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LABOR & YOUTH:

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# Facing the Challenge

# of the



# '90s

Perspectives  
for the United States of America

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**LABOR AND YOUTH: FACING THE CHALLENGE OF THE '90s**

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## Introduction

This perspectives document, written in September 1989 outlines the main features of the world situation. These are: capitalism and stalinism are at an impasse, the working class and youth internationally are rising up to challenge these decaying systems and the working class has the power and will to sustain this challenge. Thus, the process of the world revolution is unfolding.

It also explains the crisis of leadership of the working class. The social-democratic, stalinist and openly pro-capitalist leaders of the workers organizations represent major obstacles in the path of the working class struggle to change society. Therefore, this process of world revolution will be protracted over a period of decades. It will be contradictory and uneven, and the working class will suffer defeats as well as achieve victories.

This analysis has been brilliantly confirmed by the events of the past 7 months. During this short period, the working class in Eastern Europe has risen up and shaken loose the foundations of the stalinist dictatorships. In the Soviet Union, while the movement is at an earlier stage, the pressure for change is so great that Gorbachev resembles a downhill skier fleeing from a rapidly gaining avalanche. This magnificent movement of the working class, striving in the direction of the political revolution, confirms the basic ideas of the document.

Neither the strategists of capitalism, nor their hired academics, nor the reformist leaders of the labor movement, (of the right or the left varieties) had the slightest idea that events of such magnitude were on the agenda. For them the working class is a passive force incapable of changing society. For all of them, the stalinist dictatorships were powerful, monolithic regimes that would last indefinitely. Only the forces of genuine Marxism, the publishers of this document and the publishers of the material of genuine Marxism internationally, forecast such developments and were not taken by surprise. The heroic working class of Eastern Europe in a matter of months has brought about a turning point in world affairs and a transformation in world politics.

If the revolutionary events in any one of the Eastern European countries should be singled out, it would have to

be the armed overthrow of the vicious dictator Ceausescu, in Romania. He was determined to make no reforms from the top to avoid revolution from below and to put down any opposition in blood. Arms in hand, the Romanian working class gave its answer. The mass armed opposition won over the rank and file of the army and the united movement of workers, youth and soldiers carried out an armed uprising, fought the murderous Securitate to a standstill and the Ceausescu dynasty was overthrown.

The sight of this armed uprising of workers and youth, their guns turned against the ruling regime and their barricades controlling the roads and streets of the country, sent shivers down the spine of every bureaucrat and capitalist world-wide. De Klerk in South Africa, for example, said he had taken account of the Romanian events when making his decision to release Nelson Mandela and unban the African National Congress (ANC). The fear of the capitalist regimes in the West, which mirrored the fear of the stalinist regimes in the East, was underlined by the fact that the Western capitalist governments urged Gorbachev to invade Romania to "restore order"!

All regimes, East and West, shared the fear that the idea that governments could be toppled by mass demonstrations, general strikes and if necessary, armed insurrection, would enter into the consciousness of the working class and youth in their own countries. In spite of the barrage of propaganda thrown up to prevent this happening, workers in struggle regularly refer to the employers and the governments they oppose as "Ceausescus". As the mass anti-poll tax movement rocks the Thatcher regime in Britain and the increased strike movements and struggles unfold internationally, the examples of the movements of the Eastern European working class are never far beneath the surface.

In the period of worsening crisis in the capitalist world that lies ahead, the lessons of the political revolution in Eastern Europe will be more clearly understood. The main conclusion that will be drawn is that the working class through mass action can bring down governments. It will also be noticed that in societies in both the capitalist and the stalinist worlds, which contain fundamental contradictions, it is possible that

little change may take place for whole periods. However, beneath the surface, these contradictions are intensifying and at some point they explode to the surface and change takes place at lightening speed.

It was Engels, collaborator with Marx in developing the ideas of scientific socialism, who explained this process by saying that there are times when 50 years can be like one day and other times when one day can be like 50 years. Labor and youth activists in the US, where the contradictions of capitalism are intensifying savagely beneath the surface, must learn this lesson so that they will not be taken by surprise by the events that lie ahead.

The leap forward of the process of world revolution which is explained in this document, and which is what the events in Eastern Europe represent, is not the only part of the analysis of genuine Marxism that has been confirmed by the unfolding of the political revolution. The crisis of leadership of the working class has also been dramatically underlined. From the strike wave and vote for Solidarity in Poland in 1988 and 1989 to the mass demonstrations in East Germany, from the general strike and mass demonstrations in Czechoslovakia to the mass demonstrations in Bulgaria to the armed uprising in Romania, it can be clearly seen that the working class was in a position to take power into its own hands. If a clear-sighted genuine marxist leadership had existed, workers' councils could have been created and drawn together centrally and healthy workers' democracies could have been established.

However, because of the absence of such a force, that is because of the crisis of leadership, rather than this happening, new governments are now in place in most of these countries which are to a greater or lesser extent looking toward the restoration or partial restoration of capitalism. Gorbachev in his most recent statements signalled his intention of more openly looking towards capitalist measures. The experience has been from the heroic movement toward the political revolution to the threat of capitalist counter-revolution in a matter of months.

The overthrow of the stalinist dictatorships is in the interests of the working class world-wide. However, the restoration of capitalism would be against these interests. The way forward is for the overthrow of the stalinist regimes but with the maintenance of the nationalized and planned economies, run on the basis of workers' democratic control and management, that is, the establishment of workers' democracies. This would unleash the potential of the productive forces in these societies and would provide an alternative for the working class in the capitalist world to the anarchy and crisis of capitalism. It would open the way for a world federation of democratic socialist states as the only solution to the crisis now facing the human species. The restoration of capitalism would be a defeat for the international working class. To put it bluntly, it would be a counter-revolution.

The decisive reason for the existence of the present threat of capitalist restoration is the absence of a genuine marxist leadership with a mass base among the working class and youth. This can be seen particularly clearly in the case of Poland 1980-81. When the working class was on the offensive there was no talk of a return to capitalism. However, the working class was defeated in 1981 due to the failure of the Solidarity leadership to show a way forward and overthrow

the bureaucracy. The result was the establishment of martial law.

In the period of reaction that followed, these same elements, the intellectuals, the catholic-based academics and leaders among the leadership of Solidarity, who were responsible for the defeat became more dominant in Solidarity as its working class roots shrank. As the Polish economy sank deeper and deeper into crisis and as the economic boom developed in the West from late 1982 on, these strata became openly pro-capitalist. Sections of the working class, their confidence in their ability to change society in the direction of workers' democracy having been shaken, have now also developed more illusions in capitalism. A certain mood that "anything would be better than this" has developed. It was the failure of the leadership of Solidarity to lead the revolution in 1980-81 to the overthrow of the bureaucracy that led to defeat and created the basis for the present strivings in the direction of capitalism.

In East Germany, in the initial weeks of the movement of the working class and youth against the Honecker regime, there was no sentiment for being absorbed into a capitalist united Germany. However, the leaders of New Forum, the original opposition movement, were incapable of giving a strategy and program to the working class to allow it to take power. They were unable to show a way out of the crisis. The movement was left leaderless and open to the assault of the pro-capitalist forces in West Germany. These then began to get a sustained echo in East Germany. When Kohl, the chancellor of West Germany promised to exchange one-for-one West and East German marks, millions of East Germans mistakenly believed him and interpreted this as meaning West German living standards immediately. Consequently, they voted for the most right wing block of parties in the elections which were supported by Kohl. They took what appeared to be the line of least resistance.

This crisis of leadership has at least temporarily and partially blocked the movements toward the political revolution in Eastern Europe. It also acts as a drag upon the developing movement in the Soviet Union. It has resulted in pro-capitalist illusions developing and nationalist divisions coming to the fore in many cases. It has allowed regimes to come to power which continue to oppose the democratic control and management of the working class over society.

Sections of the bureaucracies, utterly demoralized by their inability to any longer take society forward on the basis of the nationalized and planned economies, are now pushing for the restoration of capitalism as they believe this would allow them to continue in positions of power and privilege. As they do so, they have reached out to middle class intellectuals, who temporarily have tended to come to the fore in the early stages of the movement, before the working class has decisively put its imprint on events. Clinging together in their shared contempt and fear of the working class, mesmerized by the seven-and-a-half-year boom in the capitalist economies and averting their eyes from the fragility of the boom and the poverty and starvation afflicting the majority of the population in the capitalist world, these disparate elements now control the governments and the state apparatus in most of the countries of Eastern Europe. These uneasy alliances idolize capitalism and seek its restoration.

The crisis of leadership of the working class, the extreme

crisis of the stalinist economies, the seven-and-a-half-year boom in the west and on top of this the throwing back of the consciousness of the working class due to the decades of dictatorship, are the factors that have led to some illusions in capitalism developing among sections of the working class and youth. The elections and developments in East Germany reflect this process. It is now very possible that East Germany will be absorbed into a capitalist united Germany.

These developments raise wider questions. Is it now possible that capitalism could be restored in all of Eastern Europe and the Soviet Union? If this were to happen, what type of capitalist regimes and economies would these be and how would such a development affect world events? Would the developing process of world revolution be removed from the agenda and would it open up a new epoch in which capitalism would surge forward again with a new lease on life? It is essential for the forces of genuine marxism to be clear on these questions, to be clear on international perspectives, in order that they can be properly prepared to intervene.

