%99s-critique-socialist-labor-money-schemes-myth-council-communism%E2%80%99s-proudhonism>

5 <https://www.marxists.org/archive/marx/works/1859/critique-pol-economy/ch01a.htm>

6 See "Value Time and Communism"

<http://libcom.org/library/value-time-communism-gilles-dauve>

7 Ibid

8 Ibid

9 Ibid

10 *The German Ideology* Part 1D

11 See "Value Time and Communism"

<http://libcom.org/library/value-time-communism-gilles-dauve>

12 *Grundrisse*

<https://www.marxists.org/archive/marx/works/1857/grundrisse/ch03.htm>

13 Marx *Critique of the Gotha Programme*

14 *Capital* Volume 2 Chapter 18

15 Marx praises Owen for assuming associated labour and notes the labour money token Owen proposes for workers is no more money than a theatre ticket:

"The certificate of labour is merely evidence of the part taken by the individual in the common labour and his right to a certain portion of the common produce destined for consumption."

Capital Volume 1 Chapter 3

16 Marx *Capital* Volume 1 Chapter 1, 4

17 For example Trotsky in *Revolution Betrayed* "The Communist structure cannot immediately replace bourgeois society ... In order to increase the productive forces it is necessary to resort to the customary means of wage payment."

Bologna 1919

A page from history

In this short piece Damen goes right back to the revolutionary period sparked by the October revolution in Russia and considers why it took so long for revolutionaries in Italy to break from the Socialist Party (PSI). This is not an academic question, especially for someone who lived through those turbulent times when, as he says, the situation was ‘incandescent’. Undoubtedly the working class in Italy were amongst the most ready to fight for their own version of October in order to claim “all power for the proletariat” alongside ‘the Russia of Lenin’ and the soviets. The question, the apparently very practical question was ‘how?’ Amongst the shifting scenes of class struggle, including countless strikes, local insurrections, land seizures and, of course, factory occupations there was never a concerted attempt to get rid of the capitalist state apparatus, much less replace it with soviet power. Above all else, the history of the Italian working class is a reminder that proletarian instinct alone is not enough to secure the revolution against capitalism.

The answer to the question of how practically to go about making a communist revolution is not simply a matter of logistics. It has to be based on political, specifically Marxist political understanding – the understanding that, unlike the bourgeoisie, the proletariat has no way of building up economic power within the existing state (contrary to Gramsci’s idea of workers gradually extending their power by taking over the factories); the lesson from the Paris Commune that the proletariat “cannot simply lay hold of the existing state machine” and the capitalist state apparatus, including its military set-up, has to be smashed (in contrast to the ‘maximalists’ of the PSI who clung on to the old social democratic goal of a democratic republic with ‘socialisation of production and exchange’); the recognition, based on proletarian experience from the Commune to 1905 in Russia and now the October Revolution, that class-wide bodies extending beyond the workplace into communities and run on the basis of direct democracy – councils, soviets – are the means by which the proletariat can exercise political power. These historical events are confirmation, if any were needed, that the working class can never achieve power through parliament. By 1918 only the right wing minority of the PSI, led by Turati, openly advocated this.

Under the ducking and diving leadership of Giacinto Serrati the PSI had held together, even after its neutral stance on the war had been shattered by Turati’s blatant national defencism following the Italian rout at Caporetto. The PSI was amongst the first to welcome the October revolution in Russia. Moreover – in a move that undermined the moves of Bordiga and others on the left of the so-called ‘intransigent revolutionary fraction’ to push for the expulsion of

