

Journal of the
Communist Workers'
Organisation

Summer 2015

Revolutionary Perspectives

06



Spain: Telecom Workers Fight Back

Greece and Austerity

Osborne's Smoke and Mirrors Budget

On the Supposed Economic Recovery

Class War in the Twenty-first Century

1915 to 2015 - A Century of Genocide

Piketty, Marx and Capitalism's Dynamics

Revolutionary Perspectives

Magazine of the Communist Workers' Organisation

Affiliate of the Internationalist Communist Tendency

Series 4, No 6, Summer 2015

Editorial	1
Osborne's Smoke and Mirrors Budget	3
On the Supposed International Economic Recovery	5
Reflections on the Class War in the Twenty-first Century	13
1915 to 2015 - A Century of Genocide	22
Piketty, Marx and Capitalism's Dynamics	30
Life of the Organisation	47

For correspondence write to:

CWO, BM CWO

London

WC1N 3XX

email: uk@leftcom.org

Or visit our website:

<http://www.leftcom.org>

Subscriptions to Revolutionary Perspectives (3 issues) and Aurora (at least 4 issues) are

UK £15 (€18)

Europe £20 (€24)

World £25 (€30, \$30)

Take out a supporter's sub by adding £10 (€12) to each sum. This will give you priority mailings of Aurora and other publications including free pamphlets as they are published.

Front cover: 'The Revolt of the Ladders' - Telefónica-Movistar workers in Spain find an innovative way of making their point.

Greece and the World

Austerity and Capitalist Crisis Go On

As the first majority Conservative Government (elected by 24% of the voters) in 20 years wastes no time in attacking low waged “working families” in the UK (see article on the Summer Budget) the agony of the Greek working class goes on.

The referendum was, as we predicted in the positional document of the Internationalist Communist Tendency¹, a cruel trick. The Greek working class were told that to vote for the “Yes” option was to accept certain austerity and penury. True. But as we said at the time voting NO actually either meant “Yes” or it meant Grexit from the Eurozone. The choice was a false one. The outcome would be the same whatever the vote. Syriza’s purpose in calling the vote was to a) to keep their own shaky party together in face of the fact that their policy of trying to use debtor blackmail to browbeat its creditors into accepting debt relief had failed and b) involve the working class in its final decision. The campaign was unashamedly nationalistic and amidst much flag-waving in alliance with the nationalist ANEL party and the fascists of Golden Dawn Syriza told the voters that it was about avoiding “national humiliation” in the face of intransigent international creditors. The final Syriza argument was that it was a vote of “democracy against austerity” so that a NO vote would give Tsipras a stronger hand to get a better deal with the Troika² of major creditors.

We now know that even this turned out to be a fantasy and that Syriza have been forced to accept even more draconian terms than was on offer before the referendum. There is no doubt that some of this is political. This is particularly the case in Germany where a vicious, almost racist, nationalist campaign has been conducted against the “lazy Greeks”. German workers were suffering from cuts (under the SPD’s Schröder) long before the speculative bubble burst as the German ruling class restructured the labour force to maintain its manufacturing competitive edge. Now the German capitalists are turning to the German workers saying you made sacrifices for the national economy so the Greeks must now do the same. It is a sorry situation which our internationalist comrades in Greece and Germany have been trying to fight in the last few years.³

However the current situation in Greece also tells us a lot about the capitalist crisis. If the world economy had been recovering there would have been greater room for manoeuvre for the big financial institutions to ease the squeeze on Greece. As we show in our articles in this issue on the “supposed international economic revival” and on “Piketty’s Capital in the Twenty First Century” any recovery is restricted and indeed all the policies they have adopted have failed to stimulate recovery at all. The only agreement amongst our ruling capitalists is that they have to devalue the cost of labour power in order to make more profit to pay back what they know is an unpayable debt. That means more austerity, more attacks on workers everywhere.

Against this the Left wing of capitalism have no credible alternative. They too only talk of the symptoms of the problem. They propose an end to austerity which would only raise

Editorial

indebtedness to levels greater than it is at present. As long as we have a capitalist system based on money and finance their proposals are utopian. The fact of the matter is that the real cause of all our woes is the system of exploitation that is capitalism. This is at variance with the needs of humanity. When the sub-prime mortgages crisis first burst out in 2007-8 millions unable to pay their mortgages were evicted and re-possessed. Nobody tried to save them. Yet when the crisis expanded to hit the dodgy dealings of the most powerful financial institutions in the world every leading capitalist state moved mountains of money to bail them out. The property values of the poor could go hang but the property values (even of fictitious capital) of the financiers had to be saved in order to save the system itself.

It is capitalism as a whole rather than just Greece that is bankrupt but so too is any reformist notion that capitalism can be made to work for us. Syriza never grasped this. They did not see that calling for debt forgiveness would be to call the bluff of the whole system, and Greece's big international creditors were extremely determined to avoid this. Syriza thus led the Greek working class down the garden path. Not only did their policy fail but in the 5 months since they were elected the Greek bourgeoisie "patriotically" removed €30 billions from Greek banks making life more miserable for everyone else. The truth is that there is no capitalist solution here.

The other aspect of the truth is that the Greek working class only put their trust in left reformism, in Syriza, after years of sectional one day strikes which were never coordinated to take on a system which was causing so much misery. Today not just in Greece the Left⁴ are telling people that capitalism can be reformed even though they have no serious policies to do it. What Syriza's failure shows us is that we cannot use the ballot box to passively vote for someone else to find a solution to the misery the system imposes. We don't need more Syrizas. We don't need to put our trust in others to save us. We have to take matters into our own hands. We have to organise amongst ourselves in our workplaces and communities to form new rank and file organisations which operate on workers' principles of direct democracy, revocable delegates, and mass meetings. There were some pointers to the kind of movement we need in the telecoms strikes in Spain, which we look at in this issue, but until these are replicated on a wider scale the system is safe. Only when we have a real class movement will we really be able to confront the real cause of our increasing misery. And once that happens then the political questions about what kind of society do we want to live in come onto the agenda ...

Notes

1 See <http://www.leftcom.org/en/articles/2015-07-05/on-the-greek-referendum>

2 The EU, the IMF and the ECB.

3 See, for example, one of their joint leaflets translated in our paper *Aurora* <http://www.leftcom.org/files/2012-05-01-aurora-en.pdf>

4 See <http://www.leftcom.org/en/articles/2015-07-10/greece-solidarity-with-the-workers-not-the-capitalist-government>

Osborne's Smoke and Mirrors Budget

"When I use a word," Humpty Dumpty said, in a rather scornful tone, "it means just what I choose it to mean – neither more nor less. "The question is," said Alice, "whether you can make words mean so many different things." "The question is," said Humpty Dumpty, "which is to be master – that's all." Through the Looking Glass

The so-called 'summer budget' is a dishonest set of tricks designed to hide how much low paid workers will be financially worse off and even more insecure. Instead of cutting welfare for the low-paid he has 'only' frozen working age benefits (including tax credits and Local Housing Allowance) for the next four years. In addition maternity pay and disability benefits – PIP, DLA and ESA Support Group are supposedly excluded from the freeze. Also, the amount anyone can earn without being taxed is set to rise from £10,600 to £10,800 in 2016-17 and £11,000 in 2017-18. Wow! Osborne's coup de theatre was his announcement of a new "national living wage" to replace the old minimum wage. *"Working people aged 25 and over will receive it. It will start next April, at the rate of £7.20."* In fact this will mean all of 50 pence more than the adult minimum wage which will be £6.70 when it goes up 20p in October. Clearly this won't make a startling difference to anyone's quality of life but it sounds better. Plus, there's the promise that by 2020 the 'living wage' will have reached 60% of average (median) earnings. None of this sounds like a great gain but "hard working families" struggling to cope on low wages might be forgiven for breathing a sigh of relief that they are at least not going to be worse off.

Nothing could be further from the truth. That is not just our say-so. The *Institute for Fiscal Studies* (IFS) says low-paid workers will 'unequivocally' be worse-off than before the budget which also, naturally, will take much more from the poor than the rich. For a start, the measly rise in the tax-free earnings threshold is more than cancelled out by the 4 year freeze on benefits which the IFS says will cost 13 million families £260 per year. Regarding the 'living wage', the IFS points out that this is just the minimum wage re-branded and is far outweighed by creative cuts to tax credits such as lowering the 'income threshold' at which the amount you are officially entitled to is reduced; then upping the rate which that figure is reduced if your earnings go up, and so on. The Social Mobility and Child Poverty Commission says all these cuts by subterfuge to tax credits will reduce the incomes of 45 per cent of working families.

As for the pretence that benefits to the sick and disabled will be protected, this is another piece of cynical hypocrisy since all new Employment and Support Allowance claimants will have their claims aligned with the Job Seekers' Allowance rate, so reducing their benefit by 30% in one stroke. (From £101 p/w to £73.40.)

"The best route out of poverty is work." George Osborne during his budget speech 8th July.

The list of riders to this budget for working people goes on and we are in no position to go into every detail. However, the picture is clear. After using the welfare system to oblige people to work for less than a living wage, the state is now withdrawing as much financial support as it

Britain

can from those workers. This means they are left with nothing but the low pay which was once deemed unacceptable in an advanced capitalist society. The pretence that the new 'living wage' will reverse the trend towards a low-pay economy is a nasty joke for those who have the pleasure of finding themselves at the short end of the summer budget cuts.

For young people starting their working lives the outlook is bleak. The aim is to stop school leavers who are not 'in work or training' from being able to claim any sort of financial support. Osborne's promise of "*intensive regime of support from day one of their benefit claim*" threatens another variety of workfare. Not to worry. School leavers may find it easier to get a job since they are exempted from the new living/minimum wage. In fact the 'living wage' will only apply to people over 25 years old. Plenty of scope therefore for employers to find cheaper labour from the pool of younger workers. For young people the prospect is they will have to work for even lower wages than they do now. Moreover, by scrapping entitlement to housing benefit for 18-20 year olds the budget also makes it more difficult for them to live independent lives. It will also contribute to the growing number of homeless. Jon Sparkes, chief executive of Crisis, the homeless charity, points out: "*Under-25s already make up a third of homeless people and there is a real danger these changes could make things even worse. For many young people, living with their parents simply isn't an option.*"

On the housing front, the mysterious one percent annual cut in social housing rents over the next four years is offset by the promise that those on higher incomes living in social housing (families earning over £40,000 in London, or £30,000 elsewhere) will be charged "market rate rents".

In short, this budget continues the programme of chopping away at working class living standards. It is a programme shared by all the advanced capitalist states, no matter who is in power. Like everywhere else, the present government's declared aim of boosting productivity and creating well-paid skilled jobs by investing in new infrastructure and hi-tech manufacturing is completely undermined by the low rate of profit which deters such investments. Instead, capitalism is resorting more and more to what it has always does in times of systemic crisis: increasing exploitation of the working class by means of reducing wages and state benefits so that a greater share of the social product goes to the capitalist class. This is increasingly producing, as Marx predicted:

"an accumulation of misery, agony of toil, slavery, ignorance, brutality, mental degradation ..." for the class which produces all society's wealth. Here the trick so far has been to divide workers against each other by propagating the myth that people 'on benefits' are the undeserving poor. The one consolation is that the more those benefits are reduced and the more all wage workers find themselves in the same low pay, precarious boat, the greater the possibility of a concerted working class fight back. This is the first step required towards getting rid of capitalism and replacing it with a civilised world community where everyone is actively engaged in production and distribution directly to meet human needs.

ERayner

July 10, 2015

On the Supposed International Economic Recovery

There is a lot of talk about the global recovery. In fact the figures suggest only a small rise in just a few sectors of production, while the rest of the economy is still trapped in the dead end of speculation. Meanwhile, world capitalism is taking a series of steps to solve the crisis ranging from quantitative easing to negative interest rates. In this unrelenting capitalist crisis, where the real economy is struggling to generate new wealth and where speculation continues to lead the way, finance dominates and continues to identify “safe” areas for financial assets. This dramatically reveals how speculation, a product of the crisis of a real economy choked by low rates of profit, continues to steer clear of production, thus compounding the risk of collapse of the global economic system

Those same analysts who previously did not spot the onset of the crisis much less recognise its causes, now tell us that the worst is over, that the crisis has passed and, with a bit of good will (read “more sacrifices by workers”), the future is as bright as a cloudless sky at sunset.

The international bourgeoisie has tried everything to get out of the devastating consequences of an economic crisis that it produced itself by exacerbating all the worst contradictions of the capitalist system. It is also true that, after putting millions of proletarians on the streets,¹ considerably reducing their already low social status and making the lack of jobs and increased exploitation for those who do work the only certainty in this world, the international bourgeoisie has again turned to finance to restart production which has been stagnant for over seven years. In short, they are trying to unblock the mechanism for producing surplus value by devaluing labour power and increasing the return on capital in “the real economy”. On the first front action was swift and deep (reduction of direct and indirect wages, higher taxes, less welfare, less job security and protection in the workplace, higher unemployment and intensified exploitation). However, on the second front their efforts have come to nothing, producing little or no result. Under capitalism’s inexorable economic mechanisms investment in the ‘real economy’ only happens if there is the prospect of capital gain, if reinvested profits can meet the need for valorisation (generation of new value) from the invested capital. If these prospects don’t exist, capital flies from the real economy. Investment thus does not take place and money is directed towards speculation, hoping to find the economic “yield” that the low returns from production no longer guarantee².

This is exactly what happened in the recent crisis. The low rates of profit pushed capital, especially American, to flee production and create asset bubbles. Once they burst the already fragile world economy was overwhelmed. For the analysts mentioned above this was stunning. For them and for all those like them, it became customary to use a pithy expression which Obama himself employed a lot in the aftermath of the crisis: “no more paper economy, no more chasing false mirages of speculation, we must return to the real economy.” But with the damage done and the capitalist economy stagnant, the question is what can convince capital to abandon the world of speculation for production? Simple, replies the US President in tune with the head of the Federal Reserve, followed by the usual retinue of analysts: by helping capital and

Economy

those who manage it (Central Banks, banks of national importance, investment funds, insurance companies, financial institutions and lenders of every stripe) in every possible way to go back to being the driving force of the economy through massive state funding and regulatory incentives. No sooner said than done.

First in the US, then in Japan and lastly in the Eurozone, central banks began to support the financial sphere in its huge crisis of low liquidity and bad debts, with the removal of toxic products from their balance sheets thus balancing their books and favouring the recapitalisation of the largest banks. All this, of course, at the expense of the taxpayer. The next stage involved a drastic lowering of interest rates in order to reactivate credit channels which, in turn, should have led to a recovery of financial investment which would then trickle down to the entire economic system. Third, central banks started buying Treasury bills in order to furnish additional liquidity to the banks that usually held them. The aim was that these manoeuvres would increase the price of long-term bonds by reducing the yield and further restrict interest rate rises.