In answering these questions, it must be seen that the situations in the countries of Eastern Europe and the Soviet Union are not identical. For example the working class in Hungary has not yet spoken. This means that enormous shocks are waiting for the pro-capitalist regime that will be erected with the victories of the pro-capitalist parties in the recent election. However, the situation in East Germany is most distinctive from the rest of Eastern Europe and the Soviet Union. It has to be viewed separately because of a number of special features that exist.

The peoples of East and West Germany have a common national origin and share the same language. West Germany is the most powerful and wealthy capitalist economy in Europe. West German capitalism has committed itself to pour its surplus into East Germany in what amounts to a mini-Marshall plan. As a result of this, and of the absence of a mass, genuine marxist leadership in either East or West Germany, and if the economic boom in the capitalist world continues for one, two or three years, then the most likely perspective is for East Germany to be united with West Germany on a capitalist basis.

However, such a development is not absolutely definite. Many hurdles still exist. The present resolve and ability of West German capitalism to re-absorb East Germany would be seriously weakened by the ending of the boom in the West. This would also strengthen the opposition of the East German workers to the re-introduction of capitalism. Even with the boom continuing, the re-introduction of capitalism would mean, at least initially, reduced living standards, mass unemployment and insecurity. As this becomes more clear, illusions in capitalism will be shaken and mass movements to defend jobs and living standards will erupt. This is already in evidence with the demonstrations against the West German Central Bank's announcement that a one-to-one exchange rate for the two currencies would not be set. The attitude of the Soviet Union bureaucracy, though its influence has been weakened, is also a factor that can not be totally ignored. For all these reasons, although the re-absorption of East Germany into a capitalist united Germany is now a very possible prospect, it can not be said to be an absolute certainty.

If such a development were to take place it would represent

a defeat for the world working class as it would mean the exploitative and crisis-ridden capitalist system regaining control over the economy and working class of East Germany. While this must be faced up to as a possibility, it would by no means be an unmitigated plus for German and world capitalism. For one thing it would re-unite what was in the past the most powerful working class in Europe. On top of this, the investment that would be necessary from West Germany would soak up that country's surplus, would increase dramatically its money supply and push up interest rates and inflation internationally. While in the short-term, it would probably increase growth in West Germany, this would be at the cost of worsening many fundamental problems within the West German economy.

The unification of Germany on a capitalist basis would increase tensions on the world stage. A re-unified Germany pushing more strongly than ever for economic and political dominance in Europe would lead to increased conflicts with its capitalist rivals and protectionism would be given a further boost. A re-direction of West German investment from the international arena to East Germany would weaken investment internationally and therefore weaken world economic growth and world trade. The availability of East German labor would increase unemployment in Germany as a whole, exacerbating class tensions internally and would increase the tendency to push out the workers from Southern Europe, the East Mediterranean and North Africa who at present work in West Germany. This would increase the economic crisis and class tensions in these societies and increase the tendency toward revolutionary upheavals.

The conclusions to be drawn from the recent developments are that while re-unification on a capitalist basis is now very possible, it is not absolutely certain. If it does take place, while it would initially give a boost to growth in West Germany, it would increase the contradictions and crisis of German and world capitalism in the medium and longer term. And if it were to take place, a united German working class facing the common enemy of the German and world monopolies would be a powerful opponent for European and world capitalism.

It should be pointed out that while the forces of genuine Marxism are opposed to the re-unification of Germany on a capitalist basis, this does not mean opposition to unification in general. Unification on a capitalist basis means capitalist counter-revolution in East Germany. Genuine Marxism stands for the ending of stalinism in East Germany and the ending of capitalism in West Germany on the basis of workers' democracy, and for the united workers' democracy of Germany to develop as part of the Socialist United States of Europe.

While these developments have been unfolding in East and West Germany, the pro-capitalist forces in Eastern Europe as a whole and in the Soviet Union have become more vocal and assertive. However, the perspectives for developments in these areas are not identical to those for East Germany. These economies do not have powerful capitalist classes next door seemingly ready to pour their surplus into these economies. The "Marshall Plan" of West German capitalism for East Germany is not available to the rest of Eastern Europe or the Soviet Union.

Who would fund such a plan? U.S. imperialism, the

strongest capitalist power, is now also the largest debtor in the world. It is estimated that the funds that the U.S. government has committed to Eastern Europe and the Soviet Union so far equals 0.4% of the funds it poured into the Marshall Plan to assist West European capitalism back to its feet in the aftermath of World War II. The collapse of the Japanese stock market, to be followed soon by the collapse of Japanese land prices is a sign of that economy's impending crisis and its inability to fund a Marshall Plan for Eastern Europe and the Soviet Union. The capitalist world as a whole is facing its worse crisis since the 1930s and is in no position to commit massive sums for capitalist restoration in the stalinist world.

Led at present by the Polish and Hungarian regimes, the various governments in Eastern Europe and the Soviet Union to a greater or lesser degree are looking toward dismantling price controls and ending the subsidization of industry and basic necessities. Their idea is to create a large unemployed workforce, to allow prices to be determined by supply and demand, to sell or to give away the nationalized economy to private ownership, to encourage foreign capitalism to come in and buy up the economy and to allow the repatriation of capital and profits. These regimes are gambling that foreign capital will rush in and re-build their economies fast enough to avert the explosion of rage from the working class at the dismantling of the planned economies from sweeping them away.

This gamble will fail. Foreign capital, in spite of its excited chatter, will not rush into Eastern Europe and the Soviet Union. There is already a crisis of over-production/over-capacity in the West. The increasingly impoverished working classes in Eastern Europe and the Soviet Union will provide no new mass market. The infrastructure essential to profit-making is inadequate in the East. Security of investment would in no way be guaranteed. And on top of this, the working class in the East will put up the most determined resistance to their security and present living standards, which are the gains of the nationalization and planning of these economies, being taken away.

When the implications of what capitalist restoration would mean become clear, explosive opposition will erupt from the working class. This is likely to reach revolutionary proportions. Millions unemployed, hungry and homeless, a rich capitalist class developing and closing factories and plundering the economies, hyper-inflation, corruption and increasing gaps between the rich and the poor, when it becomes clear that this is what capitalist restoration would mean, the illusions in capitalism that now exist among some sections of the working class will be severely weakened. As this opposition increases, the chances of substantial foreign investment will be further cut across. This would also be likely to cut across the pro-capitalist policies of the various governments.

As such conflicts develop within these societies, the movement toward the political revolution would take a new surge forward and the opportunity to establish healthy workers' democracies would once again become very great. However, for these opportunities to be seized and realized, there would need to be strong genuine marxist forces capable of giving leadership. If these existed and were able to develop into mass parties, the political revolution could be carried

through to a successful conclusion. This would open up an entirely new historical epoch for humanity and the process of world revolution would leap forward. This exists as one of the possibilities for developments in Eastern Europe and the Soviet Union.

However, if mass leaderships based on the ideas of genuine Marxism are not built in time to lead these opposition movements what would be the likely course of events? In answering this, it is necessary to develop further and adjust one of the points of the September 1989 document in light of events and new information. The events of the past months have made it possible to examine more closely the situation in Eastern Europe and the Soviet Union. It is now possible to see that the economic crisis is more severe than was apparent from afar. This reality, combined with the effects of the monstrous dictatorial regimes that have been in power for decades, combined with the seven-and-a-half-year boom in the West, have thrown back the consciousness of the working class and youth. Some illusions in capitalism now exist which are not only confined to the bureaucracy and intelligentsia. Such illusions also exist among sections of the working class. In light of these developments, the possibilities of the re-introduction of capitalism into Eastern Europe and the Soviet Union must be re-examined.

In this document of September 1989, it was stated that capitalist restoration was a possibility for some of the smaller states of Eastern Europe. Now it must be said that capitalist restoration can not be totally ruled out for all of Eastern Europe and also the Soviet Union. While this reality must be faced up to, it must be stressed that it is the least likely possibility. Many factors would have to fall into place and with the proper timing for such a development to come about.

If a genuine marxist leadership was not able to be built in time, the explosive opposition of the working class to the pro-capitalist measures could suffer a series of defeats and be thrown back. A severe economic crisis could add to these defeats, creating a certain despair. If the boom were to continue in the West, a mood could develop among Eastern European and Soviet Union workers that anything would be an improvement from what they had. In such a situation, the ruling regimes, using dictatorial measures, could possibly push through capitalist restoration and spread these economies at the feet of the worlds' capitalist monopolies.

By examining this process it can be seen how difficult the re-introduction of capitalism would be. The boom in the West would have to continue for some years. But this boom grows shakier every day, as is demonstrated by rising interest rates, slowing growth rates, the collapse of the Japanese stock market and the developing credit squeeze in the U.S. The powerful working class of Eastern Europe and the Soviet Union would have to be decisively defeated. The development of genuine marxist currents would have to be prevented.