the reformists – the Party’s Rome Congress (September 1918) pronounced its allegiance to the ‘maximum’ programme and greeted a message from Lenin to “the intransigent socialists of all countries” with loud applause. Suddenly the Party was full of ‘intransigents’. The message to those, like Damen and Bordiga, who wanted a revolutionary communist party must have been that intransigent allegiance to the old maximum programme was not enough. Even so, the struggle to form a revolutionary party was still couched in terms of expelling the reformists and this was the theme of the first issue of *Il Soviet* when it was published in December 1918 under the editorship of Bordiga. As the class struggle intensified the revolutionary posturing and shadow-boxing continued. At Rome the party had approved the dictatorship of the proletariat but in practice the PSI absolved itself of any responsibility to provide a political lead for the working class as a whole. The old PSI pact with the CGL (General Confederation of Labour) was renewed whereby the unions took care of the economic struggle while the party concerned itself with politics. (Implicitly this meant local and parliamentary elections and general inter-party wheeling and dealing.) No matter then that the PSI leadership was one of the first to adhere to the Third International (March 1919) or that the party membership was swelling. In practice, as the *Biennio Rosso* (Two Red Years) of Italian working class history opened, the PSI leadership made no attempt to give a political direction to the spontaneous struggles, including strikes, land seizures and food riots, which were occurring throughout the peninsula.

The pages of *Il Soviet* became increasingly exasperated by the failure of the PSI to break with its social democratic past. By early 1919, as the Party leadership began to preoccupy itself with the forthcoming parliamentary elections, Bordiga was already focussing on abstentionism as the clearest way of distinguishing a revolutionary practice from revolutionary posturing.

It has to be noted that the youthful Bordiga who led the effort to break with social democratic practice and form a communist party in 1919-20 was not the Bordiga who decades later turned the question of class and party into a philosophical *reductio ad absurdum*, who was ambivalent about state capitalism and Stalinist Russia and who had turned abstentionism into a political principle. On the contrary, Bordiga’s Karl Marx Circle in pre-war Naples had been particularly critical of the anarchists whose abstentionist stance during elections he saw as a cover for their apoliticism. Again, in 1919 his arguments were equally instrumental. At a time when “Three communist republics already exist, we are then fully on the historic course of revolution, outside of the period when the struggle is conducted inside the bourgeois order.” In this situation, calling for the proletariat to go to the ballot box is tantamount to saying that there “is no hope of realising revolutionary aspirations” and he asks “How can this fatal contradiction not be seen?” Even so, as Damen indicates, abstaining in elections is hardly the basis for forming the revolutionary party. Instead of consolidating the revolutionaries into a single communist fraction

prepared to make the political break, abstentionism became a point of contention amongst the communists. (In Turin Togliatti and Terracini would even go on to form the Electionist Communist Fraction.) While the communists argued about participating in elections Serrati's maximalist motion, swept the floor. (Naturally confirming the party's adherence to the International.) The reformist right-wing, of course remained and the PSI went on to win 156 seats in the November parliamentary elections.

At this point there is no doubt that Serrati had the support of Lenin and the Communist International and it was Serrati who took on the job of editing the new journal *Comunismo* which was intended to reflect the International's standpoint. However, after Bologna, the International's support for Serrati and his 'do nothing' policies was relatively short-lived. Bordiga agreed to renounce abstentionism and this opened the way for the coming together of all those who saw the need for a communist party to be formed on a new basis. It was not an easy road. For a start the International had to be persuaded of the necessity for the communists to split, as opposed to the wishful thinking that the party could be transformed into a revolutionary organisation by the simple expedient of expelling the rightwing. Bordiga's insistence on a clause stating that party members "who fundamentally reject the conditions and Theses laid down by the Communist International are to be expelled from the party" must have opened a few eyes during the 2nd Congress of the International in July 1920. But, as disillusion with Serrati set in, Bordiga – hardly known except for his recent abstentionism which put him amongst Lenin's "infantile" left – was not first choice amongst the Russians to lead a communist breakaway. As Damen indicates, the International wanted to win over as many people as possible from the PSI, even when the inevitability of a split was accepted.