Whatever they say, the combined provisions of these three factors has produced poor results, in some cases almost nothing. In both the US and the euro zone, where the measures started late because they were “burdened” by political obstacles, the first wave of injections of fresh capital into banks did not bring the beginning of a recovery of loans to industry. On the contrary, the newly available finance served to swell greater speculation both in government overseas bonds, particularly attractive given their high rates of interest, and in the raw materials market led by oil before its price collapsed. This does not mean that no share of this capital went to the real economy, it means that only a small amount went there while business and personal interest rates remained very high, despite the very low cost of money. This left things essentially as they were. Continuing stagnation forced the Federal Reserve to accompany the measures taken with a further financial incentive that goes by the name of quantitative easing (QE). This is an indirect way for the central bank to create money, by issuing liquidity through open market operations initially in the financial system, with the hope that it then gets into the sphere of production of goods and services.

In the case of QE the central bank buys, for a predetermined and previously announced amount of capital, investments by banks such as stocks, bonds or securities of various kinds, especially those considered toxic, to positively improve their balance sheets. This is then used to buy government bonds, which usually takes place through special auctions. In reality, it is no different from the three measures that we have mentioned previously, only that the QE takes precedence over other financial interventions and is more direct and faster.

The Federal Reserve is also ahead of the ECB. From the beginning of the crisis until 2014, the American institution issued three “tranches”, shelling out the magnificent sum of \$3500 billion to inject liquidity, to depreciate the dollar, and to reduce interest rates on Treasury bills in order to jump-start the economy and domestic demand. A “necessary” measure but one whose main aim in reality was to ensure that the dollar continued to be the leading global trading currency and to reinforce its role as a safe haven for speculators. In other words, the input of \$3.5 trillion

in the financial sphere was to aid the resumption of lending in the economy, but, above all, to “convince” the financial markets that the dollar remained the monetary “dominus” which the international economy cannot do without.

The ECB only followed in these footsteps in the second half of 2014, when the American experiment was already coming to a close. What has intense use of QE achieved? In the US, there has only been a partial recovery and serious social and economic problems remain. Meanwhile, the huge outflow of financial capital created by the Fed has resulted in a rise in state debt, which is officially close to 105%, an increase of 72%. For other analysts, not convinced by government “propaganda figures”, it is nearer to 120%, because of billions outlaid by the Fed. It would be even higher, “thanks” to a series of unofficial hidden loans to second tier companies and banks which are not in the budget. Many states, especially those in the south, are facing bankruptcy and can only pay civil servants thanks to the raising of the federal debt ceiling by the Government. And speaking of debts, if you add private and public together, you would arrive at the astronomical percentage of 520% of GDP. This has resulted in the release of huge quantities of “greenbacks” which are now not worth the paper they are printed on. But this is only possible due to the fact that the US currency is backed by the strength of US imperialism.

This explains how, despite huge indebtedness at home and abroad, the US is able to impose the hegemony of the dollar on international money markets. It allows them to bring home billions of dollars in speculative investments on the dollar and on the US’ best economic assets. And yet this sort of speculation was behind the international crisis which created such huge deficits in the US that would put it among the countries at greatest risk even today. Only under these conditions have they been able, in the middle of the crisis between 2009 and 2013, to draw in \$2510 billion from abroad compared with the \$2600 billion printed by the Federal Reserve in the first two tranches of QE. Practically this means that so far the US hasn’t spent a cent on trying to revive its economy and restore the financial stability that was undermined by the bursting of the speculative bubble of subprime loans. In addition to China with \$543 billion for the purchase of bonds, and Japan with \$556bn, the major financiers of the US Federal debt are Brazil (\$129bn), India (\$60bn) and the UK (\$32bn) plus another thousand billion dollars from about twenty smaller countries. This would not have been possible without the leading role of the dollar. Without it the US would not only be unable to amass this mountain of debt but would be at the point of no return.

Meanwhile, the US government boasts of a rise in the number of jobs that has reduced the unemployment rate to 5.4% on the basis of an unbelievable average monthly increase of 200,000 jobs per month. This is a complete lie. The figures mentioned above need to be set against jobs lost, since the figure of 200,000 refers only to jobs created from scratch and not the net figure resulting from the difference between the two. So there may be an increase but it will be much lower. In addition, it should be added that, for years now, hundreds of thousands of (former) workers have given up on finding a job and are not on any unemployment list. In other words they have completely disappeared from the statistics and, therefore, are no longer “unemployed”. Another fact that refutes the much-trumpeted 5.4% is that those who are

Economy

employed part-time, as seasonal workers or even workers who work for starvation wages for only a few weeks a year, are counted as employed workers. More than one American analyst has calculated that the real unemployment rate is above 15% and in the worst-case scenario could be almost 20%. Also according to these analysts, the current level of employment in the US is equal to what was in 1978 meaning that the crisis has taken us back to employment levels of nearly forty years ago.

As for the social impact of the crisis on income distribution, according to a survey from the University of California (Berkeley), after the costly injections of capital to the banks, 95% of the increases in income between 2009 and 2012 went into the pockets of the richest 1% of the population. The revenues of the remaining 99% stagnated or even declined. In fact, in the second half of the Sixties wages accounted for 51% of GDP. In 2007 they had already fallen to 45% and are currently at 42%. More than 46 million Americans are also surviving on charity. Charitable bodies provide meals and a minimum of primary care to those who need it and don't have a penny to their name. So what little economic recovery we see is costing huge amounts of public funds, increasing social inequality, unemployment and greater exploitation of the working class as well as significantly accelerating the real process of pauperisation, in what is considered the most advanced example of Western capitalism.

Now it's our turn but without the power of the dollar

In the EU, after a few years delay, the same things have been done: lower interest rates, support for banks and then QE (by the end of 2014 for a total of slightly more than €1,100 billion) to sort out an economic situation that was not changing. The result? Apart from Germany, which has always been above the European average in economic competitiveness and commercial and financial capacity, and has managed to swim a bit better in the troubled waters of the crisis, nothing or next to nothing. A reform of the labour market that dates back ten years and the invention of the "mini job" or precarious jobs, paid a few Euros per hour, with fixed-term contracts that have given German capital an easily blackmailed, underpaid workforce has also helped. Government statistics which give comforting data on unemployment, even if they are nearly as false as the American figures, are also useful.

The Draghi recipe for QE has not had much effect even on weaker countries so far. Apart from Spain, which seems to be slowly recovering, again due to new labour laws which make Renzi's reform look like a joke, Italy, France, Greece and Portugal remain static. In Italy the long wished-for industrial recovery has not appeared, GDP has been declining for years and is now worryingly stationary with a slight blip upwards³. According to the latest figures (May 2015), state debt and unemployment, both youth and total, have further increased, despite the propaganda of the Renzi government. In the first quarter of this year industrial production was static, only certain export sectors have enabled GDP to go above 0.3%, due to the low cost of the dollar and the decline in oil prices. Apart from the motor industry, now showing some signs of life after suffering most in these long years of crisis, everything else is still in the swamp of stagnation.

So why, after the colossal amount of financial capital given to banks which brought interest rates close to zero, and after several crackdowns on pensions, wages and all the factors that lower the cost of labour power, is the capitalist machine still struggling to recover? For the simple reason that the rates of profit are still too low to justify investment. Because wages are still too high to justify creating new, real jobs. Because the companies themselves prefer to devote the greater portion of their investments to non-productive activities and limiting productive investment to bare essentials. And because the banks, despite rivers of capital flowing into their coffers at no cost, prefer not to risk the uncertain financing of businesses in crisis. With a weak market and low or falling industrial profits they are frightened they will again suffer as creditors. Better speculation, better the risk of returns that are “little and damned, but now” than the recently experienced bogeyman of becoming again that suffering long-term creditor of they which still bear the scars. And especially since the devaluation of the means of production and the cost of labour has not yet reached a low enough point to turn things round, the only premise for even a minimal economic recovery.

Negative interest rates

Before the outbreak of the latest crisis profit rates were insufficient to reward the capital invested. The market had already produced a growing separation between capital and production which, in its turn, generated a huge speculative mass, ready to move on any short term “deal” that it could in order to realise those profits that the sphere of real production made more and more difficult to obtain. Prior to August 2007, the “toxic cloud” of speculation was equal to 12 times the world GDP. Today, eight years later, world GDP has fallen by at least ten percentage units, while the “toxic cloud” has got bigger and, despite the efforts of governments and central banks, the reconnection of capital to production has not been achieved.⁴ Banks fail to do banking, companies do not invest and the recovery is noticeable by its absence in almost every industry.

In continuation of this situation, as a bolt from the blue, on March 5 this year, the German Treasury auctioned a large amount of government bonds that, as usual, were immediately well-received by financial institutions. Everything was normal, except that the interest rates charged were not just low or very low, but negative. The German treasury offered to subscribers a bond rate equal to - 0.08%.

It is true that we live in a contradictory society, which works against social needs, as in the increase in productivity which, in the long run, triggers the falling rate of profit, thus challenging the very mechanism of capital valorisation. Increased labour productivity, instead of creating free time for workers, leads to greater exploitation, a lengthening of the working day and higher unemployment. Its the same with the development of the productive forces which, instead of creating more and better welfare, enriches only 10% of the population, while the remainder live between a halfway decent existence and the notorious poverty line. As “social progress” is combined with more and more job insecurity the dismantling of the welfare state is inversely proportional to the growing needs of the population from health to pensions. But having to pay to lend money to the state is the final straw. It looks like nonsense, an oxymoron. In reality

Economy

everything that happens in capitalism, its contradictions and crises included, has its own very often perverse logic, which has its roots in the attempts of capital to ensure its survival.

Besides the distress which the crisis and the manoeuvres which the capitalists have subjected workers to they have three objectives in trying to restart the profit making machine.

1. Put in place all the financial measures to aid recovery, or re-establish the relationship between banks and the economy, between capital and labour. This means lowering the cost of money and interest rates and the use of quantitative easing.
2. Banish the spectre of deflation (the general decline in prices) as much as possible as this further erodes profits already hard hit by the continuing crisis. In fact, the selling prices of commodities, at first did not go up, then fell due to the low income of a substantial part of (consumer) demand, thus making the “recession-deflation” double bind lethal for capital which it absolutely has to overcome.
3. Abandon the credit crunch to force companies to invest. But to push companies towards investing, means re-organising the financial system to finance households and businesses, i.e. put capital back where it should be as the motor of the real economy. At the same time “deposits” in private or state bonds have to be discouraged, as they are dangerous pre-conditions for more financial speculation. This is the perspective that has led to the lowering of interest rates until they are negative. The example of Germany quoted above followed those of the Netherlands, Finland and Denmark.

In this way, depositing money in the bank is a cost rather than an investment, even if only with a minimum of return. For the same reason the Eurozone banks, which have to pay the European Central Bank to deposit their money, are discouraged from doing so, or at least that is the hope. Although only recently, the ECB has lowered its deposit rate to - 0.2% rate and no longer pays positive interest to other financial institutions thus immobilising their liquidity in its coffers. On the contrary it is the banks that must pay 0.2 to the ECB to keep their deposits. These latest financial resorts are amazing but real enough. However are they not just like propping up a shed teetering on one side which is in danger of another devastating collapse? Maybe. But one thing is for sure, the meaning of the ECB policy of negative rates is to discourage deposits and the purchase of government bonds and simultaneously to stimulate investment and, therefore, get the banks to finance the economy.

Since 19 January 2015 even the monthly interbank interest rate (Euribor) has fallen below zero. This is the first time it has ever happened. It is certainly an extraordinary situation, which has never happened before in Europe. Official interest rates which are normally used as a reference for mortgage costs and loans to companies are now in negative territory. These extreme manoeuvres are a symptom of a serious situation, so serious that not only are they struggling to jump-start the economy but their solution to the problem could be, according to many bourgeois analysts, the harbinger of a new economic catastrophe. In fact the owners of capital who are willing to pay a “fee” or “service” to the banks on their “savings” or, for banks when they buy Government bonds, very often do so in expectation of a return on their capital from speculation,

and not from enfeebled production.

In fact, if the money was lent for productive activities, as the ECB would like, it would be a disadvantage for the banks themselves, because loans to the companies would run the gauntlet of current accounts, and would be deposited at the ECB itself and, therefore subject to taxation. The ECB introduced a tax of 0.2% a year ago once again with the aim of discouraging idle deposits in its coffers and to encourage lending to businesses. However instead of favouring expansion, the policy ended up playing a regressive role by forcing banks to find other solutions. At this stage two things are certain. The first is that loans for investment are taxed heavily making investment costly. The second is that in the current critical phase of the market, the risk is not worth the candle. That's another reason why the banks have every incentive to reduce their exposures and to give loans to business very sparingly. Much better to employ the capital in investment in sovereign bonds buying them from countries that still guarantee high interest rates or, at the even greater risk, to invest in the short term, in securities issued by governments in deep crisis. In order to receive funding from the ECB, the IMF or from speculation these states are forced to offer a high rate. In this case negative rates, instead of solving the problem of financing companies, may encourage its opposite, intensifying the speculation that continues to avoid production thus further hampering the much-talked about economic recovery.

Furthermore, if the policy of negative interest rates expands, a number of institutional investors notoriously less likely to take big risks such as insurance and pension funds faced with low or even negative returns to fund activities such as the payment of pensions and insurance payouts, would be forced to diversify their investments. The inevitable knee-jerk response is that they largely fill their portfolios with shares that are also at risk, albeit of a lower order. The low interest rates thus do not push capital towards productive investment but merely shift the axis of speculation from bank deposits and government bonds to the stock market. In conclusion: whether capital goes to high risk or lower risk speculation the scenario does not change much. We are faced with financial transactions that are unlikely to force capital to become productive.

In this perverse situation of the crisis of capitalism, where the real economy is struggling to produce new returns and where speculation continues to lead the way, financial asset management and the continuous identification of "safe" areas for finance, rules. This confirms with dramatic clarity just how the speculative stimulus, born of the crisis of the real economy choked by low rates of profit, continues to avoid production, compounding the risk of a collapse of the global economic system.

This does not mean that capitalism will destroy itself, but only that the measures adopted to overcome this "contingency" are few and very often ineffective. In order for the profit machine to start up again the necessary process of devaluation of capital goods and the cost of labour has to continue. Only when this devaluation hits rock bottom will they see a recovery in investment and production.