Developments in Poland show the difficulties. In Poland the pro-capitalist forces have an advantage as the Solidarity-led government has a certain base among the working class due to the events of 1980-81 and is being given a honeymoon period. In spite of this, Rural Solidarity is on the verge of a break with the government because its pro-capitalist policies threaten to drive the poorer peasants off the land. Workers are increasingly restive as unemployment rose fifteen-fold from



December 1989 to January 1990 and as prices have gone up by more than 300%.

The government's efforts to sell off the nationalized industries is failing due to the lack of buyers and the opposition of the workers. The Polish-born owner of the U.S. corporation Johnson and Johnson, who sees herself as a friend of Walesa, promised to buy the Gdansk shipyard. This multi-millionaire sent in her consultants and then demanded a halving of the workforce, from 7,500 to 3,500, wages to be 50 cents an hour and a five-year no-strike agreement.

Mrs Johnson's chief manager explained "she is committed to helping Poland. At the same time, she feels that her investments have to make a profit." The workers rejected Johnson's offer and have now forced the Solidarity government to take back its threat to close the shipyard. It has been re-affirmed as a nationalized industry.

Walesa made his tour of the West begging for capitalism to buy up Poland at bargain prices. In spite of his obscene bowing and scraping before the world's capitalists, in spite of kissing Thatcher's hand in Britain, foreign capital remains only a trickle. The Polish working class will rise to challenge the Solidarity government's pro-capitalist policies as these are demonstrated to offer only worsening conditions.

Some recent developments in Hungary demonstrate the obstacles in front of capitalist restoration and also the explosion of the working class that is yet to come in that country. Joint ventures with western capitalism have been legal in Hungary since 1972. Yet, over 90% of the economy remains nationalized. Foreign investment accounts for only 2% of Hungary's total assets. The pro-capitalist forces say that 30% of the workers in the nationalized sector should be fired. The *Wall Street Journal* (4/5/90) commented: "Hungarians liken selling off state companies to selling off the family silver" and quoted one worker as saying "what does re-privatization mean? If it is national property, shouldn't I have a say in it?" Later in the same article, the *Wall Street Journal* reporter stated: "Many Hungarians were angered at the sale of a state hotel group to Swedish interests. . . ." and angry also at a deal where a West German company, Axel Springer Verlag AG, "was given control over four Hungarian newspapers by their managements; the West German company apparently paid nothing for them."

So it will be extremely difficult to push through the re-introduction of capitalism. It is a very real possibility that as opposition develops, pro-capitalist policies will be reversed as splits open up in the ruling regimes with the old stalinist wings of the bureaucracies gaining more influence and a movement back to maintaining the nationalized and planned economies and stepping up dictatorial controls and pressures would take place. This would be combined with maintaining the invitation to foreign capital to come in but with more controls over it and confining it to limited areas of the economy, as is the case in China now. In other words, along with the options of successful political revolution and capitalist counter-revolutionary restoration, there is also the option of stalinist counter-revolution such as has taken place in China.

However, there is a difference between China and the countries of Eastern Europe and the Soviet Union. The Chinese bureaucracy remain, as yet, only a relative fetter on the means of production. That is, while it holds back the development

of the economy relative to how it would develop under workers' democracy, it can still take it forward.

The bureaucracies in Eastern Europe and the Soviet Union however, are now absolute fetters on the means of production. That is, under their rule the economies and living standards in these societies now at best stagnate and as is increasingly the case, actually fall back. This means that any attempt at stalinist counter-revolution in Eastern Europe and the Soviet Union would be very unstable and short-lived, giving way very quickly to new revolutionary explosions. This is not to say that the Chinese bureaucratic dictatorship will enjoy stability and longevity. However, relative to any stalinist counter-revolution in Eastern Europe and the Soviet Union, the Chinese regime has more of an economic and social base.

However, it cannot be totally excluded that the opposition of the working class to capitalist counter-revolution could be decisively defeated, that against the background of economic crisis and defeat of the working class, dictatorial regimes could consolidate themselves sufficiently to force through capitalist restoration. But it must be stressed again that this is the least likely possibility. However, genuine Marxism as Leon Trotsky explained, is the "advantage of foresight over astonishment." So even if the smallest possibility of capitalist restoration exists, this must be faced up to and examined and the necessary political conclusions drawn so that the forces of genuine Marxism are not caught unprepared.

A number of possible options have been put forward in this introduction in relation to the development of events in Eastern Europe and the Soviet Union. Successful political revolution with the establishment of workers' democracies, capitalist counter-revolution, and stalinist counter-revolution, have been the alternatives outlined. However, these do not exhaust the possibilities. In a period of crisis, instability and great explosive events such as exist at present, and with the lack of a mass-based, genuine marxist leadership, other, more complicated formations could take place. One other possibility could be types of transitional regimes such as that which has existed in Nicaragua only in reverse. There, the revolution of 1979 smashed the capitalist state machine and created a new state machine resting on the working class and peasants. Yet, the economy remained fundamentally on a capitalist basis. This inherently unstable formation has lasted for more than a decade. However, it can not continue for ever. Either the capitalist forces will re-create a state machine under its control and re-impose its will on society as a whole (such is the objective of the newly elected Chamorro regime), or the working class and peasants will end capitalist control of the economy and bring the state apparatus and the economy into consonance.

In Eastern Europe, it is possible that governments can come to power which are totally committed to capitalist restoration and which have control over the state apparatus, yet they could find themselves incapable of dismantling the nationalized and planned economies. Due to the opposition of the working classes, the national and international weakness and contradictions of capitalism and the national and international balance of class forces, virulently pro-capitalist governments could be forced to preside over and administer nationalized and planned economies. Such formations could last for some time. It would depend on the flow of events and balance of forces both internally and internationally. In the longer

term such a situation could not last. The state apparatus and governments would have to be brought into line with the economic base or vice versa.

One other possibility for developments in Eastern Europe and the Soviet Union if a genuine marxist leadership with a mass base is not built, is that over a period of time tendencies towards the Lebanonization of some of these societies could gain strength. Elements of barbarism could power their way to the surface. Religious and national divisions could explode out of hand. The nationalist killings in Azerbaijan and Armenia, the attacks on the Hungarian minority in Romania, the attacks on the Albanian minority in Kosovo, Yugoslavia, and the mass expulsions of ethnic Turks from Bulgaria, are warnings of what could develop at a later stage if no way out of the crisis can be found.

In the West, the break up of states such as Lebanon, the barbaric communal, racial and tribal violence such as seen in India, Sri Lanka and Uganda reflect the fact that capitalism objectively is over-ripe for revolution. But due to the crisis of the subjective factor, the crisis of leadership, the road to revolution is temporarily blocked. Therefore, sections of the capitalist world begin to retrogress, begin to experience total decay. Disintegration and barbarism threaten. Objectively, the situation in Eastern Europe and the Soviet Union is over-ripe for the political revolution. If the leadership is not built the situation in parts of these areas could also begin to rot. The total break-down of these societies could threaten and barbarism could rise to the surface.

If the least likely of the possible developments in Eastern Europe and the Soviet Union were to take place, that is the restoration of capitalism, what would be the effects on world capitalism and world perspectives? What can be said with absolute certainty is that with the possible exception of East Germany, the development of advanced capitalist economies and stable long-lasting capitalist democracies is ruled out. Capitalism in Eastern Europe and the Soviet Union, with the possible exception of East Germany, would be of the Latin American variety, societies of mass poverty and starvation kept in place by vicious dictatorial regimes.

If capitalism were restored, foreign capital, in the shape of the major imperialist powers, would come in and take the plum areas of investments, buy up the most accessible resources and re-export their profits as they do today in the underdeveloped countries. The very weak national capitalist classes which would develop in these countries would be unable to stand up to these powers. Instead they would in the main co-operate with them, having many of the features of comprador bourgeoisies, and would assist imperialism in plundering the resources of their own countries and holding down the opposition of their own working classes. Trotsky's theory of the permanent revolution would apply with a vengeance. As he explained, weak bourgeoisies coming late onto the scene of history are incapable of standing up to imperialism or of developing their own societies on a capitalist basis. The capitalist class that would come into existence out of a wing of the bureaucracies, the intelligencia, co-op owners, farmers and foreign capital would be extremely weak and would fulfil the role as described by Trotsky.

The surplus produced by the labor of the working class would be sucked out of these economies by imperialism, which

would rule them as virtual colonies. Only the profitable areas would be developed. The infrastructure would be allowed to collapse except in those sectors necessary for the extraction of profits for the international corporations. The facilities of housing, health and education built up on the basis of the nationalized and planned economies would atrophy and collapse. Mass unemployment, mass starvation and mass homelessness would result. Literacy and health care would decline dramatically. Capitalist restoration in Eastern Europe and the Soviet Union would be the capitalism of the underdeveloped capitalist world, not the capitalism of the developed capitalist world. It should also be kept in mind that many of the features of the underdeveloped world are now surfacing in the advanced capitalist countries, for example mass poverty and homelessness.

The kind of decline in living standards that this would entail can be seen by making a comparison between Eastern Europe and Latin America today. Per capita gross domestic product in Latin America is at present \$2,000 per year. In Eastern Europe it is \$5,000 per year. The Eastern European and Soviet Union working class will move many mountains before it will allow itself to be reduced to Latin American living standards.