It was the situation of the class struggle on the ground which more than anything else drove revolutionary militants inside the PSI (Onorato Damen amongst them) to unite in a communist fraction determined to make the break. The situation had become critical. On the one hand the bourgeoisie were "organising regular and irregular corps for the armed repression of the workers' movement". On the other hand, they were astutely conceding to workers' demands so long as these fell short of revolution. Meanwhile the proletariat was beginning to quite rightly criticise the PSI stance which was "so much at odds with the revolutionary needs of the situation and in contrast with the revolutionary language of the party leaders". During the factory occupations in northern Italy the PSI revealed just how blatant the gap was between its words and actions. Unwilling to be responsible for a struggle beyond economic demands D'Aragona, the CGL union leader, challenged the PSI Directorate to take over responsibility and direct the movement towards revolution. There was even a vote – 590,000 in favour of union control of industry, 409,000 in favour of revolution. As if the fate of the whole Italian working class movement could be decided by a one-off sectional vote. And as

if a genuine revolutionary party would have absolved itself of any responsibility to take the movement forward. Many workers were now turning to “other militant revolutionary currents beyond the Party, such as the syndicalists and anarchists, whose conceptions of the revolutionary process Communists cannot agree...” (Quotations are from ‘Manifesto of the Communist Fraction After the 2nd Congress of the International’ in *Il Soviet* 17.10.1920, available in Italian on the ICT website.) By now there was no holding back. The whole purpose of the convention held by the communist fraction at Imola in late November 1920 was to ensure the creation of a communist party, based on Marxist materialist principles and which took membership of the International seriously.

The occasion of the break was to be the PSI’s 17th national congress at Livorno in January 1921. Even now, however, there was still the suggestion that the majority of the PSI could be won over (For example point 3 of the motion put forward by the communist fraction was that the party should change its name). In the run up to Livorno Russian emissaries from the International were working behind the scene to secure as wide a vote as possible for the communists. Zinoviev is reported to have said as late as 9th January 1921, that “the ‘Centrists’ will vote, in all probability, with the communists”. In fact Serrati stuck to his ‘no split with the reformist right’ guns and his motion won the day. So it was that after almost a week of debate the communists walked out of the Teatro Boldoni singing the International, to the Teatro San Marco where the Communist Party of Italy formally came into being. It was not an auspicious beginning. The threat of attack from Fascist bands had obliged the communist fraction to hold their convention at Imola instead of Bologna and the Communist Party was founded at Livorno and not Florence for the same reason. The revolutionaries who had taken so long to politically distinguish and organise themselves were faced with a working class movement “in full retreat”. In this they were not alone. The post-war revolutionary wave across Europe was on the wane and the debate over the lessons revolutionaries draw from the subsequent counter-revolution still concerns us today.

In the article here Damen avoids speculating about what might have been if the communists had organised themselves into a distinct political party earlier. We can’t go back and relive the past but we have to try to learn from history. Perhaps more than anything else, the failure of the revolution in Italy despite the readiness of the working class to follow ‘Lenin and the soviets’ during those ‘incandescent’ post war years confirms the limits of spontaneism. There is no question that the absence of a distinct political organisation with a clear vision of communism, able to spell out the steps needed to make the revolution was crucial. By the same token the Italian experience also confirms that the construction of the revolutionary organisation is not simply a matter of a last-minute change of programme, much less the adoption of the mass social democratic party machinery and practice. The future world party will be the outcome of a process of political clarification resulting from a shared

understanding of Marxism. To paraphrase the words of Damen from an earlier part of this series,

... rather than organisational, statutory provisions and the dissolution of groups as such, we need to stress the dissolution of their ideology, whenever it is alien to Marxism. Unity is not simply a matter of formal organisation (dissolution of groups, individual membership, candidatures, etc.). Unity also has to be based on unqualified and comprehensive adherence to a theoretical-practical platform out of which comes the conscious discipline that unites forces, gradually resolves the contradictions and ensures continuity of the revolutionary struggle.