But it will only be a partial recovery within the limits set by the economic and financial

Economy

crisis. This partial recovery will not be the beginning of a new cycle of accumulation, but only the tail-end of the old cycle where it will struggle more and more even to take small steps. According to the same bourgeois analysts, if all goes well, it will take twenty years for the global system to return to pre-crisis levels. Meanwhile, even more savage episodes of war will break out and there will be a further assault on the working and living conditions of the international proletariat. Against this ongoing and gradual economic and social barbarism, against its devastating consequences we have to put forward a social alternative to the way we produce and distribute wealth, outside and against the operations of capitalism, its crisis, its attempts to overcome it, against its profit system and exploitation.

Fabio Damen

Notes

1 According to the International Labour Organisation (ILO) in 2013 the number of globally unemployed had risen to a new all-time record of 201.8 million people. The largest part of the group are the 74.5 million people aged 15–24.

2 According to renegadeinc.com, “In 1970 ninety percent of financial flows were used to finance trade or investment in the real economy, only ten percent was speculative. Today more than ninety-nine per cent is purely speculative and has nothing to do with the real economy.”

3 See Satyajit Das “Greek Problems mask the rising risks in Italy and France” *Financial Times* June 24 2015 which confirms that “Italy’s economy has shrunk 10% since 2007”. Unemployment is 12%, youth unemployment 44%, and government debt at €2.1 trillion is 132% of GDP.

4 According to a Mckinsey Global Institute report. *Debt and (Not Much) Deleveraging* in February 2015 “Since 2007, global debt has grown by \$57 trillion, raising the ratio of debt to GDP by 17 percentage points”.



For a free copy or copies of our broadsheet Aurora email or send a stamped addressed envelope to our London address.

Telefónica Strikes in Spain

Reflections on the Class War in the Twenty-first Century

On March 28 this year the technicians and installers of multinational mobile phone company Movistar went on indefinite strike. Whatever its outcome, the strike has turned out to be one of the most significant of recent times. This article outlines the nature of the struggle and reflects on what it shows for the future of the global working class.

Exploitation Today

Movistar is owned by the Spanish telecommunications giant Telefónica S.A. which controls over 41% of the Spanish market as well as other major operations throughout Latin America. It is also present in other European countries like Germany, Ireland, the Czech Republic, Slovakia and the UK, where it operates as O₂. It is the biggest company on the Spanish stock exchange declaring profits of €4.4 billion in 2012. As such it is regarded as the shining example of Spanish capitalism. It is a bit like BT in the UK in that it was the state telecommunications company until 1996 when the Socialist party under Felipe Gonzalez began the process of privatising it by selling of its shares. Since then it has expanded across the globe and is the darling of the financial institutions. One thing though in which it really is a world leader, and the epitome of capitalism today, is in the way it exploits its workforce.

To achieve and maintain its steeply rising profits the Telefónica group have slashed the workforce in the Spanish operations from 72,000 before privatisation to 22,000 today. How did it achieve this? By using all the methods which capital restructuring has developed over the last 30 years. In the first place it has hived off much of its work to subcontractors so that they become responsible for the contracts with individual workers. This means that contracts can be started and finished as it suits the company whenever it has to expand or contract due to global capitalist conditions. No expensive settlements or legal arrangements are required to implement redundancies. At the same time this enables it to cut its own material and labour costs (constant and variable capital in Marxist terms). This is what the capitalists call “flexibility” and it is very much the model of the modern capitalist concern. That’s not the end of it.

There is also the “let’s tell everyone to go self-employed trick”. This is not confined to Telefónica. In the UK 1 in 11 working age people are theoretically “self-employed” and running their own businesses. The Government hails this as a triumph of the entrepreneurial spirit but reality it is a situation forced on those who cannot get a job. Less than 40% of them earn enough to pay VAT and over 40% of them would prefer not to be “self-employed”.

One Spanish worker at Telefónica calls this “pseudo-self employment” and defined what it really

Class Struggle

meant:

What is a pseudo self-employed worker? It is a worker who was previously on a staff contract and when the contract ran out was dismissed because there was no work, but they came up with the brilliant idea of telling the worker if s/he invested their dole money, plus a small settlement but not one that was fair, and bought tools, he or she could continue working as their own boss, taking orders as the staff did but without vacations, pay, sick leave, obligations, i.e. zero cost and high profit. The perfect business, labour at zero cost and for less than what you need to survive in life.¹

Workers on zero hour, short-term, temporary, part-time contracts everywhere will recognise the same practices in their own lives. It's a process of "casualisation" of labour, as we used to call it, but which now tends to go under the wider definition of "precarity". Its aim is to reduce labour to a pliable force which can be increasingly exploited. One hundred and fifty years on we have returned to the kind of conditions Marx was writing about in *Capital*.

What is a working day? What is the length of time during which capital may consume the labour power whose daily value it buys? How far may the working day be extended beyond the working time necessary for the reproduction of labour power itself?' It has been seen that to these questions capital replies: the working day contains the full 24 hours, with the deduction of the few hours of repose without which labour power absolutely refuses its services again. ... But in its blind unrestrainable passion, its were-wolf hunger for surplus labour, capital oversteps not only the moral, but even the merely physical maximum bounds of the working day. It usurps the time for growth, development, and healthy maintenance of the body. It steals the time required for the consumption of fresh air and sunlight. It haggles over a meal time incorporating it where possible with the process of production itself, so that food is given to the labourer as to a mere means of production, as coal is supplied to the boiler, grease and oil to the machinery. It reduces the sound sleep needed for the restoration, reparation, refreshment of the bodily powers to just so many hours of torpor as the revival of an organism, absolutely exhausted, renders essential. ... Capital cares nothing for the length of labour power. All that concerns it is simply and solely the maximum of labour power that can be rendered fluent in a working day.

Marx, *Capital* Vol. 1

In addition in our "post-fordist" world the whole aim of the bosses is not only to ensure a docile workforce but is also out to stamp out the faintest possibility that members of it are capable of relating one to another. This can be clear enough inside big firms like Amazon where the same devices that are used to monitor how fast you "pick items" from shelves² can also check whether you stopped to talk to anyone inside the plant.

Hiving people off into small contracting firms working for big companies also ends up as a form of blackmail at various levels. The small firms doing the actual work are in competition with one another. Consequently they tell the workforce that they must accept this or that wage cut or increased hours "otherwise we could lose the contract" with the obvious conclusion that the

workers would also lose their jobs. Given the high rate of unemployment in Spain this is no small threat. However given its dominant position Telefónica has been able to impose even tougher conditions on workers. This comes via what is called a loop contract which is renewed every 3 or so years but each time it is renewed the conditions are worse. Under these loop contracts the company awards points for each task where one point is supposed to represent one hour's work. Who decides how long a task takes is Telefónica-Movistar. Since 2006 what they assessed as being worth over 4 points is now valued at less than half a point. This means they have ratcheted up exploitation by 700% in 7 years. In addition there are a whole series of tasks which the firm says are unproductive so they are assessed at 0 points. Or in other words they have to be done for free by the workers. And of course the contract includes heavy financial penalties for work that is not completed on time or completed inadequately. As a result workers now have to put in 12 hour days, day after day in order just to take home between €600-800 a month. According to the striker quoted above, the latest contract proposal (May 2015) to impose yet a further increase was "the straw that broke the camel's back" and the workers, despite everything that they were threatened with decided to organise to strike.

The Strike

Again let the striker speak for him/herself:

It all started on March 28 in the capital Madrid where a group of hired, outsourced and self-employed or, rather, "pseudo self-employed" workers working for the company Telefonica-Movistar said enough to a new contract entailing very precarious, inhuman working conditions and decided to call an indefinite strike against the telecommunications giant, the biggest firm quoted on the Spanish stock exchange.

When this strike began in Madrid, it quickly set off alarms in the rest of the country and from Barcelona, together with Madrid, the possibility of convening a state-wide indefinite strike, began to emerge. This became possible on April 7th.

A historical struggle that ought to have occurred before thus started on April 7. It is historic because a strike of this size affecting so many companies in this sector has never occurred before. It is a just strike where the fight is against job insecurity, capitalism's abuse of power, the abuse of power of the few and the slavery of the many, the slavery of a working class that is suffering cuts in wages, rights and the freedom of expression. This struggle, known as the "Revolt of the Ladders" gave birth to a movement called the BLUE TIDE.

The "Revolt of the Ladders" comes from the way in which they stand on the ladders they work with as installers to make speeches in mass meetings and in demonstrations. The Blue Tide refers to the aqua-blue uniform the workers wear in demonstrations which has become a symbol of the struggle

Class Struggle

The strikers demanded:

- An end to “loop contracts”
- The same rates for workers with fixed-term contracts and subcontracted workers based on the same wages and conditions as those with a permanent contract.
- A standard 40 hour week with 2 days off instead of the present situation where they can work up to 12 hours every day.
- One month’s holiday a year.
- Health and safety cover at work.
- All tools and instruments to be paid for by the company.
- All the self-employed who want it to be directly employed by the company.
- Guarantees that there’ll be no victimisation of strikers.

This strike is an example of open class war. In the first place it is an all-out indefinite strike with no limits. It is far removed from the ritual one day strike here and there that we have seen in the last few years. These ritual strikes have been largely just used by the union bureaucracy to increase their own influence rather than win real gains for the workers.

The striker we quote says it was a strike that should have happened earlier but that is the second remarkable feature of it. This is a strike in a sector where the conditions of work were designed to prevent workers getting together with some workers on precarious contracts and some on permanent ones. In a country terrorised by massive unemployment this explains why it took so long to arrive but when it came it came about it did so with a vengeance because the workers had finally had enough.

Our witness calls it a “just” strike by which he means that no-one can doubt the brutality of the exploitation they have been subjected to and it has found a response in the solidarity they have given and received from other workers in struggle. The Movistar full-timers have also largely shown their solidarity by refusing to take on the work that the sub-contractors were supposed to do. The latter in turn have seen their struggle as part of a wider struggle of the working class and not just a sectional issue. The support they have received has included “crowd funding” of their strike fund so that they have been able to continue without pay for two months.

Throughout the strike, the precarious workers of Telefónica have taken all the necessary steps needed to reinforce their struggle. Not only have they used social media to keep everyone informed but they have collectively discussed what they should do in mass meetings (assemblies) which run the strike with strike committees responsible to the whole workforce. This has enabled them to organise pickets to watch workplaces so that scabs could not be brought in to break the strike. This has involved them in collaboration with other workers who were in conflict themselves as they have joined each others picket lines. These were so effective in the first month that the Government decided move in. They ordered the police to try to frighten the workers with the so-called “Operación Muro” which led to the arrest of 13 strikers in early May. They were charged with acts of sabotage and intimidating scabs. By a strange coincidence

the main unions the UGT (General Union de Workers – linked to the Socialist Party) and the Workers Commissions (CCOO – set up the Communist Party) called for an end to the strike a few days later. So the workers were attacked by two sets of cops working in collusion to end their struggle. However it was not the first attempt of the big unions to sabotage the struggle.

Union Sabotage

From the beginning, the UGT and CCOO argued that the workers did not belong to the company. They refused to include them in the fight for better conditions by staff directly employed by the company itself. So from the very beginning the installers on precarious contract in Madrid had to set up their own strike committees to organise and lead the conflict. A basic demand they have maintained throughout the strike is that these committees have to be recognised as the only negotiators on behalf of the workers against the bosses. In an attempt to gain control of the movement, the CCOO and UGT then called for a strike within the company involving only the full-time employees. And then surprise, surprise, a few days before the strike, the unions decided to call it off claiming that all the demands had been met by the company. This was a blatant manoeuvre since none of the demands put forward by the workers through their strike committees had been satisfied. If you still need proof as to how the traditional unions are now just part of the capitalist establishment and its state apparatus this was it. They have a cosy deal with the management which although superficially antagonistic allows them to manage and control the labour force together.

But it was not just the traditional unions that the workers had problems with. According to our witness even the smaller, rank and file unions like AST, CGT (linked to the IWW) and Cobas just turned up at the last minute and tried to take over. He tells us that

In publicly announcing an indefinite strike we did not intend minority unions such as AST, CGT and Cobas to turn up at the last moment without asking, what's going on?, what are you asking for? Why are you in this situation?, and put themselves at the head of a struggle they had not called, calling instead for two strike days spread over three weeks, a far cry from the demands of those who are suffering this very precarious situation in the flesh.

The problem here is that rank and file unions, or their like, tend to metamorphose over time into lesser versions of the traditional unions which they oppose. The issue is not one of bad leaders or even bad intentions but the fact that permanent negotiating bodies get sucked into the legal framework of the capitalist state. No doubt the suggestion of two one day strikes spread over a fortnight was considered to be all that was possible on the basis of the recent past but then “past performance is no guide to future action” in the class war and the Telefónica workers had already gone beyond that. The contrast between the soaring profits of Spanish capitalism’s one success story and their declining conditions of existence was just too blatant. They wanted an all-out strike and not some token resistance. The CGT denies it tried to take over. On its website is a statement by a local CGT member which correctly denounces the big unions.

Class Struggle

The big, institutional, bureaucratic unions have had nothing to do with real mobilization. They called for a make-believe, partial strike in order to try to interfere with the real strike. They engaged in negotiations with the company even though they didn't have the strikers' consent. Finally, they reached an agreement (not approved by the workers either) and called off their puny strike.

What it does not admit is that they too proposed "a puny strike" which was rejected by the workforce. However, they obviously learned some lessons here since they conclude that

The strikers organized, as it was decided, horizontally in workers' assemblies. It is the workers themselves who were running the show.

Before adding;

Unions such as the one to which I belong, those that really believe in the struggle of the working class, have supported the strike in many ways.³

The final statement is closer to the truth since the strikers managed to get support from a wide variety of workers' organisations who provided food, money and other forms of real support (on the picket lines, for example). Without such solidarity the strike would not have been able to last so long against the full force of the most powerful firm in the land supported by the state and the traditional unions.

News Blackout and Occupation

However the strikers also faced another problem. They realised that the company was using all its contacts in the state and media to create a news blackout of their struggle. This is neither new nor confined to this struggle. News of workers struggles elsewhere in the world do not get mainstream coverage for the very reason it might encourage others to follow. Whilst the firm hoped that they could strangle the strike by denying it the oxygen of publicity, the workers had other ideas. Their solution was to twice occupy the Movistar-Telefónica head office in the Mobile World Centre (famous in the "May Days" of 1937 as the Barcelona Telephone Exchange in the Plaça Catalunya).

The front of the building was plastered with posters and slogans brought the strike to wider notice as well as denting the image the company was trying to portray of itself to the world. The occupation has also solidified the strike and given it a sense of momentum. Several hundred workers from other firms have come to the occupation to block any attempt to remove the occupiers. Movistar, having tried to recognise only the official unions had refused to enter into negotiations with the strike committees until this point but with the strike now getting more attention (even if still ignored by all the capitalist media) they have started to climb down. The first occupation in early May ended when the company promised to negotiate but then turned round and repeated that they would only negotiate with the CCOO and UGT.