The plunder of these economies by imperialism and the reduction in living standards that would result could only be enforced by dictatorial methods. Gorbachev has had to give himself even more dictatorial powers through the newly created bonapartist executive presidency in order to even begin to push in the direction of capitalist measures. Capitalism in Eastern Europe and the Soviet Union would mean that these societies would become virtual colonies of imperialism, populated by impoverished workers and peasants and ruled over by dictatorial regimes.

Such a development would not give a new lease on life to world capitalism. The crisis of over-production/over-capacity it now faces would not be resolved because the impoverished peoples of these new capitalist countries could not provide new mass markets. Neither the organic crisis, indebtedness, imbalances, falling profit rates, over-production/over-capacity, the impending downturn nor bankruptcies would be averted. While a marginal boost to growth could result, mainly affecting some of the West European countries, the developing crisis of capitalism would continue to develop.

In fact, capitalist restoration in Eastern Europe and the Soviet Union would tend to worsen many aspects of the capitalist crisis. Antagonisms between the various imperialist powers, would worsen as a strengthened Germany would increasingly challenge US and Japanese imperialism on the world arena and seek to increase its dominance over its European rivals. With the threat of the powerful stalinist regime of the Soviet Union gone, this restraining influence would be removed and savage antagonisms would erupt between the capitalist powers.

A capitalist regime in the Soviet Union would also increase antagonisms in another way. Such a regime would be similar to the old Czarist regimes. On the one hand it would become a virtual colony of the imperialist powers but on the other hand its size, location and military power would result in it continually seeking increased influence over the countries

on its periphery, especially in Eastern Europe. A capitalist class in the Soviet Union would be somewhat less of a comprador bourgeoisie than its counterparts in Eastern Europe. A capitalist world in economic crisis wracked by sharply worsening antagonisms would be the result of capitalist restoration.

Restoration would also, after a short period of confusion allow the real nature of capitalism to be seen even more clearly by the international working class. It would become more obvious that a few major capitalist powers were dominating and plundering the majority of the world's peoples. At the same time, the working classes of the Soviet Union and Eastern Europe, Japan, the US, and of the countries of the underdeveloped capitalist world, would find themselves facing the same enemy: world imperialism as represented by the same plundering and exploiting banks and corporations such as General Motors, Daimler Benz, Toyota, Citicorp, Deutsche Bank, Barkleys and so on. The unity of the working class internationally would be given a powerful boost. In the US, it would be much more difficult for US big business to hold its own working class in check as it would no longer have the stalinist dictatorship of the Soviet Union to hold over its head.

The consequences of capitalist restoration should not be taken to mean that such a development would not represent a serious defeat for the international working class. However, what can be seen is that restoration would not mean that capitalism could escape from the death agony in which it now thrashes. All the old contradictions would remain and would continue to intensify. After a brief period of confusion, the international working class would be driven even more decisively into open combat with capitalism. Having already seen the failure of stalinism, the ideas of genuine Marxism, of neither capitalism nor stalinism but a democratic world federation of socialist states, would become more and more looked toward as the only way out.

The general analysis of this document remains correct. The world situation can only be characterized as one of one of an unfolding process of revolution, which given the crisis of leadership unfolds in an uneven and contradictory manner. As this process of revolution develops, it is interrupted and cut across at times by bouts of counter-revolution. Given the smallness of the forces of genuine Marxism at present, the severe crisis of stalinism and the capitulation of Gorbachev and the presently dominant wing of of the Eastern European and Soviet bureaucracies to imperialism, it is not ruled out that the present bout of counter-revolution that threatens could go quite far, even to the extent of capitalist restoration in Eastern Europe and the Soviet Union.

However, not only is this the least likely prospect but even even if it were to take place, capitalism would not be restored to health. It would not be restored to its youth when it represented a progressive system relative to feudalism. It has long outlived itself. It would remain in its death agony. The historical process outlined in this document retains its validity. Capitalism and stalinism remain in their death agonies. Only a world federation of democratic socialist states and a world economic plan of production based on the common ownership of the means of production, distribution and exchange under democratic workers' control and management, can assure a

future for the human species.

In this introduction, it is not necessary to deal with any of the other points of the document. The crisis of world capitalism, the fragility of the present boom, the crisis of US capitalism and the rising opposition among the working class and youth in the US and internationally are being confirmed daily by events. The crisis of Thatcherism in the face of economic crisis and the anti-poll tax movement in Britain, the largest movement of working people since the 1926 general strike, the collapse of the Japanese stock market, the desperate measures being taken by Brazilian capitalism, the continuing crisis of the Savings and Loans industry and the developing credit squeeze in the US, all these confirm the general analysis of the document. The unprecedented walk-outs and protests in US high schools, the increase in the days lost through strikes in the US in 1989, the general strikes from Argentina to Puerto Rico to Nepal, the surge forward of the events in South Africa, the million striking school students in Spain, the mass movement of workers and crumbling of governments from Sweden to Israel to Peru, all these events confirm the increasing class polarization and the rising struggles of the working class and youth in the capitalist world.

The crisis of leadership as explained in this document has also been underlined by the electoral defeat of the Sandinistas in Nicaragua. This defeat is a reflection of the failure of the policies of the Sandinistas to resolve the problems of the Nicaraguan revolution. The Sandinista leadership's refusal to end capitalism in Nicaragua, its confining the revolution to its national borders, its refusal to base itself on and appeal to the working class internationally, its move to the right in an effort to placate US imperialism, and the worsening living conditions due in part to the US-sponsored contra war and economic blockade, all these factors undermined its base. The right wing Chamorro won because a war-weary population, despairing of the Sandinistas showing a way out, felt that maybe Chamorro with her links with the US government could negotiate an end to the war and the US economic blockade and win some economic aid.

The victory of Chamorro is a setback for the working class and peasants internationally. But her regime will be one of crisis. It will be unable to solve the economic crisis. The Sandinistas still control the army and police. The contras still exist as an armed force. This victory for the right in Nicaragua temporarily and partially cuts across but does not fundamentally alter the perspective for Central America. This remains one of the unfolding process of revolution, driven forward by the failure of capitalism and landlordism to provide the minimum conditions of life for the majority of the regions' people. This process will be interrupted and cut across by periods of counter-revolution until the crisis of leadership is resolved.

The US invasion of Panama does not negate the analysis of this document, which explained that US big business would tend to get involved in large scale military interventions in the smaller countries of Central America. It was explained that US military invasions would tend to get bogged down in unwinnable wars in the whole region if it invaded against a popular uprising or guerrilla forces with a mass base. Its relatively easy victory, so far, in Panama does not contradict this analysis. This invasion was not against a popular

government taking measures to implement reforms or challenge capitalism and landlordism. It was not against a popular guerrilla force or against a mass uprising of the working class. If either of these had been the case it would have been entirely different.

However, the invasion was against Noriega, a corrupt dictator with little social base other than the state apparatus. No mass movement came to his assistance and the puppet regime of Endara was put in place. Even in this favorable situation for US big business, the weakness of US capitalism and the problems it faces in Central and Latin America can be seen in outline. Endara's regime has little support outside the small upper middle and upper classes and rests on the military power of the US. The economic problems are not being solved. It is very possible that in spite of its relatively easy victory initially, US capitalism can yet find itself drawn into a struggle to defend an unpopular and corrupt government in the face of a mass movement of Panamanian workers and youth.

As the document states, large scale military interventions in Central America, with all the repercussions these would have throughout Latin America, the rest of the world and of course inside the US itself, are still likely. In fact, in some ways, it is even more likely now as the Chamorro regime faces rising opposition. Chamorro's government will probably claim it won the election and will possibly be prepared to appeal for US troops to help it stay in power. The Bush administration would thus have a cover it could use to intervene. It could claim to be propping up democracy when it would be propping up capitalism and landlordism. As explained in the document, large scale military invasion in Central America, prolonged for any length of time would detonate a mass movement of opposition in the US and would accelerate the developing process of revolution that is developing there beneath the surface.

It is not only in Central America that war can develop. As Marx explained, the death agony of capitalism would be marked by revolutions, counter-revolutions and wars. While world war is ruled out for the present, wars between smaller powers and regional conflicts are inherent in the present situation. The present intensifying contradictions in the Middle East make the possibility of war there once again very real. War between Pakistan and India also can not be excluded. Such developments can cut across the perspectives for a period and add further complications and shocks to the unfolding process.

This introduction continually refers to the fact that periods of revolution inevitably contain the threat of counter-revolution. The Russian revolution included the February uprising, the July days which were dominated by the threat of counter-revolution, to be followed by the victory of October, to be followed by the victory in the war against the forces of counter-revolution from 1918-1921. The forces of revolution triumphed because of the genuine marxist leadership of the Bolsheviks. In the 1930s, the Spanish revolution unfolded and was crushed by the victory of the counter-revolution because of the false leadership of the stalinists and the social democrats. In Iran in 1979, the magnificent revolution of the Iranian working class and youth smashed the Shah's dictatorship but due to the absence of a marxist leadership the reactionary

regime of the mullahs was able to seize power and introduce a period of counter-revolution which took place against the background of the war with Iraq. Now the forces are gathering for a new surge forward of the Iranian revolution.