Bologna 1919

The Congress that was afraid to say no to the International's policy of getting in as many as possible

[From *Prometeo* no.8, January-June 1966]

Today it is possible – we would say almost a duty – to make a retrospective, albeit one-sided, examination of the Bologna congress (1919). We have to ask ourselves whether this Congress or part of it, certainly the most combative part, bears a huge responsibility for having delayed the formation of the party, an error which we believe still weighs on the proletarian movement.

A delay of only a few years (but which included unexpected and decisive turning points) meant that the Communist Party was formed at a time when the objective conditions for going on the revolutionary offensive had passed. The urgent need by then was for a tactical commitment to defend the conquests of the proletariat from attacks by the forces of fascist reaction. This argument will be deepened when we examine the post-Livorno situation which was a time of mounting reaction. In the meantime, we will critically examine the problem of abstentionism which was the focus of debate at the Bologna Congress.

Abstentionism or anti-parliamentary electionism?

The debate on this issue is still open. Either you accept absolute abstentionism – which regards what came to be defined as the ‘democratic’ tradition of adjusting state or party policies according to the majority response, i.e. based on counting votes – as anachronistic, thus adhering to the principle of a priori abstentionism, an abstraction characteristic of anarchism and all those currents

that see the world around them in idealist terms, or else you have to rely on the traditional positions of tactical abstention defended by Lenin and found in the programmatic theses of the Second Congress of the Third International.

The revolutionary party goes over to sabotaging elections when the proletariat is on the offensive and the prospect of the immediate conquest of power beckons. In this phase there is no place for the tactical use of the electoral system, and to act on such a terrain would eventually lead to the dispersal of the movement, always a dangerous thing and could lead to “constitutional” compromises such as those that divided the Bolshevik Party in Russia over the problem of power, and which in Germany resulted in the disastrous experience of the governments of Thuringia and Saxony.¹

In a different phase of workers’ struggle, when the objective conditions for the revolutionary conquest of power do not exist, Lenin and the International proposed parliamentary tactics as a secondary but inevitable expedient for the strategy of the workers’ movement. Thus, the abstentionist tactic against any electoral participation and for boycotting parliament is valid in the crucial phase of class conflict, when the entire party organisation must not be diverted from the enormous offensive to conquer power. In all other cases, when faced with an electoral battle we have to assess whether or not to use the electoral system on a case by case basis. The abstentionists’ mistake in Bologna was that instead of stressing the need for a split and forming the party, they focussed on abstention. This was the real error: the authentic militants of the fraction were pinned to the completely theoretical postulate of abstentionism, in itself useless as the basis for focussing on the goal of forming the class party.

Even so, there was no shortage of people who intended to make the abstentionist fraction the prime nucleus of the class party by objectively posing the problem of a split. Verdaro², well-versed in the problems of the workers’ movement and a supporter of abstentionism, wrote in the preamble to the Theses for the Congress of Livorno:

The abstentionist fraction of the Italian Socialist Party therefore proposes to follow the process of its transformation into a party by implementing the split in the Socialist Party and founding the Italian Section of the Communist International.

This statement was particularly significant because it clearly attributed to the fraction the following extremely pressing tasks: the cadres of the abstentionist fraction were to be the pole of the new party and bring about the split. These tasks had come about from the conviction that the Socialist Party could in no way be turned into a revolutionary party.

If the abstentionist fraction had really acted like this and presented itself as

the centre of convergence and guide for revolutionaries during those very tumultuous years when the need to unite revolutionary forces was not always clear, the course of Italian history would have taken a quite different direction.

Given that the situation was incandescent, and on the edge of revolution, this tactic would have resulted in an infinitely more concrete and fruitful development than any participation in elections. However, an exaggerated loyalty to the fraction prevented a clear evaluation of the role of the revolutionary party, which gave their opponents the polemical pretext of comparing the abstentionist fraction to the Dutch “Tribunist” movement of Pannekoek and Gorter.³

Before and after Bologna it was impossible to be anything other than abstentionist and so you had to be oriented towards an authentically revolutionary policy. But who was going to carry out such a policy? What was the best way so long as the struggle was a function of the existence and preservation of the Socialist Party, a party dominated by the parliamentary group and torn inside by the irremediable conflict between the forces of reform and those of revolution?