The second occupation thus started on May 23. It has won the support of Ada Colau, the newly elected Mayor of Barcelona of the Guayem Party (the Catalan version of Podemos, the reformist left party which supports Syriza in Greece). She came down to the occupation to solidarise with the workers (wearing their blue T shirt) and promised to try to get Telefónica to negotiate. The workers asked her to get Podemos and other political parties to cut their contracts with Movistar in order to increase the pressure but they were not sure that they would do this. Instead Podemos have tried to “institutionalise” the strike according to their own brand of reformism by doing such things as paying for a delegation of strikers to lobby the European Parliament in Strasbourg. More publicity for the strike certainly, but even more for the “radical” image of Podemos.

Restructuring in the Capitalist Crisis

Whatever the final outcome, this strike⁴ it marks a significant turning point in recent working class struggles. Ever since the post-war boom ended in the early 1970s the working class has been fighting a rearguard action against the attacks of system seeking to maintain its rate of profit by devaluing labour power. In the 1970s the working class resisted to a certain extent as it was still organised in huge workplaces of thousands of workers and most were unionised and many worked for the state so that every strike was potentially a political strike. However the strikes of that epoch never went beyond economism (“money militancy” we called it). In the UK the nearest to a political movement came when the 5 dockers were imprisoned in Pentonville in 1972 but that withered as soon as the UK state released them. At this point states thought they could pay off the workers then devalue their wages by printing more money so we had massive inflation in the advanced capitalist world. Eventually this led to the first states getting into financial trouble (by present standards they had little debt but UK and Italy had to be bailed out by the IMF in 1977 and the first attacks on welfarism began).

This was a real game changer as each national state no longer could afford to print money to fund the “commanding heights of the economy”. Unemployment thus began to rise and this undermined the old union-led workers resistance. The capitalists seized the time. What followed was the gradual de-industrialisation of the West, the transfer of much manufacturing to the Far East, primarily China, and the implementation of what are generally called neo-liberal policies. Globalisation was soon followed by financialisation, as the creation of real value became of less concern than appropriating that value through financial means, which became the aim of the big capitalist institutions. All the regulations on finance (imposed after the Wall St Crash) were relaxed and the era of speculation and financial instruments had begun. All this of course took place over decades. In the 1980s we had the last vestiges of the fightback of “organised labour” (the miners’ strike of 1984-5 being a particular turning point but these failed in the face of massive increases in unemployment and the failure to go beyond trade union sectionalism).

Since then the working class in the West has globally been “disaggregated” (to use the ugly word we coined at the time) or fragmented into smaller units (whilst capital continues to be ever more concentrated in huge financial corporations). In fact the average level of concentration of

Class Struggle

workers in the West seems now to be about the same as it was when Marx was writing *Capital*. The difference is that capital was less mobile then and tied to its investment in constant capital. Now we have all the labour practices highlighted in the Telefónica-Movistar strike outlined at the beginning of this article. Wage labour carried out by insecure workers on zero-hour, part-time and/or short-term contracts not only undermines the collective character of those precarious workers but also has a disciplinary power over those workers still “enjoying” the pleasures of being full-timers with more legal rights than the casuals. Not only are they cowed by the fear of losing this “privileged status” but they are usually represented by traditional unions carefully approved by the firm. This has allowed the firms (with union assistance) to keep wage rises to a minimum. In recent years these workers in permanent jobs have also seen the ending of fully funded final salary pension schemes so they now end up with a pittance after decades of work.

As a consequence of all these factors the share of wages in GDP has continuously declined since the end of the 1970s (the post-war boom ended in the early 1970s but early attempts to make workers pay were resisted for a few years). In the US for example workers share of GDP was 52% in 1979 but today it has fallen to 42%. The picture is no different anywhere else although it is worse in the English-speaking states. This lowering of working class living standards has is now so severe that the capitalists themselves have become very worried about growing inequality. Even such famous financiers as George Soros or Warren Buffett have expressed alarmed views that the working class’ retreat in the face of the class war has gone too far and that capitalism could soon face some social backlash.

A New Way Forward?

If the response of the Telefónica-Movistar workers is anything to go by their warning is not before time. Until now “precarious” conditions of work and individual contracts have prevented real resistance. Wage slavery has increasingly looked like outright slavery. Many who had had enough despaired of being able to organise given the conditions under which they worked. The signs though are that workers on precarious contracts are finding new ways to organise themselves despite the difficulties. Using social media anonymity they can talk to each other without the bosses monitoring their discussion and they are either masking up or acting as pickets in each other’s strikes so the firm cannot identify and victimise them. Instead of strike pay from a union (how many unions actually ever pay strike pay – most of members dues goes into financing the pensions of the bureaucrats) they have resorted to crowd-funding and food banks in order to be able to pay rents/mortgages and survive at the same time. It’s not easy and it’s different from the traditional model but this is an important aspect of the new era of class warfare.

Of course there are still those who hanker after the traditional model. They want the old labour movement back. And a whole new generation or two has grown up who don’t know what it was really like. In places where unionisation is low (particularly the United States) the old labourists still make the same old propaganda. “Low wages? It’s because you are not unionised” is their constant refrain but they don’t mention all the sell-outs, the corruption and the cosy deals with

leftwing capitalist parties to control the class struggle. In fact the failure of traditional unions is that they are the negotiators of the commodity, labour power. When the market goes against them (in the high unemployment of capitalist restructuring) they have little to bargain with. If the capitalists find there is too much resistance they can increasingly up sticks and shift their capital elsewhere especially in an era where the whole world is incorporated into the capitalist productive mechanism. In these circumstances trades unions of the old type increasingly act like company unions (like the CCOO and UGT here) as they have to maintain some sort of control over labour as part of maintaining their credibility in the negotiating process with management.

Solidarity and coming together to fight for our own interests now has to mean more *ad hoc* forms of organisation. These inevitably go beyond the old unionism and demand that workers form mass meetings or assemblies which elect revocable strike committees to coordinate and extend strikes to other places. This is the way the working class has to organise just to effectively resist. It is a far cry from the notion that having a strike is just a question of a vote and then leaving it to others to lead until the point that they tell you they got you a good deal. Class autonomy means that everyone must constantly be part of the battle at whatever level all the time. Token strikes are proving to be increasingly ineffective against intransigent bosses in an increasingly crisis-ridden capitalism even where workers “enjoy” more permanent positions. And that is the exemplary contribution of the Telefónica-Movistar workers to the future of the working class. This still leaves open the question of how we go from fighting capitalism to overcoming it, but for now, after decades of retreat, let’s just honour the militancy and creativity of the Blue Tide and more importantly, learn from the workers who started it.

Jock

Notes

1 See <http://www.leftcom.org/en/articles/2015-06-07/spanish-telecom-workers-on-all-out-strike>

2 For the joys of working in Amazon see <http://www.leftcom.org/en/articles/2014-02-15/amazon-%E2%80%93-a-modern-capitalist-microcosm>

3 <http://www.cgtinformatica.org/content/resistenciamovistar-strike-century-spain>

4 As we go to press the workers have returned to work with promises from the bosses that conditions will improve but the strike committees and mass meetings have not ended (four are planned in the next week alone) as no-one trusts the bosses, and with good reason. Our eyewitness JM has since posted on www.telefonica.net the following

“It’s been several days since the return to work after the indefinite strike. It is time to take stock, to assess what has been achieved. We say that the balance is positive, in general, and excellent in Vizcaya, where two agreements ... with Comfica and Elecnor have been signed, which is a point of reference for the future and also a very clear lesson: by fighting, you can get anything. It is an agreement which does not include all the initial aspirations, but it greatly improves on the national agreement with the employers signed by CCOO and UGT.

1915 to 2015 - A Century of Genocide

We go to press around the twentieth anniversary of the massacres of 8,000 Bosniak males by the Bosnian Serb army of the Serb Republic under Ratko Mladic in 1995. Mladic has since been condemned at the International Criminal Court at The Hague. The EU and US have now classed the massacre as “genocide” (but an attempt to have the UN pass a resolution on this was vetoed by Russia at the request of Serbia). All of which demonstrates that what is one state’s massacre is another state’s genocide, or rather, that terms like massacre, genocide, ethnic cleansing are part of imperialist competition rather than linguistically precise. The following article was written on the occasion of the anniversary of the massacre one hundred years ago of the Armenians by the Turkish leaders of the Ottoman Empire. However it does not confine itself to this, and shows that Mladic is far from being the only war criminal in the dire history of the capitalist system in the last century.

“Who, after all, speaks to-day of the annihilation of the Armenians?” Adolf Hitler, 1939

At its height the Ottoman Empire was generally more tolerant of its minorities than its European counterparts. Although polytheism was banned Christians and Jews were allowed to carry on worshipping so long as they recognised the supremacy of the Islamic state and did not proselytise outside their own communities. Each community had its own separate courts called *millet* (from the Arabic word “millah” which means nation). However, the rise of European nationalism in the 19th Century posed a threat to all the multilingual empires in Europe. The Russians faced the Poles, the Austrians the Czechs (and many others) whilst the Ottoman weakness lay mainly amongst the predominantly Christian peoples of the Balkans. The Serbian revolt of 1804-15 was followed by the establishment of Greek independence (by 1829) and the process of nationalism began to eat away at the decaying Empire. The answer of the “Sick Man of Europe” to the various revolts was to either grant de facto autonomy or suppress them violently with periodic massacres. Ironically the first attempts at genocide in the region came as the Russians drove the Circassians and others into the Ottoman Empire after the Crimean War. It was the beginning of an increasing spiral of violence and massacres which only got worse as the European imperialist powers travelled down the road to all out war. It was a war which would destroy all the polyglot empires in one way or another. The collapse of the Ottoman Empire was succeeded by the rise of a narrow Turkish nationalism which was to become even more intolerant than its Ottoman predecessor.

Thus today, in a year when the mainstream media and Western politicians of all stripes have been commemorating the Armenian genocide of one hundred years ago, the blood-letting continues across the Middle East. One aspect of this seems to be the beginning of the end for Christian communities within the Middle East. In Turkey, which was once a vibrant multi-cultural society, the number of Christians has dropped to an almost negligible 160,000, representing only 0.2% of the population compared to an earlier figure of 220,000 for Istanbul alone, with even bigger populations in Edirne, Aydin and Trabzon according to the 1914 census. At that time,

19% of the population of what is now Turkey was Christian. Across the rest of the former Ottoman Empire, and the Middle East as a whole, what were once vibrant communities have been shrinking dramatically. Over the past century the number of Christians in the Middle Eastern countries where they are still represented as a significant part of the population, Egypt, Lebanon, Syria, Iraq, Jordan, Israel, and Palestine dropped by about a half to 6.3% of the population or around twelve million people in 2010. The wars of the last decade have accelerated this process. Since the US invasion of Iraq in 2003 about two thirds of Iraqi Christians, one million people, have fled the country, and nearly half a million Syrian Christians have been displaced during the Syrian civil war. Palestinian Christians continue to flee the region. As the Jordanian Prince Hassan bin Talal put it “there are today more Christians from Jerusalem ... living in Sydney, Australia, than in Jerusalem itself.”



Turkish nationalists hold up a placard which reads, “You are all Armenians. You are all bastards.”

Of course, the series of genocide, massacres and ethnic cleansing across the Middle East isn't something that has affected only Christians. Virtually all ethnic-religious groups have had, at times, massacres, pogroms and ethnic cleansing perpetrated against them with the current war in Syria and Iraq only accelerating this process. It is not a new phenomenon peculiar to this war.

Before the new rounds of ethnic cleansing that this war has brought about massacres were common enough across the region. Occasionally they jump off the pages of the international press into the world wide consciousness for a moment. Names like Sabra and Chatilla, Hama, and Halabja became infamous for a few days, but the general lack of concern about the region in the international media soon reasserts itself. Massacres become common place, and ethnic cleansing becomes routine. The Turkish state today, while continuing to deny its historical genocide against the Armenians, has been conducting a policy of terror and forced assimilation against the Kurdish population of Turkey over the past decades which many have described as genocidal itself. The degeneration of the Ottoman Empire led to the modern Republic of Turkey which took up the narrow nationalism of the imperialist epoch in which it arose. Instead of criticising the past massacres and genocides of the Ottomans they have not only defended them but have carried on with their own blood-soaked, murderous, and genocidal policies. In other countries of the region Kurds have also been subject to atrocities. The Anfal campaign and the use of poison gas against the civilian population in Saddam's Iraq during the late 1980s only the most well known of these massacres. The Anfal campaign itself wasn't limited to just Kurds with

History

smaller minority groups such as Assyrians, Shabaks, Turkmens, Yazidis, Mandaeans also being murdered and displaced. The campaign of Arabisation currently being waged by the Da'esh is merely a continuation of the campaigns conducted by the Ba'ath Parties in both Syria and Iraq over the past half century. Nor have Sunni Arabs themselves, the largest single group across the Middle East as a whole been spared ethnic cleansing. In both Northern and Southern Iraq Sunni Arabs have been massacred and burnt out of their homes by Shia militiamen and the *peshmergan* of the Kurdish Regional Government (KRG) respectively.

Yet this year, on April 24, while the killing was still going on across the region, the majority of the world paused for a moment to commemorate the deportation of around two hundred and fifty Armenian intellectuals from Constantinople, which is considered to be the event which symbolises the start of the Armenian genocide. Meanwhile in Turkey, the state moved forward the 'Gallipoli Day' commemoration by a day in an attempt to distract attention from international talk of genocide.

Hitler was wrong. The world remembers the annihilation of the Armenians today, even if it is only for ten minutes as it turns its head to ignore the massacres currently being perpetrated across the region. The Pope makes a statement condemning the genocide. The American President once again refused to actually use the word 'genocide' to describe the mass murder of one and a half million people. Kim Kardashian turns up in Yerevan. Meanwhile, the wars and massacres across the region go on and the Turkish state, while still denying that any genocide happened, arms Islamicist gangs in Syria and Iraq who are intent on committing another genocide today.

"Thirty thousand Kurds have been killed here, and a million Armenians. And almost nobody dares to mention that. So I do." Orhan Pamuk 2005

Pamuk was right to draw a parallel between the historic genocide of Armenians committed by the Turkish state, and its murderous actions today. The Armenian genocide is not an event that stands alone as an aberration in Turkish history. Rather it is merely the largest and most well known massacre within a history of state genocide. Nor was the Armenian genocide at the time of the First World War the first time that the state had massacred Armenians. Twenty years earlier in the mid-1890s up to three hundred thousand Armenians, along side twenty-five thousand Assyrians were murdered by the Ottoman state in what is known as the Hamidian massacres. While the extent of the massacres unleashed against the Armenian population was unprecedented, massacre itself, as a weapon against the civilian population was not. Twenty years previously the *Başıbozuklar*, a particularly indisciplined irregular section of the Ottoman army, had massacred over ten thousand Bulgarians in putting down the April uprising.