The present world situation is one of an unfolding process of revolution because stalinism and capitalism both stand as major obstacles to the development of the productive forces and society, while at the same time the working class internationally has the power and the will to change things. The international working class has not suffered decisive defeats of an international or historic character. The balance of class forces is overwhelmingly on the side of the working class. The coming period will see many opportunities for the working class to take power on a world scale. Only if the crisis of leadership is not resolved, if the mighty proletariats such as those of the USSR, the US, Japan etc, which are as yet only in the earliest stages of rising to their feet, along with the international working class, were to suffer not one but a series of decisive defeats in the coming decades would the process of world revolution turn into the process of counter-revolution. In the meantime, however, the unfolding process of world revolution in its tidal sweep onward will be interrupted partially, temporarily and in this or that area by bouts of counter-revolution. For it to triumph decisively on a world scale, the crisis of leadership must be resolved. A genuine marxist leadership of a mass character must be developed.

Amidst all the talk of the death of Marxism and the victories of capitalism, the events in Britain show the enormous struggles that lie ahead, the explosive changes in consciousness that will develop among the working class and youth, the weakness of even the strongest-looking capitalist governments and the increasing influence of genuine marxism. The Thatcher government, in many ways the leader of the assault against the working class in the advanced capitalist countries over the past decade, is now being brought to its knees by the mass movement against the Poll Tax. After eleven years of defeating strikes and passing anti-union laws, of cutting health and social services and selling off nationalized industries, of winning three elections in a row, of declaring almost on a daily basis the death of socialism and Marxism, the conservative party of Thatcher now has only half the support in opinion polls of the Labor Party. The defeats of the past eleven years experienced by the working class have prepared a powerful wave of anger and revolt beneath the surface. This is now erupting in the offensive around the poll tax which, has already begun the process that will see the defeat of Thatcher and her government in the coming period.

The forces that have given expression to this mass movement that is humbling Thatcher and which are leading the anti-Poll Tax movement are those of the genuine marxist tendency within the British labor movement. These forces, grouped around the weekly paper, *MILITANT*, and known as the *Militant Tendency*, have stepped in and filled the gap left by the refusal of the trade union and Labor Party leaders to build a movement against Thatcherism and the Poll Tax. It was they who took the initiative to launch the Anti-Poll Tax Unions which mobilized a quarter of a million demonstrators in London and Glasgow on March 31st. Over one million people are now defying the law and refusing to

pay the new tax in Scotland alone. An estimated eight million in England and Wales are set to join them.

Far from being dead, the ideas of genuine Marxism are going from strength to strength as they are being proven in the struggle against Thatcher and British capitalism. As on the countless occasions when it happened in the past, the declarations of the final death of Marxism are without foundation. The ideas and method of genuine marxism correspond to the realities of the world and human society. They provide the only way to understand and see a way out of the crisis of the death agony of capitalism and stalinism. Because of this, they will be increasingly adopted and taken up by the working class and youth internationally as these forces struggle for a decent future in the process of world revolution that is unfolding.

This document of September 1989 has brilliantly stood the test of the momentous events of the past 7 months. Its publishers can with confidence challenge any other current of opinion in society and in the labor movement to publish their analyses made at that time. With this introduction, of April 1990, this document provides the basis for activists in the US labor movement and among the youth to move forward in the struggle to improve their lives and to change society.

One note of caution should be sounded. No theory, however brilliant, no perspective, however painstakingly thought through, can ever fully anticipate the full richness of events. Clarifying the perspective for world developments means dealing with the clash of living forces and with great explosive battles in which many elements interact. This is particularly the case in this period when both stalinism and capitalism are blindly threshing around in their death agonies and when

the working class has its eyes partially covered by its reformist leaderships.

Sharp turns, sudden changes, shocks, explosive events, all of these are inherent in the world situation. The forces of genuine Marxism must not expect events to unfold in an uncomplicated and mechanical fashion or at an even tempo.

This document and introduction outlines the main processes at work and the most likely course of events. However, a perspective is not a blueprint. It cannot forecast every detail and turn in the situation. Great shocks, sharp turns and sudden changes are more than ever inevitable in world affairs. If the forces of genuine Marxism in the US keep these points in mind when basing themselves on the general analysis of this document and introduction, if they continue to intervene in the daily struggles of the working class and youth, learning from, as well as giving an explanation and program to these struggles, then they will achieve great successes in the period ahead. They should keep in mind the speed with which the consciousness of the working class can change as demonstrated by the events in Eastern Europe, and how small groupings and little known individuals can almost overnight develop a mass base. The forces of genuine Marxism, if based on correct perspectives, strategy and program, can become mass forces in the period ahead and resolve the crisis of leadership, which alone stands in the way of the human species attaining a decent and secure future.

**Sean Herron**  
**April 1990**

## Historical and International Background

Before he vacated the White House, in January 1989, Ronald Reagan presented his "Economic Report of the President." In it he stated, "The tide of history, which some skeptics saw as ebbing inevitably away from Western ideals, . . . flows in our direction." He spoke of his eight years in office as a "second American revolution" which would "inspire changes throughout the world." Speaking in the same vein, the *Wall Street Journal*, referring to the antagonism between imperialism and stalinism, headed its editorial of May 24, 1989, "Bulletin: We Won."

In a paper prepared and circulated among the Washington-based strategists of U.S. capitalism, an official at the State Department, Francis Fukuyama, has since attempted to place the remarks of Reagan and the *Wall Street Journal* in a historical context. Like an aged and toothless dog baring his gums at a lion, this hired academic tries to challenge the ideas of Marx on capitalism and history. In volume 3, chapter 15 of *Capital*, Marx summed up his views, "It capitalism is not an absolute, but only an historical, mode of production corresponding to a definite and limited epoch in the development of the material conditions of production."

In a staggering display of ignorance and wishful thinking, Fukuyama states that Marx was wrong. According to him, "The period of post-history has arrived. . . . Liberal democracy has triumphed, and mankind has reached its highest wisdom. History has come to an end." U.S. capitalism, he says, is the perfected mode of existence of the human species, and cannot be surpassed. According to this thesis, Ronald Reagan, George Bush, Dan Quayle, and Donald Trump would represent the finished, perfected product of millions of years of human evolution.

Nonsensical as these claims are, it is not an accident that they are being made at this time. They are representative of a groundless confidence which has arisen among sections of U.S. capitalism in the past months. This attitude arises out of the present world economic and political conjuncture. Having so far survived the 1987 stock market crash without

experiencing an economic downturn, and observing the economic and political crisis of stalinism, some sections of the capitalist classes internationally -and this is particularly the case among some sections of U.S. capitalism- have become the victims of severe delusions.

The recent comments of these elements, such as the claims of Reagan, the *Wall Street Journal*, and Mr. Fukuyama, reflect this over-confidence. They are also part of a major ideological offensive of capitalism. This is aimed at convincing the capitalist class itself, as well as the middle and working classes, that there is no alternative to the profit-driven capitalist system, or as it tends to be put, "no alternative to the market". This ideological offensive has overpowered the reformist leaders of the mass workers' organizations. Lacking the compass of Marxist theory, these elements have become, as Leon Trotsky phrased it, "worshippers of accomplished facts."

The "facts" that overwhelm them are: the boom which started in the capitalist world in December 1982 continues into its seventh year; the economies of the stalinist world are in crisis; the stalinist bureaucracies are looking to introduce elements of the market into their economies; and Keynesian economic policies were shown to have failed in the 1970s.

These "facts" are driven into the heads of the labor leadership by their inability to understand that the working class is capable of taking independent action which could end capitalism and stalinism, and replace these two bankrupt systems with a democratic world socialist federation. The result is that the labor leaders echo the arguments of big business and, from behind their desks, in their air-conditioned offices, pass on capitalism's message. Nothing can be done. Concessions must be given. To mobilize the working class would only lead to chaos. Profits must be made, and the market, capitalism, is the only system.

Only the small forces of genuine Marxism have stood firm in the face of this ideological offensive of capitalism and explained the recent economic and political developments of stalinism and capitalism. But genuine Marxism has lacked

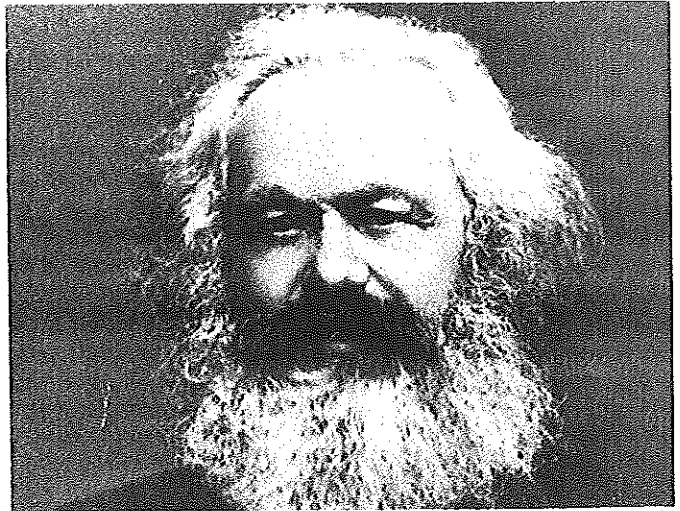
the resources to reach the mass of the working class, or for that matter, even the advanced layers of the working class. As a result, the present objective situation, capitalism's ideological offensive, and the capitulation of the labor leaders have had an effect on the consciousness of the masses in society. The middle classes in the capitalist world have tended to swing to the right, and their counterparts in the stalinist world have moved in a similar direction. The powerful working classes in the advanced capitalist countries are in many cases carrying out struggles, but of a mainly defensive character. Politically, they have become extremely skeptical that fundamental change in society is possible. To this has been added increasing confusion as they scramble to try to find their bearings in the rapidly changing world situation. The youth in the advanced capitalist countries have also tended to become much more doubtful that a fundamental change in society can be brought about. In the former colonial world, the struggles of the working class, peasantry and youth, have tended to continue unabated, due to the catastrophic conditions of life. But even these struggles have been affected. Reformist leaders there have also tended to be pushed to the right by the confluence of developments internationally.