If the abstentionist fraction had acted according to Verdaro’s postulates, which at the time were shared by the entire fraction (i.e. first split and then the fraction goes on to form the nucleus of the new party) we can assume that this initiative would have taken place. Inevitably it would have led to the significant strengthening of the left, with non-abstentionists from Gramsci’s “ordinovisti” together with those from the more general “maximalist” left!

The fact that such a glaring criticism can be made highlights the severity of the error. Bordiga, whose fault it was, himself also acknowledged this in one of his writings when he weakly comes up with the excuse that they were forced to compromise. This does not diminish but deepens his responsibility for the error, which is that had he proposed to the maximalists that the ruling principle of abstention be abandoned, it would have resulted in the total castration of the fraction in exchange for the mess of pottage of the “excision” of the opportunist right (*Il Soviet*, 30.3.1919). This perspective was therefore to achieve a party without reformists rather than a new party built on the basis of the abstentionist fraction.

The Bologna congress sanctioned neither perspective.

Why did the leaders of the abstentionist fraction fail in the tasks they had set themselves?

Who amongst the abstentionists has ever acknowledged that the perspective presented as the immediate goal was wrong, a perspective to which the entire fraction was theoretically committed? Apparently no-one. None of the

members has ever addressed this problem; and from the thoroughly uncritical Bordigist publications themselves there is not much to learn in this regard.

Yet the objective situation posed the urgent need for a revolutionary leadership, and was particularly conducive to such an initiative. Potentially there were also significant numbers from the Socialist Party who were ready to join the undertaking. But no one dared and, in the light of subsequent experience, it is possible to identify the reasons why they did not dare.

The basic error is always the same: namely, to see the problem above all from the standpoint of quantity. This is what led them to underestimate the role of the fraction from the point of view of its effectiveness and ability as an organisation; to minimise its influence amongst the masses and at the same time to exaggerate the consequences of electoral and parliamentary intoxication. In a word, the fear of failure, even if the masses were deeply motivated by the October Revolution and the personalities of Lenin and Trotsky. Above all, there was a widespread belief that no serious revolutionary conquest could be made legally and by using the democratic parliament. All of this can be attributed to human frailty, to certain deficiencies of insight and revolutionary daring, but it does not explain everything.

The real reason, however, is to be found in the policy of the leading bodies of the Third International which, when confronted with the job of selection, of splits and regroupments, had adopted the tactical criteria of the maximum quantitative result and the least political discrimination, favouring, when not imposing, a split as far to the right as possible.

We know that in the face of such a political directive it was necessary either to passively accept or boldly break or leave to others the responsibility of passing to an open opposition. In the specific case of the abstentionist fraction it would have to break with the Socialist Party, cleverly emptied of its politically healthy elements, and promptly present the International with a *fait accompli* in order to force it to choose between the fraction, raised to the function of the party, as the only guarantee of the revolutionary struggle in our country, and the Socialist Party would completely lose this historic task.

And when you do not act on this plan with the necessary decisiveness and speed, when you don't start to construct the party at the historical moment when it is most needed, or, when the party is formed – as in Livorno – it is too late, then it will have to lead a proletariat, not in an assault on power, but in full retreat.