The next bout of anti-Christian massacres carried out in Turkey took place in Adana in April 1909 when pogroms against the Armenian minority killed 20,000 to 30,000. In addition to this about 1,300 Assyrians were killed in the massacres. The coming of war, however, would bring more horrors which would dwarf the massacres that came before.

On October 29th 1914, Turkey entered the First World War on the side of the central powers, Germany and the Hapsburg Empire. The state of Turkey at the time was disastrous. The Balkan Wars, and the Turkish-Italian war had drained the empire. During the Balkan wars, most of its territory in Europe was lost. With the opening of the First World War the situation got worse. The military campaign against the Russians in the Caucasus region opened with a major defeat at the battle of Sarikamish. Enver Paşa, the minister of war, who considered himself to be a great military genius, led the Ottoman troops personally. Von Sanders, the German military advisor, on the other hand considered Enver to be an incompetent. It seemed that Von Sanders was right, and the battle of Sarikamish was the worst defeat for the Ottomans in the entire war. On his return to Constantinople, in January 1915, Enver blamed his defeat on the Armenians.

The following month all ethnic Armenians within the Ottoman armies were removed from their military posts and transferred into unarmed labour battalions, and the Armenian Patriarchate was accused of passing state secrets to the Russians. Certainly the Ottoman state feared that the Armenians would collaborate with the Russians. This had been a long term fear of the state dating back to the aftermath of the military defeat to the Russians in the 1870s. This paranoia was then intensified by events in the South-Eastern city of Van, where armed Armenians defended themselves against attacks made by the Ottoman military. After holding out for nearly a month, they were eventually relieved by Russian forces. Before this happened though around 50,000 Armenians had been massacred by Ottoman forces.

The scene was set for massacre to turn into genocide. The expulsion of the two hundred and fifty or so prominent Armenians from Istanbul was shortly followed by general attacks against the whole population. The genocide had begun.

“Turkey is taking advantage of the war in order to thoroughly liquidate its internal foes, without being thereby disturbed by foreign intervention. What on earth do you want? The question is settled. There are no more Armenians.” Talat Paşa 1915

From 1915 onwards a total of somewhere between eight hundred thousand, and one and a half million Armenians were massacred. However, it was not just the Armenians alone that this horror was unleashed upon. Other Christian minorities were also massacred. Between one hundred and fifty thousand and three hundred thousand Assyrians were murdered during the same period, and between four hundred and fifty and nine hundred thousand Greeks suffered the same fate. In total during the war and the period immediately afterwards, somewhere over two and a half million people were murdered.

The legal tool for these massacres was the ‘Temporary Law of Deportation’, which had been passed in May 1915. Under this law the state was entitled to deport those that were perceived to be a threat to national security. From the passing of this law onwards the slaughter of minorities continued unabated. The reports of the horrors of the genocide could, and do, take up many books. The mass deportations were turned into death marches where the state made no attempt whatsoever to provide the food and supplies that would have been necessary to support so

History

many people. Starvation was common. Those who survived this were often massacred by local tribesmen. Children were enslaved, and women suffered from being both raped and enslaved, with the price in Mardin for an adult Christian woman falling as low as one Lira. Mass burnings and mass drownings were used to dispose of the victims, and those who survived all this were interned in a network of twenty five concentration camps.

“There are Turks who don’t admit that their ancestors committed genocide. If you look at it though, they seem to be nice people... So why don’t they admit it? Because they think that genocide is a bad thing which they would never want to commit, and because they can’t believe their ancestors would do such a thing either.” Hrant Dink 2005

The evidence for all of this is so large as to be undeniable. Yet in Turkey to say that this genocide actually happened is actually a crime itself, covered under Article 301 of the Turkish penal code, which prohibits “insulting Turkishness”, and is punishable by up to three years in prison, which can be increased by a third if the ‘crime’ is committed by a Turkish citizen in a foreign country. Twenty years ago it was completely denied that this genocide had happened at all. Nowadays, the standard approach in Turkey is to admit that some Armenians died, but to counter that it was a time of war, and people died on both sides and that Armenians killed Turks too. Some Turkish ‘historians’ even come to the conclusion that Armenians killed more Turks than vice versa. The state’s old official formula ‘the so-called Armenian genocide’ has been replaced by the newer phrase ‘the events of 1915’.

With the end of the war and the allied occupation of Constantinople, courts-martial were set up to sentence those responsible for the genocides to death. The three ‘Young Turk’ paşas who ruled the Ottoman Empire during the war, Enver, Cemal, and Talat, Minister of War, the Navy Minister, and Grand Vizier respectively were all found guilty and sentenced to death. However, they had already fled the country and so temporarily escaped the sentence. The latter two were killed by members of the Dashnaktsutyun, the Armenian Revolutionary Federation in the early 1920s. Enver himself managed to avoid assassination by dying fighting in Russia in 1922. Beyond this the courts had no intention of convicting anybody. The British tried to take over the process, moving the trials to Malta. The new Turkish government under Mustafa Kemal, which was to assist with researching the details of the crimes, just happened to lose all of the evidence including the documentation of the previous trials.

One of the narratives of Turkish history since the end of the First World War and the establishment of the Republic has been to distance Mustafa Kemal from the ruling Committee of Union and Progress (CUP), the official name for what was more commonly known in the West as the ‘Young Turks’. The CUP was responsible for the genocides, and so the aim is to distance him from the genocide itself. The story goes that there was a major rivalry between Kemal and Enver Paşa and that there was nothing that tied Mustafa Kemal closely to the genocide. He was a senior army officer and served in Syria during the war. He was also a member of the CUP and had been since 1908 being the 232nd member to join. Despite not being a member of the inner circle it seems fanciful to presume that even if not playing an active role in the planning of the genocide he

would have been unaware of what was going on. For the Turkish state to lose the documents that might have implicated him more deeply is thus very convenient. Even without involvement in the atrocities in the East, Kemal's army's involvement in the burning of Izmir, which killed unknown thousands, and is referred to in Turkish as the 'Liberation of Izmir', would be enough for the International Criminal Court to consider him a "war criminal" today.

"In Turkey, we annihilated people who speak "Zo" (Armenian), I'm going to clean up people who speak "Lo" (Kurdish) by their roots." Nurettin Paşa 1921

Following the establishment of the national movement, and the Grand National Assembly (parliament of the republic) in Ankara, a new enemy with was discovered. This time the threat to the nation was from the Kurds. The ideology of the new Republic, which was founded in 1923 was nationalist to the core. The state stood for "the domination of Turkish ethnic identity in every aspect of social life". Kurds, who have been referred to at various times by Turkish nationalist politicians as 'Eastern Turks', and 'Mountain Turks who had forgotten their own language' stood in the way of the aforementioned aim. The repression was bloody. Between 1921 and 1938, the Turkish state, finding that there were few Christians left to massacre, turned its bloody visage to face the Kurds.

Following the massacres in putting down the Koçgiri rebellion in 1921, the commanding officer of the Turkish forces involved, Nurettin Paşa, was recalled to Ankara, where the Grand National Assembly had decided to put him on trial. Mustafa Kemal intervened to prevent the trial from happening. In 1925 the 'Sheikh Said rebellion', which was an attempt by Zaza tribes mainly in Diyarbakir and Mardin to revive the Caliphate was drowned in blood. Again figures for this massacres are hard to ascertain though the highest figures put the civilian death rate at a quarter of a million. Everybody agrees though that at least tens of thousands were murdered. Between 1927 and 1931, the state fought another war against the Kurmanci speaking tribes of the Ağrı, who had set up an independent Kurdish republic. During this campaign terrible massacres of the civilian population took place, where perhaps nearly fifty thousand civilians were murdered. Again figures are disputed, but *Cumhuriyet*, a Kemalist newspaper, and the most popular Turkish newspaper of the time claimed that fifteen thousand were killed in the Zilan valley alone, and that the river was filled with corpses up to its mouth. The final massacres of the period took place in the late 1930s in Dersim, now known as Tunceli.

The rebellion in Dersim started as a result of the Turkification campaign. It was considered by many to be a clear provocation. By the end of the campaign, according to official reports, 13,160 civilians had been killed by the Turkish Army and 11,818 people and been displaced. Contemporary British reports put the number of civilian dead at 40,000, and local reports put it higher. Mustafa Kemal himself, now restyled as Atatürk (father of the Turks) gave the operational orders himself, and his adopted daughter, a pilot, was involved in bombing 'bandits' during the revolt. It is also alleged that chemical weapons were dropped by the Turkish air force during the campaign.

"You are all Armenians. You are all bastards" Current Turkish nationalist slogan

History

Since the Second World War the policies of the Turkish state have remained racist and genocidal to the core. Pogrom and massacre are still a part of its arsenal. Of course the most famous of these events is the war against the PKK that the Turkish state has been waging in the South-East for over thirty years. This has resulted in a total of approximately forty five thousand deaths, and the displacement of perhaps three million civilians. That is not to say that other minorities have been forgotten during this period. In 1955, the National Security service incited pogroms against the remaining Greek citizens in Istanbul. The pogroms were sparked off by the false news story that Greeks had bombed the Turkish consulate in Salonika, which is situated in the house where Atatürk was born. Although a Turkish worker at the consulate was later arrested and confessed to planting the bomb that didn't stop the resulting anti-Greek rioting. While the police stood by Greek businesses and houses were burned, and dozens of Greeks, and one Armenian murdered. Before these events there were sixty five thousand Greeks living in Istanbul. Within five years nearly a quarter had left the country, and today there are only about two and a half thousand left in the whole country.

The Alevi religious minority has also been the victim of pogrom and massacre. Pogroms and attacks in Çorum, Maraş, Sivas, and Gazi Mah were committed by the Turkish far right, and in the case of Sivas by Islamicists, but where the state was not directly involved in these sort of events it was at least complicit.

Finally during all of this bloodshed, the Armenians have not been forgotten. In 2007 a seventeen year old Turkish boy shot Armenian journalist, Hrant Dink dead outside his office in Istanbul. Dink was the editor of an Armenian newspaper in Istanbul. He had been critical of Turkey's stance in denying the Armenian genocide and had been tried three times for 'insulting Turkishness'. After the arrest of Ogün Samast, his killer, police and *Jandarma*, posed with him smiling in front of a Turkish flag. The killer was associated with the far right Greater Turkey Party, but there have also been allegations of a cover up and of state involvement in the killing.

Following the demonstrations one hundred thousand people marched at his funeral under the slogan 'We are all Hrant Dink. We are all Armenians'. Turkish nationalists responded with demonstrations under the slogan "You are all Armenians. You are all bastards".

"Like the genocide of the Armenians before it, and the genocide of the Cambodians which followed it, . . . the lessons of the Holocaust must never be forgotten." Ronald Reagan 1981

The purpose of this article is two fold. First we try to demonstrate that the Armenian genocide was not some sort of aberration, but it fact was a logical part of a genocidal policy that was undertaken by the decaying Ottoman Empire, but which was then continued by the Turkish Republic. Turkey though does not stand alone as being the author of genocides. Ronald Reagan statement about not forgetting the lessons of the Holocaust completely misses the point. He was right in that the Holocaust was not a unique moment that stands out in history. There are numerous other acts of genocide that one could add to the list that have been played out since 1981. Acts of genocide and "ethnic cleansing" have been committed in Darfur, in Bosnia,

in Rwanda, and Iraqi Kurdistan just to mention a few. The ongoing terror of the Israeli state committed against the Palestinians, and the attempts by the Da'esh to destroy the Yazidi people are just two examples from the region.

The slogan raised after the Jewish Holocaust of 'Never again', seems almost tragic today, as genocide has been repeated again and again across the globe. Genocide was not committed by the Ottoman and Turkish states because the Turks are somehow 'bad people'. Nationalism in an age of imperialism is itself genocidal. Genocide is not something committed by 'evil men', but is a logical consequence of imperialism, and the nation state. It is not something that we can learn the lessons of and somehow avoid in the future, but is something that will persist as long as there are nation states. It is not something perpetrated by mad men or criminals, but is something that is intrinsic to the system itself.

Devrim Valerian

July 9 2015

On-line publications

On the inside back cover is a list of our pamphlets. Some of these such as the Trotskyism and Spanish Civil War pamphlets can be found on-line as well.

However, the pamphlet 1917: Party, Class and Soviets in the Russian Revolution can only be found on-line at

<http://www.leftcom.org/en/articles/2007-11-01/1917>

Piketty, Marx and Capitalism's Dynamics

Introduction

The book *“Capital in the Twenty-First Century”* by Thomas Piketty (TP) caused quite a stir in the world of bourgeois economics when it was translated into English last year. It won the *Financial Times* business book of 2014, has become a best seller and made the author a millionaire. The book contains a wealth of empirical material which TP has painstakingly culled and analysed from tax records in a number of countries for the last two centuries. He has made all this material and his analysis available on line for anyone interested to check. The book, which contains the results of his analysis, is well written, the findings clearly presented and his conclusions provocative. Put in its simplest terms TP finds that inequality is tending to become ever more extreme and that there are no internal mechanisms within capitalism to counter this tendency. If this tendency continues, he argues, it will lead to the poorest 50% of the population expropriating the richest 10%, or, in more simple terms, to social revolution. In the process of reaching this conclusion he successfully refutes both the theory that capitalism is a meritocracy and the trickle-down theory, which holds that if the rich get ever richer it benefits everyone since some of their riches trickle down to the poor. Instead he shows that inherited wealth is, as in the 19th century, far more important than wealth earned by merit and the wealth of the richest in capitalism does not trickle down. TP's declared aim is to save capitalism from its unfortunate tendencies. To do this he invokes the power of the state and recommends it imposes an annual tax on accumulated capital and a progressive tax on income. The state should then redistribute the revenue in social spending for the poorest 50% of the population and so stave off the revolution.