Only the forces of genuine Marxism have kept their bearings throughout recent events. Based on the fundamental principles of Marxism, and rooted in the organizations and struggles of the working class, they have made gains in quality and quantity. This is so because they have been able to understand and explain the general underlying processes in world events. They have explained that the temporary rise in confidence of sections of capitalism is totally misplaced and can not last. They have also explained that underlying the too strongly stated claims of Reagan, Bush, the *Wall Street Journal* and the hired academics, the most deep-rooted and widespread pessimism permeates the capitalist classes as they face the organic and insoluble crises of their own system. This superficial confidence that presently exists will be swept away in the wreckage of the end of the boom and the coming economic downturn. These events will also shatter all talk of the tide of history having turned toward capitalism or that history has already reached and stopped at the peak of perfection. What will be demonstrated for all to see as the crisis of stalinism and capitalism continues to erupt, crash, and surge across the face of the planet is that genuine Marxism has been and remains correct; that the tide of history is flowing powerfully away from both capitalism and stalinism in the direction of the working class internationally coming to power and establishing a world socialist federation.

## History

History shows that this is the direction in which the future lies. As the development of the productive forces shattered the bounds of the old societies, primitive communist societies gave way to slave-based societies. These in turn were supplanted by feudalism, which was overthrown and replaced by capitalism. The leading elements and ruling classes in all these societies tended to be just as convinced as Mr. Fukuyama that their society was perfection and the end of history.

Capitalism established itself as the dominant world system



***Karl Marx founded scientific socialism together with Friedrich Engels.***

as the 19th century unfolded. Developing the productive forces, establishing the nation-state, expanding the world market and bringing into existence the modern international proletariat, capitalism represented historical progress over feudalism. The tide of history was then flowing its way.

However, as Lenin explained in "*Imperialism, the Highest Stage of Capitalism*" (1916) free competitive capitalism, the progressive phase of capitalism, gave way to monopoly capitalism, modern-day imperialism, as the 19th century gave way to the 20th century. In doing so, capitalism passed from its progressive phase, when it had taken society forward, into its prolonged death agony, in which it threatens to pull the world down around its head.

Once the enemy of absolutism, capitalism became the most repressive force on the planet, plundering and savaging the colonial world and the working class internationally. Once the liberator of the productive forces, these were now entangled in the coils of private ownership and the nation-state. As its contradictions intensified, imperialism plunged the world into two world wars and the economic catastrophe of the 1930s. These events all demonstrated the historical impasse which capitalism had reached. They demonstrated that its historically progressive role was over, and that it was now time to pass from the stage of history. The productive forces could no longer reach their full potential within what had now become the straight jacket of capitalism.

As the First World War came to an end, the new historically progressive class, the working class, in what was then Czarist Russia overthrew capitalism and landlordism and established a workers' democracy, a society in which the economy was nationalized and planned, and where the working class, with the support of the poorer peasants, ruled through democratically elected workers' and peasants' councils. The Russian Revolution of 1917 remains to this day the most important event in human history as it created an alternative to decaying capitalism and in so doing demonstrated that a new historical era was at hand.

However, the first successful workers' revolution took place not in an advanced industrial country of capitalism, as was expected by Marx and Engels, but in an economically and

culturally backward, semi-feudal society. Only 10% of the population were working class, and only a similar percentage were literate. Over 80% of the population were peasants.

On top of this backwardness was piled the devastation of the years of imperialist war of 1914-1918, and the 1918-1921 war against the armies of the capitalist countries, which invaded the new workers' state. When military victory was achieved in 1921, the new workers' state was a place of economic devastation and mass starvation. The productive forces had been thrown back behind where they had been in 1913.

The leaders of the Bolshevik Party and the 1917 Russian Revolution, Lenin and Trotsky, saw the Russian Revolution as the spark that would ignite the European revolution. A powerful revolutionary wave did sweep Europe, but the revolutions that took place outside the Soviet Union in the period from 1917 to the Spanish revolution of the 1930's were defeated due to the absence of an experienced, steered Marxist leadership. As a result, the first workers' state was isolated in a backward and devastated country. Instead of receiving assistance from the hoped-for new workers' states in the advanced industrial countries, the new workers' state stood alone.

Lenin and Trotsky had both believed that if the Russian Revolution was not followed by successful revolutions in at least some of the advanced countries of western Europe, that the new workers' state in the Soviet Union would be overthrown, and capitalism and landlordism would be re-established. While this did not take place, the heritage of

backwardness bequeathed by Czarist Russia to the new workers' state, the destruction of seven years of war, and the defeats of the revolutions in Europe, and later in China (1927), exacted a heavy toll.

With the Soviet Union working class decimated by the war against the capitalist armies (1918-1921), with exhaustion and deprivation stalking its every step as the 1920's unfolded, political power was wrested from its grasp by a rising bureaucratic caste composed of elements of the old Czarist state machine and demoralized, bureaucratized and militarized elements of formerly revolutionary forces. With Stalin at its head, this new bureaucratic force ensconced itself in power. Seeking increased privilege and control, it constructed a dictatorship and crushed all the democratic rights of the workers' state. Abandoning the guiding principle of the 1917 revolution, which saw the revolution in Russia as part of the world revolution, and contrary to all Marxist theory, it proclaimed it could build "socialism in one country".

In particular, this stalinist bureaucratic dictatorship crushed the genuine Marxist forces which opposed its brutal rise to power. After the death of Lenin, these were grouped around the Left Opposition and its leader, Leon Trotsky. The result was that the Third International, established by Lenin and Trotsky and the Bolsheviks in 1919 on the basis of revolutionary Marxist ideas, was turned into a mass stalinist, reformist organization.

Along with the Social Democratic parties of the old Second International, these parties of the new stalinist Third International now also stood as barriers to the world socialist revolution. Revolution after revolution in the decades since have been thrown back by the obstacle of these reformist organizations. Capitalism owes its continued existence to the barriers these forces of reformism have represented in the path of the working class internationally.

While the working class had lost political power in the Soviet Union, capitalism and landlordism were not restored. The nationalized and planned economy was maintained. The revolution had not been thrown back to its starting point, as Lenin and Trotsky had feared would happen if the European revolution was not successful. However, the workers' state had not emerged unscathed. In fact, it suffered a severe deformation.

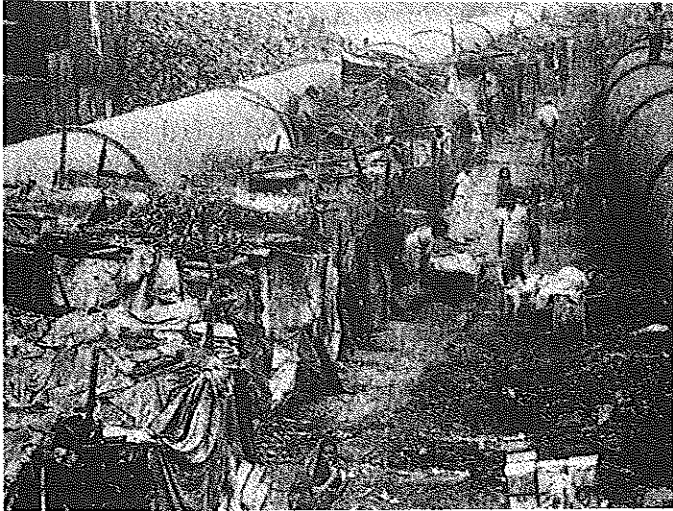
The nationalized and planned economy was maintained, and therefore the Soviet Union remained a workers' state, as this is the form of ownership of the productive forces of a workers' state. But political power was not in the hands of the working class. Economic planning and control over society was in the hands of the bureaucratic, stalinist dictatorship. What existed was a deformed workers' state, or proletarian Bonapartist regime, that is, a regime which defended the property relations of the workers' state but which ruled as a dictatorship over society, balancing between the classes, and keeping power in its own hands.

The superiority of the planned and nationalized economy over capitalism, and, with this, the direction of the tide of history, was demonstrated in the unprecedented economic growth in the Soviet Union. In spite of the mismanagement, corruption and repression of the bureaucracy, in spite of the destruction of the productive forces in the 1918-1921 war against the capitalist armies, and in spite of the Nazi invasion



*Two-thirds of these children will die from common diseases that could be prevented by vaccines, oral rehydration and antibiotics at a cost of \$2.5 billion.*





*Slum housing in Brazil's Rio*

of the Second World War (an estimated 50% of the productive forces and 20-25 million people were destroyed) the Soviet Union went from a backward, semi-feudal society on the level of India, in 1917, to the second industrial power and the first military power in the decades after World War II.