Onorato Damen

Footnotes

1 Damen is referring to the disastrous consequences of the KPD's (Communist Party of Germany) decision to apply the united front formula of joining a "workers' government" in Thuringia and Saxony in 1923. The policy of attempting to form 'workers governments' (later 'workers and peasant governments') was approved at the IV Congress of the Communist International (1922) as part of the wider united front policy aimed at maintaining Communist Party links with the masses. In 1923 the French occupation of the Ruhr and the infamous 'great inflation' provoked massive social strife. In a confused political framework (where 'national bolshevism' appeared to rival early Nazism) tens of thousands of workers went on strike against French requisitioning of food and other supplies. At Mulheim for example, workers took over the town hall, tried to form a workers council and their own militia. In August the Cuno government was forced to resign. As the situation became more polarised many workers turned away from the Social Democrats and looked to the KPD to give a political lead. The KPD leadership, however, typically swayed from one expedient to another. Having judged the situation unfavourable for workers to go on the offensive the KPD leadership under Brandler followed Russian advice and adopted a plan to join the left Social Democratic governments of Saxony and Thuringia. This, they knew, would provoke the national government, (headed by Ebert and the Social Democrats), to send in the army to which they planned to respond by calling a national general strike as the launch pad for a revolutionary insurrection. Of course the local Social Democrats reneged on the plan and the SPD as a whole refused to support a general strike. The central government duly sent in troops and the KPD leadership called off the action. News of this came too late for Hamburg where the local KPD attempted to launch the insurrection and fought on for three days against impossible odds. Thus ended the so-called 'German October' which signalled the eclipse of revolutionary hopes in Germany and elsewhere.

2 Virgilio Verdaro (1885-1960) He joined the PSI in 1901. During the First World War he was accused of defeatism and sent into internal exile in Calabria. After the war contributed to Il Soviet and was an abstentionist delegate to the 1919 Bologna Congress. Present at the birth of the Communist Party of Italy, Livorno January 1921. Exiled to Russia in 1924 where his love of cats gave him the nickname 'Gatto Mammone'. He used this pseudonym in Belgium after he had fled from Russia in 1928, having been accused of Trotskyism. Part of the communist left fraction, key contributor to Bilan and Prometeo. His wife was pregnant and obliged to remain in Russia until just before the Second World War. Expelled from the Communist Party and sacked from her job, she existed in extreme poverty and her child died. At the outbreak of war Verdaro left Belgium and he and his wife went to Switzerland, his place of birth. Ended up joining the Socialist Party of Switzerland in 1943.

3 Herman Gorter (1864-1927). 1897 joined the Social Democratic Workers Party (Netherlands). 1909, part of the Marxist left current associated with the newspaper, De Tribune which was expelled over their criticism of the corruption and opportunism of social democracy. Gorter joined those who went on to form the Social Democratic Party (SDP) which in the same year published Gorter's Marxism and Revisionism. Unlike some of the SDP leaders, Gorter argued that workers had no interest in supporting either side in the world war and in Imperialism, Social Democracy and World War he argued workers must oppose war by the fight for socialism. After the Russian Revolution (1918) the SDP changed its name to the Communist Party of Holland. Gorter himself joined the German Communist Party (KPD) before becoming part of the minority who were expelled for opposition to participation in parliament and the unions. They went on to form the German Communist Workers Party (KAPD) and Gorter became its most famous theorist with the publication, in 1920 of his 'Brief Reply to Comrade Lenin' in response to Lenin's 'Left-wing Communism, An Infantile Disorder'. After the Third Congress of the Comintern, the KAPD split with Gorter adhering to those who attempted to form a new International in the shape of the KAI (Communist Workers' International). Anton Pannekoek (1873-1960). Like Gorter he was a leading figure in the anti-revisionist battle in the Netherlands before the first world war; editor of De Tribune from which the German-Dutch Left were known as the Tribunists. Opposed the war on a class basis and shared the political trajectory of Gorter although an even more prolific writer. Famous for his elaboration of the ideas of council communism. However, it must be said that Pannekoek also argued that "the Party is the historically determined form of organisation which groups the more aware and prepared proletarians in struggle ... The communist party must have a well developed programmatic base, and must be organised and disciplined in its entirety from below, as a unified will". In his opposition to Stalinism, Pannekoek also recognised the Russian economic system as state capitalism.

The Internationalist Communist Tendency

Britain

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

Italy

Il Partito Comunista Internazionalista 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

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

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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 These are usually on the third Wednesday of every month at 7.00 p.m. in Alington House, 4 North Bailey — Durham — DH1 3NP

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