Within bourgeois economic circles the book has attracted praise and condemnation in equal measure. It has been praised by the neo-Keynesians, who understand his proposals as a means of stimulating effective demand, and execrated by the neo-liberals, who describe TP as a soft Marxist hell bent on taking the wealth from the rich. Paul Krugman, the anti-austerity Nobel Prize winner, writing in the *New York Times* describes the neoliberal attacks on TP as follows:

“The really striking thing about the debate so far is that the right seems unable to mount any kind of substantive counterattack to Mr. Piketty's thesis. Instead, the response has been all about name-calling — in particular, claims that Mr. Piketty is a Marxist, and so is anyone who considers inequality of income and wealth an important issue.”¹

TP is, of course, not a Marxist. He declared in an interview with the *Financial Times*:

“I believe in capitalism, private property, the market.”²

Rather than being a Marxist, he is a bourgeois economist in the neo-classical tradition who believes capitalism is the system towards which all previous social systems of production have been evolving. He admitted in an interview with the *“New Republic”*³ magazine that he has not even read Marx's *Capital*. This makes the title of his book, which clearly echoes Marx's *Capital*, and the various attacks on Marx scattered throughout the work, somewhat dishonest. Of the attacks on Marx, an example

of particular interest is his rejection of Marx's law of the tendency of the rate of profit to fall, which he characterises as nonsense, while clearly not having understood it. In fact, TP's findings confirm many of Marx's predictions of the dynamics of capitalism, its contradictions and, indeed, validate Marx's conclusion that capitalism is a historically limited system of production whose contradictions will lead, and must lead, to its replacement. The book is worth reading for this reason alone.

TP's own position is clearly contradictory though he does not seem aware of this. He freely admits both that the ship of capitalism is heading for the rocks, and that there is no internal mechanism to change its course, while at the same time maintaining there is nothing fundamentally wrong with the capitalist system. The fact that he is forced to look to some external mechanism, namely state action, to avoid the shipwreck he foresees, when there is nothing fundamentally wrong with the system, demands to be explained theoretically. But he does not explain this. This illustrates the principal weakness of the book in that it is a work of empiricism and avoids the theoretical issues which are inevitably raised. In the well-trodden path of neo-classical economics TP considers only the distribution of wealth not its production. TP says, he simply reports what he finds, however, when his findings contradict his own analysis of the empirical data, as in the case of the falling rate of profit, this is not explained.

Inequality

TP's principal interest is in inequality and this alone explains the book's success. Its publication was perfectly timed as it followed the "*Occupy*" movements who raised this issue in their slogan "we are the 99%." The premise of the movement being that the 1% at the top of capitalism are robbing the rest. The book provides a wealth of empirical material support to this premise and provides an analysis of why the process is not only going to continue but to accelerate.

His analysis is beguilingly simple. He divides society into groups determined by either their wealth, which is his word for capital, or their income, and then compares the distribution of both of these amongst the various groups at various historical periods. The divisions he makes are not class divisions and he is careful not to talk about a capitalist class or a working class throughout the book, though these divisions can be inferred. He compares the distribution of capital and income for different times by reducing his variables to ratios. He finds a steadily increasing inequality of capital and income distribution from the Napoleonic wars to 1914. This trend was interrupted by a 30 year period from 1914 to 1945, during which two world wars and a slump strip the upper sections of society of a large proportion of their capital, producing a more egalitarian distribution of capital and income. After 1945, however, the in-egalitarian trend reasserted itself and continues to the present. Table 1 shows his findings⁴.

Groups	Capital Distribution 1910 Europe	Capital Distribution 2010 Europe	Capital Distribution 2010 USA	Income Distribution 1910 USA	Income Distribution 2010 Europe	Income Distribution 2010 USA
Top 1%	50%	25%	35%	20%	10%	20%
Top 10%	90%	60%	70%	50%	35%	50%
Middle 40%	5%	35%	25%	30%	40%	30%
Bottom 40%	5%	5%	5%	20%	25%	20%

Table 1 Capital and Income Distribution in Europe and the USA 1910 and 2010

It can be seen from Table 1 that income distribution in the USA is now as extreme as it was in Europe immediately before the First World War and on present trends by 2030, he predicts, the top 10% will be receiving 60% of the national income while the share of the bottom 50% will have shrunk to 15%. As mentioned above he notes there is no internal mechanism in capitalism to counter this trend to inequality and if the trend continues the system as heading for social revolution of some kind.

Having established that the workings of capitalism inevitably produce this tendency to inequality, TP has also established, though he does not acknowledge this, that such a tendency is only a symptom of the workings of capitalism itself. The problem he concerns himself with is therefore a symptom of more fundamental problems in the system itself. One might expect TP to examine or at least discuss these problems. Of course, he does not do this. Such an examination would, inevitably, lead to an examination of production itself and, consequently, the production of profit. For TP profit is something eternal which capital produces like “the attribute of pear trees to bear pears”⁵. TP, consequently, restricts himself to the problems of distribution. To avoid revolution distribution must be controlled by the state. He, therefore, prescribes treatment, not of the cause of the problem but of the symptom.

It is worth looking at TP’s analysis which his bourgeois detractors have so far failed to disprove.

Piketty’s analysis

TP examines the evolution of the ratio of wealth, or capital, to income which he calls β . It needs to be noted immediately that TP does not restrict his definition of capital to productive capital, that is capital which exploits wage labour and which is the only sector of capital which produces profits, but includes real estate and financial assets as capital. Such assets could, of course, be converted into productive capital but while they do not directly exploit workers the interest they attract is a deduction from the profits produced by productive capital. The result of TP’s understanding of capital or in his terms, *wealth*, is that workers who own their own houses or have company pensions are therefore holders of capital. In addition he subtracts the replacement costs of capital

used up in the production process to get his figure for national income. This is another distortion since productive workers reproduce the capital used up in the production process in each cycle of production. However, following his analysis:

$$\beta = \text{Total capital/Total income}$$

He calls the proportion of the social income going to the holders of capital, α

$$\alpha = \text{Income for capital/Total income}^6$$

He also considers the return on capital which he calls r . This is not the rate of profit in Marx's sense because of his definitions of capital and income.

$r = \text{Income for capital/Total capital}$. Hence

$$r = \alpha/\beta$$

He then introduces an empirical expression for β which was suggested by the neo-classical economist Robert Solow in the 1950s. This is apparently now accepted in bourgeois economics circles,

$$\beta = s/g$$

where s = the rate of savings, and g is the rate of growth.

He substitutes the new expression for β and produces the equation

$$\alpha = r*\beta = (r*s)/g.$$

He finds in practice, namely that s , the savings rate, is fairly constant at 12.5%. It then becomes clear that if the return on capital, r , is greater than g , α will increase and so more and more of the social product will go to capital. He finds that over the last two centuries the return on capital has been consistently greater than the rate of growth. The inequality:

$$r > g$$

means the share of the social product going to capital must inexorably rise. He finds his rate of return on capital, r , is fairly constant at 4.5%. If the average growth rate is 1%, which current trends indicate is likely, α is about 55%. This means that the income going to those who do not hold capital, will drop to 45%, and lower growth could see it dropping further. As mentioned above, he predicts on current trends in the US, the poorest 50% will receive only 15% of the total income by 2030 and there is no reason why this will not be the case in Europe and elsewhere. If we remember that the text book assumption, for neo-classical economics is that 67% of the social product goes to the working class, one can understand why TP thinks this will lead to revolution. This is also why the book has been subject to such a hue and cry in bourgeois economic circles.

Review article

How do TP's findings relate to Marxist economic analysis? To answer this we need to briefly restate Marxist laws of capitalist production and crisis theory.

Marx's analysis of capitalism's dynamic

Marx's analysis of capitalism is based on the Labour Theory of Value which he took over from the classical bourgeois economists, Smith and Ricardo. This theory holds that, under conditions of capitalist production, the exchange-value of products of labour is determined by the average amount of socially necessary labour with they contain. These products appear as commodities on the market with an exchange-value. As in all systems of social production, however, the products have a use-value, and thus under capitalism commodities have both exchange-value and use-value. The key to production of profit under capitalism is capital's exploitation of wage labour. Wage labour exists as a commodity under capitalism which Marx called, "*labour power*". Like all commodities it contains not only an exchange value but also a use value. The capitalist buys labour power for its exchange-value because he knows that when this labour power is put to work, with raw materials and capital, it will produce an exchange-value, incorporated in the products of the production process, which is greater than the exchange-value represented by the labourer's wages. For the capitalist the use-value of labour power produces a surplus over and above its exchange-value. What this amounts to is that a worker earns his wages in part of the working day and works for free for capital for the remainder. The essence of capitalism is the appropriation of unpaid labour which represents capitalist profit. For simple reproduction the production process under capitalism can be represented algebraically as:

$c + v \rightarrow \text{Production process} \rightarrow c + v + s$

Where:

c = constant capital represented by raw materials, machinery buildings etc. This is reproduced by past labour and adds no new value to production.

v = variable capital represented by labour's wages. It is called variable because it rises and falls according to the conditions of production. It alone produces surplus value.

s = surplus value created by labour

During a cycle of production there are also necessary transformations from money to commodities. The money capital from the earlier cycle of production is transformed into raw materials and instruments of production at the start of the new cycle and a part used to buy labour power. After production the values $c + v + s$ are incorporated in the products of productions and must be sold to produce money capital so the cycle can start again. For expanded production part of the surplus value is converted into additional constant and variable capital. This leads to accumulation of capital and production on an ever increasing scale.

The rate of profit p is the ratio of the surplus value to the originally advanced capital:

$$p = s/(c+v)$$

This equation can be written in terms of more useful ratios as:

$$p = (s/v)/(c/v + 1).$$

Marx called the ration s/v the rate of surplus value, or the rate of exploitation of labour, and c/v as the organic composition of capital.

Marx noted that as capitalism developed and accumulation of capital took place the value of the constant capital, c , rose faster than that to the variable capital, v . This led to a tendency for the organic composition of capital to increase and for the rate of profit to fall. The organic composition is thus the principal determinant of the rate of profit. There were, however, counter measures which capital could take to reverse this fall. One was to increase the rate of exploitation s/v , another was to cheapen the elements of constant capital and thereby reduce the organic composition c/v . Marx argued that in the long term these counter-measures would prove ineffective in halting the tendency for the rate of profit to fall. This was because there are physical limits to increasing the rate of exploitation, even if the working day is extended and the productivity of labour is increased a worker still needs to work part of the day for himself and his family in order to reproduce his labour power. Also, in respect to cheapening the elements of constant capital, Marx noted that though individual elements of capital equipment may become cheaper generally they become incorporated with new systems of production which contain greater value. For example, though computer controls are much cheaper than a few decades ago they are now incorporated in robots and computer controlled assembly lines etc. which contain far more value than the systems they replace. Despite cheapening of elements of constant capital overall there is an increase and the organic composition of capital rises.

Falling profitability and the competition it engenders leads to a constant drive for capital to accumulate which in turn requires a perpetually increasing supply of surplus value.

In Marx's view the falling rate of profit would lead to a situation where insufficient surplus value is produced for accumulation, or valorisation, of existing capital values. This would produce an economic crisis. The problems of capitalism are thus located in the system of production itself. They are internal and endemic to the system and can only be solved by replacement of the system itself. They cannot be solved by a different organisation of production such as neoliberalism, state-capitalism, the mixed economy with partial state control or other variants as TP suggests.

How do Piketty's findings relate to Marx's analysis?

1. Increasing rate of exploitation of labour

As mentioned above the first principal way Marx identifies of combating the falling rate of profit is

through an increase in the rate of exploitation.

There are two ways of doing this. The first is to increase what Marx termed the rate of “*absolute surplus value*” which involves lengthening working time or reducing wages while maintaining productivity constant. The second is increasing the rate of “*relative surplus value*” through increasing productivity by means of more productive machinery or more efficient organisation of labour without increasing the length of the working day or reducing wages. The strategy which capital adopts generally depends on the rate of growth of the economy, or in other words the rate of accumulation of capital.

The first strategy is used increasingly in times of crisis like today when the growth rate, and hence capital accumulation rate, is low. When faced with, what Keynes called a “disincentive to invest” in new capital equipment, due to the low rate of profit stemming from the high organic composition of capital, capital increasingly resorts to increases in the rate of absolute surplus value. Today’s wage freezes, wage cuts and zero-hours contracts together with high unemployment illustrate this. However, during the boom period after the Second World War when profit rates were 2 or 3 times higher than today and growth rates were correspondingly higher, the strategy was to invest in more productive capital equipment and to increase the rate of relative surplus value. This could be done at the same time as paying higher wages and having low unemployment. Both these strategies amount to increasing the rate of exploitation of the working class. Marx notes:

“It follows therefore that in proportion as capital accumulates, the lot of the labourer, be his payment high or low, must grow worse. The law, finally, that always equilibrates the relative surplus population, or industrial reserve army, to the extent and energy of accumulation, this law rivets the labourer to capital more firmly than the wedges of Vulcan did Prometheus to the rock. It establishes an accumulation of misery, corresponding with accumulation of capital. Accumulation of wealth at one pole is, therefore, at the same time accumulation of misery, agony of toil slavery, ignorance, brutality, mental degradation, at the opposite pole, i.e. on the side of the class that produces its own product in the form of capital.”¹⁷

When all this can no longer be denied and the wealth gap between the bourgeoisie and the working class is obvious for all to see, TP devotes his book to showing that what Marx predicted is in fact happening. Although TP does not isolate the working class from his group categories it is clear that his lowest 50%, who must represent the working class, is becoming increasingly impoverished as more and more of the social product goes to the top 10%, who represent capital. He shows, moreover, that it has been a constant tendency throughout the history of capitalism. TP therefore provides empirical evidence of the inbuilt tendency of capital to decrease the portion of social wealth accruing to the producing class. This in turn confirms the analysis of Marx and Engels which sees the class struggle as:

“the immediate driving power of history, and in particular the class struggle between bourgeoisie and proletariat as the great lever of the modern social revolution.”¹⁸

Although TP’s empirical study confirms the effects of what Marx called “the general law of capitalist

accumulation” he still denies that Marx’s theoretical analysis has any relevance whatsoever!

2. Devaluation of capital

The second principal way Marx identifies of reversing falling profit rates is the devaluation of constant capital and thus the reduction of the organic content of capital. TP’s ration β is a rough approximation of Marx’s organic content of total capital. TP shows that this ratio dropped from approximately 7 in 1914 in both France and Britain to approximately 3 in the period 1914 to 1945. This was brought about by complete failure to replace used up capital during the periods of war when competition was suspended, by the physical destruction of capital in warfare and by bankruptcies and inflation during the interwar slump. This devaluation of real capital was reflected in the financial sphere. The effect of inflation on financial assets such as Government bonds between 1914 and 1950 was dramatic. In France their values were reduced by a factor of 100 whereas in Germany the factor was 300. In the UK and USA the reduction factor was 3, less extreme but still significant⁹. A whole section of interest yielding fictitious capital was thereby wiped out. The ICT has consistently argued that it was the devaluation of capital during the period of the Second World War which laid the basis for the spectacular expansion of capital accumulation in the 30 year period following the war. The data TP as assembled confirms this. TP, however, treats the world wars and the slump as external shocks to the capitalist system that come out of the blue. In fact, they result from tendencies in capitalism, namely imperialist competition, and are expressions of the inherent struggle for surplus value. They result from contradictions and problems of the system as a whole. For TP the events of 1914 to 1945 appear as “*deus ex machina*” the effect of which is to usher in what we call the post-war boom and the French call the “*Trente Glorieuses*”, the period of 1945 to 1975. Despite his lack of theoretical interest in why these events took place his empirical findings confirm that the period 1914 to 1945 produced a massive devaluation of existing capital values.