The insoluble contradictions of capitalism, as it thrashed around in the coils of the economic crisis of the 1930s, remorsefully pushed the world into the Second World War. As this slaughter drew to a close, a new revolutionary wave exploded internationally. The stalinist bureaucracy was strengthened as it replaced capitalism and landlordism in eastern Europe with new, deformed workers' states. In 1949, China, the world's most populous nation, passed out of the hands of capitalism and landlordism as a former guerrilla army took power and established a regime in the image of the Soviet Union. In the decades following, more deformed workers' states, or proletarian Bonapartist regimes, came into existence in such countries as Cuba, Syria, Viet Nam, Laos, Cambodia, Mozambique, Angola, and Ethiopia. Capitalism ruled the planet in 1917. By the 1970s approximately one-third of the world's population lived outside the rule of capitalism.

However, the reformist policies of the mass workers' organizations, the social democratic and the stalinist organizations, stood in the way of the working class sweeping away world capitalism entirely in the post-World War II period. These false policies of the labor leadership prepared the political conditions for the powerful, unprecedented economic upswing of 1950-1973. As genuine Marxism explains, capitalism will not die of its own contradictions. Conscious revolutionary leadership is needed to put an end to its rule. If this does not exist, capitalism clings onto power.

While the post-war upswing resulted in a new expansion of productive forces in the capitalist world, even in this period the historical impasse in which capitalism was trapped was apparent. While the living standards of the working class in the advanced capitalist countries increased during the upswing, the living standards of the majority in the capitalist world fell in absolute terms. Even in the most favorable conditions of capitalism, that is in a prolonged economic upswing, the workers and peasants of the former colonial countries sank into unprecedented poverty and starvation.

## One Billion Starving

The Brandt report in 1980 showed that one billion people in the underdeveloped countries lived in absolute poverty. The International Labor Office reported that in 1976 1.2 billion were seriously poor and 700 million of these were destitute. A report by two American scientists has shown that 60% of the population of the underdeveloped countries of the capitalist world have inadequate diets. According to the World Health Organization 40,000 infants die in these countries every day of preventable diseases and hunger. In Central America the masses eat worse now than they did during the time of the old Mayan civilization over 1000 years ago.

The World Health Organization estimates that increasing health spending by \$2.00 per person would produce dramatic improvements in health in the underdeveloped world. This adds up to an expenditure of around six to seven billion dollars. It is a crushing indictment of capitalism that it cannot spend this paltry sum to transform the health of billions of people or to use enough cultivatable land to end hunger.

Increased poverty, disease, repression, and death squads are inseparable from capitalism and landlordism in the former colonial countries. These evils have proceeded hand in hand with the accumulation of \$1.3 trillion in debt.

On behalf of imperialism, the International Monetary Fund and the World Bank are now demanding that these debts be repaid no matter how many must die. Their message is simple: eat less, build fewer houses and hospitals, sell off the state-owned industries, eradicate social services, and pay back the profit-addicted bankers their money. Unless this is done, no more loans are to be made, and countries which renege on their debt will have their assets seized wherever imperialism can get its hands on them.

In an example of the cruel attitude of finance capital and its representatives, a U.S. Treasury official said as a response to any default, "Have you ever contemplated what would happen to the health of a country if the government could not get insulin for its diabetics?" Even in the post-war upswing, the majority of the capitalist world's population became worse-off. The tide of history even then was not flowing with the Reagans, the CitiCorps, the General Motors, the Mitsubishis or the Daimler-Benzes.

The experience of the underdeveloped countries that have remained under the rule of capitalism and landlordism is a confirmation of the theory of Permanent Revolution, as explained by Trotsky. Basing himself on the experience of the 1905 Russian Revolution, Trotsky explained that in those nations where the bourgeois had come late onto the scene of history, they were incapable of carrying through the bourgeois revolutions and overthrowing feudalism, ejecting imperialism, unifying the nation state and modernizing society. Only the working class, he explained, by coming to power, could carry out the tasks of the bourgeois revolution. In doing so, it would proceed uninterruptedly to carry out the socialist tasks and seek to spread the revolution internationally.

The big business media and agencies refer to the underdeveloped world as the "developing countries" or "the third world." The former is to give the impression that the "developing countries" will catch up with the developed countries. It is just a question of time, they imply. The latter

form of reference is to seek to separate the underdeveloped countries and their underdevelopment from the exploitation of them by the capitalist classes in the advanced capitalist countries. At all costs, capitalism must deny the reality, which is that the condition of the masses in these countries is worsening drastically under capitalism, and far from developing, these countries are falling back economically and socially. To admit this is to invite the objectively correct conclusion to be drawn that only by ending capitalism and landlordism, can these societies develop.

Trotsky's analysis, concerning the ability of the bourgeois in these countries to develop their societies, is confirmed with what is taking place with capital flight. The Latin American countries owe around \$400 billion in foreign debt. Yet at the end of 1987, the capitalist classes in these countries had \$239 billion invested abroad, mainly in the United States. Mexican capitalism, with a debt of around \$100 billion, had \$84 billion stashed away abroad. This is a definitive vote of no confidence by the capitalist classes in these countries and in their own ability to develop society. As further confirmation of Trotsky's theory of the Permanent Revolution, an administrator for the Agency of International Development was quoted in the *Wall Street Journal* (3/2/89) as saying, "No country receiving U.S. aid in the past 20 years has graduated from less-developed to developed status."

The crime and scandal of the mass starvation in the underdeveloped countries is starkly in contrast to the expenditure on arms internationally. U.S. capitalism spends \$1,205 per American on military spending per year. Worldwide, \$16 trillion has been spent for military purposes since World War II. The total in 1986 was \$825 billion, up from less than \$200 billion in 1950 (1984 dollars). Since 1960, the advanced industrial countries have doubled their military spending, while the underdeveloped countries have increased their military spending more than six-fold. The world's armed forces are 29 million strong, and a further 11 million are employed making weapons. These resources alone, properly used, could end starvation and disease in the former colonial countries. But on the basis of capitalism and stalinism, they cannot be used for this purpose.

As feudalism did not lie down and give way to capitalism, neither has capitalism walked peacefully from the stage of history. It fights ferociously to survive. Nevertheless, a trend has been evident. It has been losing ground. One third of the world's population has moved out of its direct control. The 20th century is, as genuine Marxism has explained, an epoch of the transition from capitalism to a higher world order, a democratic socialist society worldwide. This is not to say that the stalinist countries are socialist societies. They are most certainly not. However, the advantages of the planned and nationalized economies which exist in these countries over capitalism have been evident. The ending of mass starvation and imperialist plundering in China has been one example of this.

Imperialism's belief that capitalism and landlordism could not be re-established in the stalinist world was what lay behind U.S. imperialism's strategy of "containment." Laid down in the 1940s, this stated imperialism's objective to be to hold the line between stalinism and capitalism and contain the deformed workers' states inside the boundaries in which they

then existed. This position of imperialism reflected its belief that capitalism and landlordism could not be re-established in these countries.

However, the economic crisis of stalinism in the Soviet Union, China and eastern Europe has worsened dramatically over the past decade. The mismanagement and corruption of the stalinist bureaucracies are now wiping out many of the advantages of the planned economies. This is especially so in the Soviet Union. The economic crisis in the stalinist world is accompanied by a partial retreat from its engagements in many of the conflicts in the colonial world, and the pursuit of detente and arms reduction with U.S. imperialism. According to former President Nixon (*Foreign Affairs Journal 1988-1989*), "By the early 1990's, the Soviet Union's client states abroad would be costing it \$20 billion per year."

Utterly demoralized by their own inability to manage the planned economies and take society forward and unable to involve the working class in the planning and control of production, as this would result in their own overthrow, many of the stalinist bureaucracies are introducing elements of the market, of capitalism, into their economies. This is being done in an effort to overcome shortages and stagnation and cut across the political revolutions that have been building up beneath the surfaces of all the stalinist countries. So demoralized have some sections of the stalinist bureaucracies become, that they openly advocate the wholesale re-introduction of the market and the ending of the planned and nationalized economies.

Terrified by the rising rage of its own working class, lacking all historical perspective, mesmerized by the seven-year boom in the West, turning their eyes away from the starvation in the majority of the capitalist world of Latin America, Africa, and Asia, undoubtedly, sections of the stalinist bureaucracies presently look to capitalism as a way out.

This crisis of stalinism confirms what genuine Marxism has always maintained. The stalinist bureaucracies, while claiming the mantle of Marxism, are crude empiricists lacking all theoretical basis, lacking any historical viewpoint, clutching at any expedient which seems to offer the possibility of helping them keep their grip on power for another period.

## Political Revolution

From being a relative fetter on the development of society (that is, its rule initially developed society faster than it would have developed under capitalism but much slower and at a greater cost than under workers' democracy), stalinism has now become an absolute fetter on the productive forces of society. This has prepared the ground for the political revolution which is now unfolding in the stalinist world. Clear evidence of this can be observed in the 1980-1981 and 1988-1989 events in Poland, the revolt of Chinese students and workers in 1989, the strike movement in Yugoslavia in 1986-1988, the uprising in Burma in 1988, the miners' strike in the Soviet Union in 1989, and the continuing movements of oppressed nationalities in the Soviet Union.