3. The falling rate of profit

Since TP finds his ratio β tends to constantly increase, which implies that the constant capital is increasing faster than the variable, thereby increasing the organic composition of capital, one would expect him to find a decreasing rate of profit. He categorically denies this. Although he finds the rate of profit falls from the 1950s when it is about 11% to 4.5% in 2010, over the 200 year period this appears as an anomaly. He finds a steady rate of profit of between 4% and 5% for the last 200 years.

The equations he relied on to show the increase in equality, however, also predict a fall in the rate of profit.

His rate of profit, r , is equal to α/β , with α and β defined as above.

$$r = \alpha/\beta$$

He admits that less highly capitalised economies, i.e. with β smaller, would have a higher rate of profit as in Marxist analysis.

Review article

If we look at the way the ratio α/β changes with accumulation it is clear that the value β determines the relationship. Although α can be increased to a certain extent the share of total income going to workers cannot be reduced indefinitely. This is the same argument Marx used for the limits to increasing the rate of exploitation. However, TP's data show the trend is for β to increase steadily just as Marxist analysis would expect. β then controls the rate of profit and as β increases we would expect a tendency for the rate of profit to fall.

If we substitute TP's empirical expression for β as above:

$$\beta = s/g,$$

and accept TP's finding that "s" is constant at about 12%, then the rate of growth, "g", determines the ratio β . As the rate of growth decreases β increases and hence from TP's equation the rate of profit should fall. Yet TP maintains it has been constant at approximately 4.5% since the Battle of Waterloo. From TP's own equations it is clear that the rate of profit could only be constant if β increased as α increased. According to TP this could only occur with a steadily increasing growth rate. The fact that this is not happening is, of course, one of his prime concerns running through the entire analysis. One would think that for someone who placed so much faith in his equations for confirming inequality he would explain this contradiction but he does not even seem interested in this.

Instead of confronting why his equations predict that the rate of profit should fall he finds empirically it does not. He simply repeats the standard neo-classical view that the return on capital is equal to its marginal productivity. This is merely a way of escaping from the contradictions into which his analysis has led him and illustrates the bankrupt state of bourgeois economic theory. It is, however, worth demonstrating how the theory of marginal productivity is a camouflage for capitalist exploitation.

Marginal Utility

TP does not, of course, concern himself with theoretical issues, in particular how his constant 4.5% profit is produced. Bourgeois economics, or political economy, began as a critique of feudalism and as a weapon of the rising bourgeois class. It showed that wealth was created by labour and exposed the wastefulness of feudalism and the parasitic nature of the aristocracy. From the start this critique attempted to found itself on science and gave itself a materialist basis in the labour theory of value. However, as the class antagonism of bourgeois society emerged as one between labour and capital, and bourgeois economic theory showed that the wealth of society was created by labour, the theory became positively embarrassing. It meant that all the wealth of society was created by the working class including profit, interest and rent. Moreover, it meant that capital itself was only accumulated labour extracted from the working class in previous cycles of production. Capitalism was challenged in practice by a working class demanding more of the social product which bourgeois theory clearly admitted it had created. As Marx notes in the introduction to *Capital*, this sounded the death knell

of bourgeois political economy.

“It was thenceforth no longer a question, whether this theorem or that was true, but whether it was useful to capital or harmful, expedient or inexpedient, politically dangerous or not. In place of disinterested inquirers, there were hired prize-fighters; in place of genuine scientific research, the bad conscience and evil intent of apologetic.”¹⁰

The labour theory of value was clearly harmful to capital. To refute the accusation of the exploitation of the working class which was the conclusion of the labour theory of value, neo-classical economy abandoned the labour theory of value entirely. In its place was erected a subjective theory of value, that of marginal utility. This was an attempt to explain prices subjectively. The utility or benefit to a consumer of an additional unit of product is inversely related to the number of units of that product he already owns. The *Encyclopaedia Britannica* enlightens us as follows:

“Marginal utility of 1 slice of bread to a family that has only 7 slices will be great since the family will be less hungry, the difference between 7 and 8 is proportionally significant. An extra slice of bread given to a family which has 30 slices will have less marginal utility since the difference between 30 and 31 is proportionally smaller. Thus the marginal utility to a buyer of a product decreases as he purchases more and more of the product until the point is reached where the marginal utility is zero.”¹¹

In place of the labour theory of value which tells us that the value of 1 slice of bread is the socially necessary labour required to produce it, we have now devised a subjective theory of value which tells us that the value of a slice of bread is based on individual choice. Prices are formed thus through individual subjective judgements of individuals. As Paul Mattick notes:

“Marginalism takes its departure from the needs of individuals. The evaluation of these needs is an affair of human consciousness and thus subjective. Exchange value and use value ... are only different forms of the general phenomenon of subjective evaluation. ... The point on an individual’s scale of satisfaction, at which the desire for a good is satisfied determines that good’s marginal utility and thereby its value,”¹²

This theory was, in Marx’s term, “useful” in that it justified profit and interest. Capital, land and labour became factors of production each with their own marginal utility. Capital has a marginal utility manifested in profit. Labour has a marginal utility in workers’ marginal propensity to work or to defer consumption. The market price of labour was, accordingly, determined by its marginal utility and, of course, the price of labour was equated with its value. Consequently exploitation of labour through the difference between the exchange value of labour power and its use value could now also be denied. Exploitation has conveniently vanished, and profit, interest and rent have become equivalent to wages, while the existing distribution of the social product is justified. This theory thus perfectly justified the existing capitalist property relations.

Once values of commodities were determined subjectively, economic questions could be reduced

Review article

to those of exchange. The problem of relating value to price and accounting for distribution could be ignored. Prices were all that mattered and distribution was regulated by price. Marginal analysis assumed a multiplicity of subjective choices would establish an equilibrium of supply and demand and needs would be satisfied. It appeared that at last bourgeois economics had found a way of proving Say's law, namely that supply is always equal to demand, was true. The problem of economic crises, however, remained unexplained theoretically. Instead of seeking a theoretical explanation for the fact that the equilibrium which the theory predicted, did not in fact exist, bourgeois economics concentrated on empirical studies of market relationships and the business cycle and complicated mathematical models.

TP maintains he is simply analysing facts and reporting what he finds. He consequently ignores the theoretical questions arising in respect to the production of wealth. His 4.5% return on capital is simply the marginal productivity of capital which is subjective and we are told is a "*time preference*." But this is not an explanation at all. It is the neo-classical refusal to analyse where value comes from. TP has no understanding that capital, labour and profit are in reality social relationships and profit is derived from the exploitation of labour and will disappear if these social relationships change.

The Marxist rate of profit

TP is aware of Marx's law of the tendency of the rate of profit to fall but denounces it as nonsense. Marx, he claims, ignored increases in productivity which in his view keep the rate of profit steady. Marx did not, of course, ignore increases in productivity¹³ and such a claim can only arise from complete ignorance of his works. One of the counter tendencies to the falling rate of profit outlined by Marx and discussed above is the increase in the rate of surplus value, which generally depends on the increase in productivity. Marx coined the term relative surplus value to describe the increase in the rate of surplus value resulting from increased productivity. Moreover Marx showed that increases in the productivity of labour tend, in the long term, to reduce profitability not to increase it as TP imagines. This is because they entail replacement of workers in the production process by machinery. This is a process of replacing living labour, workers, by dead labour, machinery, and since living labour is the only source of surplus value the amount of surplus value is reduced as the number of workers decreases. Therefore the amount of profit relative to capital decreases. While it is true that individual capitalists who introduce more productive machinery can experience an increase in profits, this is temporary and will vanish as their competitors install similar equipment. For the system as a whole the amount of surplus produced relative to the capital employed falls. This produces a fall in the rate of profit.

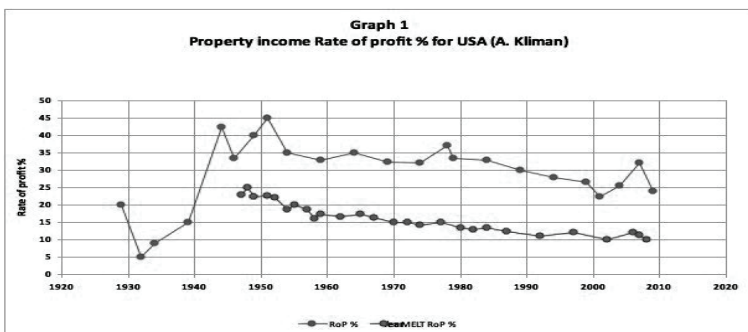
TP defines capital as anything which can be exchanged on some market.

*"Capital includes all forms of real property (including real estate) as well as financial and professional capital (plants, infrastructure, machinery, patents and so on) used by firms and government agencies."*¹⁴

All these produce, profits, interest, rent, royalties and so on, which TP lumps together in his rate

of return on what he calls capital. This is simply how things appear to the bourgeoisie. In reality **all profit** is produced by exploitation of living labour, that is to say productive workers. This profit is then divided up in various ways and distributed between industrial capital, financial capital, property, government bonds etc. The real rate of profit should therefore, as Marx explains, be calculated on the basis of productive capital only. This will, of course, produce a much higher rate of profit than TP discovers. But can a Marxist rate of profit be derived from the economic statistics produced by the bourgeoisie or from TP's own figures?

Although capitalist economic statistics do not directly relate to Marxist categories, attempts have been made by a number of researchers to use bourgeois data to produce a Marxist rate of profit. Andrew Kliman¹⁵ compiles what he calls a “*property income*” rate of profit for US capital from 1929 to 2009. This is a rate, in terms of prices, before deductions of tax, interest, rents, fines, gifts, and other transfers and is based on the historical value of the constant capital. It excludes circulating capital, including wages, which get used up and replaced in the number of annual cycles of production. Although this is an omission, which will lead to a higher rate of profit, it is not a significant one and does not affect the long term trend. The number of annual cycles of production has been steadily increased since the Second World War by increasing productivity. This is a way of increasing profits. Since each cycle regenerates the circulating capital, including wages, the annual expenditure on wages and all circulating capital is reduced. Research on the economies of Netherlands and Japan, by E Maito, has shown that whereas the average number of annual cycles of production in 1965 was 5 by 2005 it had risen to 12.¹⁶ This means that only a twelfth of the annual wage costs should be considered as variable capital. In an attempt to produce rates of profit in terms of values A. Kliman produced a *property income* rate of profit based on labour time. He arrived at this by dividing prices by the annual Monetary Equivalent of Labour Time (MELT). This reduces prices of capital, wages and profits to labour time thereby eliminating the effects of inflation and state manipulation of the money supply. This is nearer to the rate of profit Marx speaks of in *Capital*. These results are, of course, approximate but they do indicate trends. Andrew Kliman's results are shown in Graph 1 below.

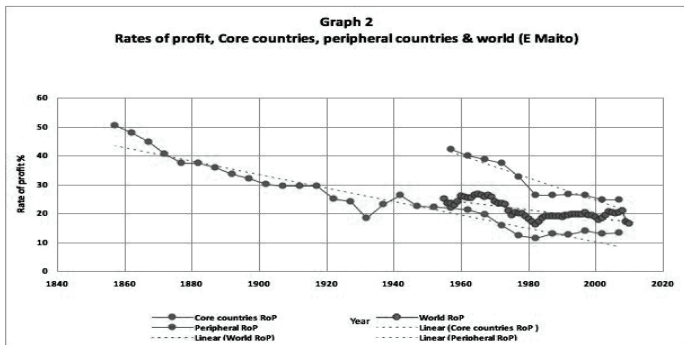


From the unadjusted property income rate of profit, which is in terms of prices, two key issues can be seen. The first is that the slump of the 1930s and the war produced an enormous increase in the

Review article

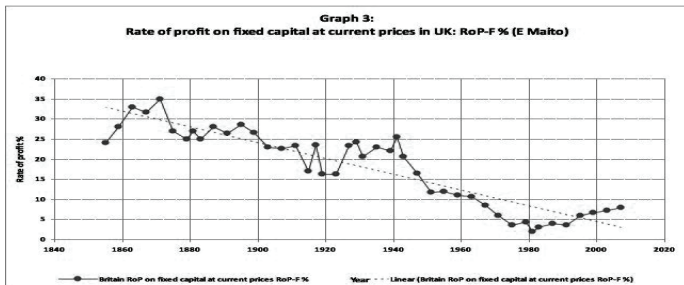
rate of profit and the second is that from the post war period onward the trend is for the profit rate to fall.¹⁷ The MELT property income rate of profit, which is calculated in terms of labour time, but excludes taxes, interest payments etc. as mentioned above, shows a more modest profit rate but still a clear tendency to decline.¹⁸

E Maito has carried out a similar analysis, though on a more global scale. He has calculated profits on fixed capital, but used replacement costs for fixed capital. He has done this for what he calls “core” capitalist countries and for “peripheral” countries. The core countries he includes are, USA, Netherlands, Japan, UK, Germany and Sweden, while the peripheral countries are, Argentina, Australia, Brazil, Chile, China, Korea, Spain and Mexico. He estimates these countries represent about 58% of the global economy. The world rate of profit is an average weighted in respect to constant capital. His results are shown in Graph 2 below.



As with Graph 1, Graph 2¹⁹ shows the effect of the 1930s slump and World War 2 was to raise the rate of profit but thereafter the falling trend reasserts itself. The higher rate of profit in the peripheral countries has raised the global rate but again the downward trend remains. The rate of profit in the peripheral countries though higher than that in the core countries tends to fall more steeply.

Using TP’s data for the income split between capital and labour and the UK Office of National Statistics, Maito has also calculated a similar graph for Britain from the mid-nineteenth century to the present. This is shown below as Graph 3.



Graph 3²⁰, which shows the rate of profit on fixed capital for Britain and once again shows the effect of World War 1, the slump of the 30s and World War 2 was to raise the rate of profit. Before World War 1 and after World War 2 there is a clear downward trend to the rate of profit.

Thus we can see that the Marxist rate of profit on productive capital, even when estimated using bourgeois statistics which do not measure the economy in value terms, not only falls, but the counter tendencies have only a limited effect on the general trend. A massive devaluation of capital such as we saw in the combined effect of Depression and World War Two enabled a new cycle of accumulation to get going. It led to the greatest secular boom in capitalist history BUT it did not solve the basic contradictions of the system and above all the law of the tendency for the rate of profit to fall which Marx describes as,

*"in every respect the most important law of modern political economy."*²¹

This is the underlying dynamic of a productive system whose problems tend to appear first in the sphere of circulation. This includes, of course, the 2007 "great recession". The instability of the system and the tendency to crisis are derived from this tendency.

The problem of inequality, which TP imagines he has discovered, results from continual and ever increasing accumulation of capital in the hands of the capitalist class. This inevitably directs more of the social product into their pockets. Accumulation of capital, in turn, results from falling profitability of capital which demands more productive machinery and increases in the scale of production. Thus inequality can be traced to falling rates of profit, that is to say problems in the production of surplus value. These problems result, as we have shown, from the value composition of capital and are endemic to the system. However TP imagines that such internal tendencies in the sphere of production can be controlled by the state.

Use of the state to control capitalism

Marxism understands that states are products of class society. In capitalist society this means the state is an expression of capitalist society and capitalist production relations. Although the state does act as a manager and organiser of civil society, and acts in the interests of the dominant section of the capitalist class, it cannot alter the laws and tendencies of capitalist social relations of which it is itself only an expression. In particular it cannot prevent the tendencies towards, concentration and centralisation of capital nor can it cannot control the fall in the rate of profit, which in turn controls investment or capital accumulation and thus inequality.

TP's political stance and his work are in the tradition of the Social Democracy which categorically rejects all the above.²² The entire history of Social Democracy has been based on the premise that the state can be used to change the relations of distribution for the benefit of the working class, while the system of production remained unchanged. This is a fundamental inversion of Marx's theory of the state, which he initially developed in opposition to Hegel who claimed precisely the opposite, namely that the state produced civil society. In his *Critique of the Gotha Programme*, Marx

Review article

was scathing in his criticism of this inversion:

“The German Workers Party – at least if it adopts the programme – shows its socialist ideas are not even skin-deep; in that, instead of treating existing society (and this holds good for any future one) as the basis of the existing state (or of the future state in the case of future society), it treats the state rather as an independent entity that possesses its own intellectual ethical and libertarian bases.”²³

In the 150 years since Marx wrote these words, which, needless to say, fell on deaf ears, we have seen continual attempts by states to control capitalism’s inherent tendencies and all have failed. The failure of state-capitalism in Russia is the most significant example, since the entire state apparatus was mobilised for this purpose, but the failures of post-World War Two “Social democracy” in Europe are no less significant. The theoretical bases of these attempts such as Stalinism, Keynesianism or monetarism have in their turn been undermined.

TP does clearly not consider that the theoretical bases of these theories have been undermined. He seriously thinks that the state could regulate distribution of the social product in favour of the poorest half of society while capitalist social production relations while remain intact. TP traces the influence of the state on capitalism through the last 2 centuries by looking at taxation and the proportion of the GDP consumed by the state. He finds that up to 1914 the advanced capitalist states consumed less than 10% of the GDP and carried out only what he calls “regalian” functions of policing, justice, defence and general administration. The period 1914 to 1945 produced a sea change and today these states consume 40% to 50% of GDP. This is spent principally on health, education and transfer payments. Yet TP finds that over the period from 1914 to the present there has been no significant difference to the position of the poorest 50% and that massive inequality not only persists but is increasing. What TP wants is for the state to increase taxation of capital and the income of capital and transfer this to the poorest in society through further transfer payments. In other words TP demands that the measures which have failed over the 60 years should be reapplied but with more vigour.

This is more or less the theoretical position taken by J S Mill in 1848 in his book *“The Principles of Political Economy.”* For Mill the laws of production of wealth *“partake of the character of physical truths”* but the *“distribution of wealth is a matter of human institution solely”²⁴*. Marx notes the absurdity of this in a comment which could be equally applied to TP. He notes:

“J S Mill considers bourgeois relations of production as eternal but their forms of distribution as historical, and thereby shows that he understands neither the one nor the other.”²⁵

Marx points out in the *Critique of the Gotha Programme*, and again this is a criticism of Social Democracy generally, that:

“The prevailing distribution of the means of consumption is only a consequence of the distribution of the conditions of production themselves.”²⁶

It is obvious that under capitalist relations of production the owners of capital are the owners of

the surplus value extracted from the working class. While it is, of course, true that the state could tax this income it is an axiom of Marxism that the owners of capital are also the controllers of the state and, in general, use the state to protect their capital and income. TP is aware of this but sees it as some sort of anomaly which could be solved by “democratic” control of the state. This is the enduring fantasy of Social Democracy which no amount of empirical contradiction can shake. However, even TP himself admits that his solution is utopian, not for the reasons listed above, but because the world is divided into competing states and his proposed measures would need to be global otherwise capital would simply move to lower tax countries, in the way it does now. He looks to some system of world government or at least a situation where the hegemonic states could force such a redistribution of capital and income on all other states, but is realistic enough to recognise that this will not happen.

A further justification of the proposals of higher taxation which TP advances is that it would increase effective demand. He tells us that in the US:

“One consequence of increasing inequality was virtual stagnation of purchasing power of the lower and middle classes.”²⁷

TP sees the problems of capitalism as in the market and that these could be solved by increasing effective demand through the well-tried methods of Keynes. These methods were finally discredited in the 1970s when Keynesian stimulus led only to inflation and raising of interest rates by the central banks led only to stagnation or recession.

The use of the state to control the internal tendencies of capitalism has been successful only in attenuating the worst effects, and propping up the system when it totters on the brink of collapse as in the banking collapse of 2008. Its actions over the last 40 years have turned the current downward phase of the cycle of accumulation into the longest in capitalist history. But the state cannot overturn “the immanent laws of capitalist production” as Marx put it. All the contradictions and tendencies of capitalism remain intact and will, in due course, assert themselves again in yet another crisis which may be closer than its supporters think.

Conclusion

TP’s study exposes the concern of bourgeois economists about the state and the trajectory of capitalist society. Sections of the bourgeois intelligentsia really do see the ship of capital as heading for the rocks and think something needs to be done urgently. While an empirical study such as TP’s provides a wealth of data to show that this is the case, bourgeois economic theory is unable to understand the causes behind this and hence its proposed remedies will remain ineffective. All this simply exposes the bankrupt nature of bourgeois economic theory. The forces driving capitalism to its destruction lie in the sphere of production and can only be understood on the basis of the labour theory of value which bourgeois economic theory has long since rejected as too embarrassing. Consequently TP’s prescriptions for restoring capitalism to its halcyon days are a waste of time. The fact that TP treats slumps, crises and wars as external factors and not effects which arise from

Review article

the workings of the system itself, is a refusal to account for these theoretically. The recurrent nature of crises and the instrumentality of wars in restoring profit rates, point to the historical and therefore limited nature of capitalist production. Although he is not aware of this TP's study indirectly confirms this.

What is needed is the replacement of the capitalist system of production by a socialist one in which the means of production are made common property and all labour becomes social labour. Until this happens the system will lurch from crisis to crisis and symptoms of its internal contradictions, such as inequality, will continue to grow more extreme.

CP

Notes

- 1 See: http://www.nytimes.com/2014/04/25/opinion/krugman-the-piketty-panic.html?_r=4
- 2 See FT 27/06/2015
- 3 <http://www.newrepublic.com/article/117655/thomas-piketty-interview-economist-discusses-hisdistaste-marx>
- 4 Thomas Piketty "*Capital in the 21st century*" Table 7.2 & 7.3
- 5 This is an example used by Marx see *Capital* Volume 3 p. 392
- 6 The text book figure for the split of income between capital and labour is 33% to 67% respectively.
- 7 Karl Marx *Capital* Volume 1 p. 604 Lawrence & Wishart
- 8 Letter by Marx & Engels to German Social Democrats Bebel and Liebknecht 1879
- 9 Thomas Piketty "*Capital in the 21st century*" p. 107.
- 10 Marx *Capital* Volume 1 Afterword to the 2nd German edition.
- 11 <http://www.britannica.com/EBchecked/topic/364750/marginal-utility>
- 12 Paul Mattick "*Crisis and Crisis Theory*" page 11
- 13 Thomas Piketty "*Capital in the 21st century*" pp. 10 & 228
- 14 Thomas Piketty "*Capital in the 21st century*" p. 46
- 15 A Kliman "*The Failure of Capitalist Production*" p. 76
- 16 See E Maito <http://gesd.free.fr/maito14.pdf>
- 17 A Kliman "*The Failure of Capitalist Production*" p. 76
- 18 A Kliman "*The Failure of Capitalist Production*" p. 83
- 19 See E Maito <http://gesd.free.fr/maito14.pdf>
- 20 https://thenextrecession.files.wordpress.com/2015/05/maito__esteban_ezequiel_-_and_yet_it_moves_down_-_published_version_on_weekly_worker_n1023.pdf
- 21 Karl Marx "*Grundrisse*" Penguin p. 748
- 22 TP was an adviser to French Socialist Party presidential candidate Segolene Royal in her Presidential campaign in 2007
- 23 Karl Marx "*Critique of the Gotha Programme*" IV
- 24 J S Mill "*Principles of Political Economy*" Book 2 Chapter 1
- 25 Karl Marx "*Grundrisse*" p. 758
- 26 Karl Marx "*Critique of the Gotha Programme*" I
- 27 Thomas Piketty "*Capital in the 21st century*" p. 297

About Us

The **Communist Workers' Organisation** is affiliated to the **Internationalist Communist Tendency** headed by the **Internationalist Communist Party (Battaglia Comunista)**. This was founded during the Second World War (1943) condemning both sides as imperialist. Its roots are in the Italian Communist Left, which from 1920 fought the degeneration of the Communist International and Stalinisation imposed on all the parties that belonged to it. Today there are ICT affiliates in several countries.

We are **internationalists**. We believe that the interests of the exploited are the same all over the world, and that communism cannot be achieved in one country, a myth peddled by Stalinism. Stalinism was never communism but a particular form of capitalism, state capitalism. After 1917 the economic blockade of the Soviet Union and the failure of the world revolution in the West meant that the revolution was transformed into its opposite, eventually becoming an imperialist bloc that would collapse after only seventy years. We are opposed to all (Trotskyists, Maoists) claims that state capitalism in whatever form is socialism.

We see ourselves as a political reference point for the working class, first of all to those sections who are tired of the **unions**, all unions: this does not mean the fight to defend our immediate interests (wages, hours, workrates, etc.) is over. On the contrary! But the union is no longer the form through which workers can (effectively) organise and carry out these struggles in any way. The unions are now openly a tool to control the class struggle and manage the labour force on behalf of capital, whilst rank and file unions, despite the intentions of their militants, are a blunt instrument for workers, because they put forward radical economic demands without questioning the legal and economic framework imposed by the bourgeois state. The activity of rank and file unions has been further shown up by the crisis, which has severely restricted the opportunity for their reformist political practice.

For us the real alternative to unions is the '**self-organisation of the struggle**', which has to start spontaneously from the working class, outside of and against the unions, to choose for themselves the most effective forms of mobilisation, which of necessity go beyond compatibility with the system. The struggle for immediate interests must not, however, ever forget that the general interests of the class lies in the overthrow of capitalism, and this must be constantly linked to it.

We are **anti-parliamentarian**: the idea of pushing these institutions in a proletarian direction "from inside", means mistakenly seeing them as a neutral entity, when in fact they are the structures which the bourgeoisie gives itself in order to impose its rule. The participation in bourgeois parliaments and legislatures of the various communist parties, is the result of renouncing - for ever - the revolutionary perspective and means acceptance of democratic peace (which ultimately rests, let's remember, on bourgeois guns).

The overthrow of capitalism is only possible through a **revolution**, i.e. the conquest of political power by the proletariat, against all bourgeois pseudo-democratic channels (elections, reforms, etc ...) which are specially designed to avoid any radical change in society. The forum of our "democracy", the bodies of power of the revolution, will instead be the **workers' councils**, mass meetings in which delegates will be entrusted with specific mandates and will be recallable at any time. But these organisations will never become real bodies of proletarian power, without a clear programme aimed at the abolition of exploitation and, therefore, the elimination of classes, for a society of "**freely associated producers**" who work for the human needs. This programme does not fall from the sky, but is articulated by that section of the working class which tries to grasp the lessons of past struggles, regrouping themselves at an international level to form a party that fights within the workers' councils against capitalism for socialism. This is not a party of government that would replace the class, but a party of agitation and political leadership on the basis of that programme. Only if the most advanced sectors of the proletariat recognise themselves in the political leadership of the party will we be on the road to the revolutionary socialist transformation.

We are for the party, but we are not that party or its only embryo. Our task is to participate in its construction, intervening in all the struggles of the class, trying to link its immediate demands to the historical programme; communism.

Join us! Support the Internationalist Communist Tendency

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 19

Durham Open Meeting

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 Room 2 in

Alington House

4 North Bailey — Durham — DH1 3HT

London

We hope to revisit this theme at a meeting at the London Anarchist Bookfair in October. Check our website and theirs for details - www.anarchistbookfair.org.uk

Our Pamphlets

- The Platform of the Internationalist Communist Tendency** **70p**
(formerly the International Bureau for the Revolutionary Party)
Revised English version (including postage in UK)
- For Communism** **£4**
An Introduction to the Politics of the CWO
- Class Consciousness and Revolutionary Organisation** **£4**
The issue of “consciousness” is one of the most important for the working class and for revolutionaries. Our approach is unashamedly historical and attempts to draw out the real experience of the working class in its struggles of the last two centuries. 56pp
- Trotsky, Trotskyism, Trotskyists** **£3**
How Trotsky, who made such an enormous contribution to revolutionary practice, ended up giving his name to a movement which returned to the counter-revolutionary errors of Social Democracy.
- Stalin and Stalinism** **£1**
The lie that the former USSR was “really existing socialism” remains a potent weapon against the working class. This pamphlet not only examines the origins of the regime that emerged from the defeat of the October Revolution but also explains the motivations of Stalinism.
- Holocaust and Hiroshima** **50p**
Examines how the nature of imperialist warfare comes to inflict mass murder on the world through an examination of these seminal events.
- Capitalism and the Environment** (by Mauro Stefanini) **£1**
Translated from *Prometeo* these articles were written some time ago but show that our late comrade was ahead of his time in analysing the unsustainability of capitalist production.
- Spain 1934-39: From Working Class Struggle to Imperialist War** **£3**
Reprint of key CWO articles long out of print and translations of contemporary documents from the Italian Left in exile. New introduction.
- Platform of the Committee of Intesa** 1925 (new edition) **£3**
The start of the Italian Left’s fight against Stalinism as Fascism increased its grip.
- South Africa’s New Turmoil** **£2**
An analysis of class relations in the period after the fall of apartheid thrown into relief by the strike wave which followed the Marikana massacres.