The insoluble crisis of stalinism that has now developed was forecast by Trotsky and genuine Marxism as far back as the 1930s. It is the duty of the forces of genuine Marxism

today to explain the roots of this crisis and how it can be resolved. In doing so, a clear answer must be given to the question of whether or not the historical tide has turned in the direction of re-establishing capitalism in every corner of the planet

An answer must be given to the recently expressed hopes of sections of capitalism that perhaps the policy of containment can be replaced with one of "rolling back" the nationalized and planned economies. Reagan demagogically set himself this objective during his eight years. His failure to achieve this objective is underlined by the fact that even in Afghanistan, where the Soviet troops have pulled out, the most likely development is the maintenance of the nationalized and planned economy to the extent to which it has been established.

To answer this question of the direction of the tide of history, developments not only in the stalinist world, but also in the capitalist world, must be examined. A major factor in the overconfidence of sections of the capitalist classes internationally has been the prolongation of the boom which began in December, 1982. This is also a powerful element in the thinking of those sections of the stalinist bureaucracies which look to the market at present. It can be said categorically that this boom will come to an end. The fundamental contradictions of capitalism, which have endured throughout its whole history and which have made it a system of booms and slumps and crises, remain in existence today. As Alan Greenspan, chairman of the Federal Reserve, said: "We haven't repealed the business cycle. Sooner or later we will get one a recession" (*New York Times* 2/26/89).

When this boom ends, further misery will be heaped on the masses of the former colonial countries, which remain under the heel of imperialism. The advanced capitalist countries themselves will see unemployment exploding to levels not experienced since the 1930s. Even now, after almost seven years of boom, unemployment remains at 10% in the 24 most advanced capitalist countries grouped in the Organization for Economic Cooperation and Development. Nations, corporations, banks, farmers, and families, will be threatened with bankruptcy and destitution as the debts that have piled up will no longer be able to be serviced.

The recently found confidence of U.S. and world capitalism itself is very shallow. Even the *Wall Street Journal*, which represents the most unrealistically optimistic elements of U.S. capitalism, in the same pages in which it talks of the historical triumph of capitalism, cannot avoid showing the shallowness of this optimism and the developing organic crisis of capitalism. In its special centennial edition, it stated, "The (U.S.) public, or at least its articulate sectors, is enveloped in dank pessimism, a sense of fading glory and lost opportunity."

In this same centennial edition, the *Wall Street Journal* included a review of the world situation. Naturally for it, this was done in a non-historical and piecemeal fashion instead of viewing the processes from an international and historical standpoint. It had this to say about the prospects for the former colonial countries still under capitalism. Africa: "In economic terms, it is a basket case." It quoted a professor of economics at the Massachusetts Institute of Technology as saying, "Africa is gone." Latin America: "Unless the debt



*Moscow demonstration demanding an end to the monopoly of the so-called Communist Party*

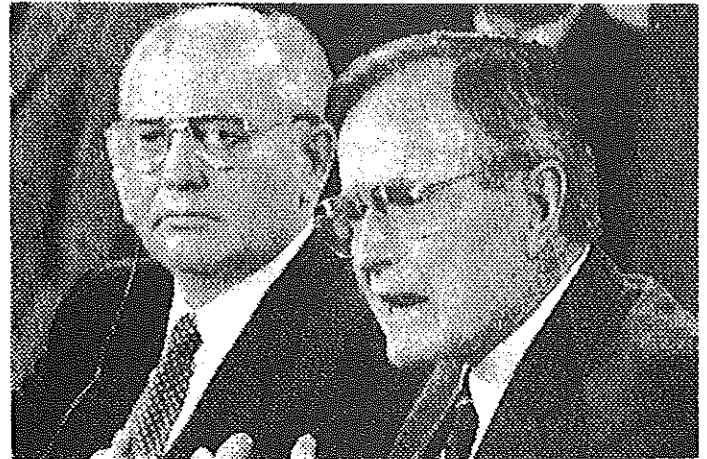
crisis is solved, you can write off most of Latin America." Central America was filed under "No peace, no prosperity." In Asia, the only countries about which it had any optimism were Thailand and Malaysia. The Middle-East was not worth a mention.

The more far-sighted strategists of capitalism understand how fragile is the 7 year boom and how serious is the crisis of capitalism. The *Financial Times* of London recently described the situation in an extremely apt analogy. Its view was that big business resembled a family living in a beautiful house built on the edge of a cliff. The foundations of the house, and the cliff itself, are crumbling onto the rocks and the sea below. Ignoring this, the occupants stride around their living room exclaiming excitedly how wonderful the view is.

Even the *Wall Street Journal* on occasion is forced to abandon its role of leading the chant in the huddle, and try to assess the situation more soberly. In February it ran a series of articles on "The 1990s and Beyond." It said, "There is every reason to believe that the world of the 1990s will be less predictable and in many ways more unstable than the world of the last several decades." It went on: "Among the ships certain to be careening about in this global lake over the next generation are the jerrybuilt European Community craft answering to no single captain or command, a Japanese destroyer aggressively challenging other ships with economic torpedoes, a still primitive Chinese junk weighted down with a billion increasingly unruly passengers, and the old Soviet battleship floundering uncertainly in the waters as its crew ignore the orders of its captain." Even by pointedly ignoring the internal crisis of U.S. capitalism, laden with debt and faced by the challenge of its own working class as it rises to its feet in the future, the *Wall Street Journal* is forced to paint a pessimistic picture from the point of view of capitalism.

When the boom ends, the recent burst of confidence of sections of capitalism will be shattered. At the same time, elements in the Stalinist world who look to capitalism will have the ground cut from under their feet. In spite of capitalism's opposition, and stalinism's efforts to prevent such a development, a new wave of proletarian Bonapartist regimes is likely to replace capitalism and landlordism in parts of the colonial world. If a mass Marxist leadership is built in time, then healthy democratic workers' states will replace capitalism and landlordism in the former colonial world instead.

Another element which will assert itself and cut across the adoration of and illusions in the market will be the movement of the powerful working classes in the stalinist world. The ideological offensive of capitalism tries to portray the opposition movements in the stalinist world as seeking a return to capitalism. It is undoubtedly the case that the right wing Catholic-dominated leadership of Poland's Solidarity, now holding the Prime Minister's position, openly speak of returning to capitalism. It is also true that many of the movements of the oppressed nationalities in the Soviet Union, in their early stages, and mainly led by petit bourgeois nationalist elements, at least hint at this path. In Hungary, similar ideas are put forward, and sections of the bureaucracy in the Soviet Union, Eastern Europe and China also look to return to capitalism.



*Presidents Bush and Gorbachev*

However, the essential features of the situation need to be grasped. Perestroika, and the turn to the market in China and eastern Europe, all have one thing in common, and they share this feature in common with capitalism as it tries to solve its economic crisis. East and West, stalinism and capitalism both seek to solve the crises of their respective systems by cutting the living standards and increasing the work load on the working class. The "market", capitalism, and any turn to the market demands this.

Turning to the market in the stalinist world means raising prices, closing factories, cutting wages, raising unemployment, and speeding up the work rate. Witold Trzeciakowski, Minister for Economic Affairs in the Polish government, told a French newspaper in September that one-third of Polish workers would have to deal with losing their job or changing jobs.

The contradiction that this entails is likely to see a split in Solidarity in Poland and unprecedented movements of the working class throughout all of the stalinist world as attacks are made on its living standards. This explosive movement of the working class will threaten the rule of the bureaucracy. As this happens, and as the boom ends in the West, the movement towards the market in the stalinist world will tend to be cut across and those wings of the bureaucracy opposed to perestroika and the turn to the market will gain more strength.

China gives an example of the processes that are unfolding. When the implications of the capitalist measures introduced in China from 1979 on (inflation, unemployment, corruption, and the rise of a rich minority) became clear, a mass movement erupted from below and the Chinese bureaucracy has partially reversed itself. In the aftermath of the Tiananmen Square massacre, which was carried out because the working class was moving to form an independent trade union in the early days of June, over 2 million non-state-owned companies are to be closed down, and increased surveillance of foreign capital has been implemented. The turn to the market is being severely curtailed.

## Working Class

The working class will oppose the counter-revolution of returning the means of production to private hands. The reason the revolutions took place in these countries in the first place

was because capitalism had shown its inability to solve the problems of these societies.

Chinese students and workers in Tiananmen Square explained that if capitalism were reintroduced, China would not be like the advanced capitalist countries, but would be like Latin America. When the miners in the Soviet Union struck in the summer of 1989, in one area they marched under the banner, "All Power to the People's Soviets." In a recent strike in Poland, strikers demanded an end to the handing over of formerly state-owned factories into the private ownership of their previous managers.

Gorbachev's popularity in the Soviet Union has been based on his success in achieving an arms deal with the U.S.A., which the Soviet masses incorrectly interpret as reducing the chances of war. It also has its roots in glasnost, and the increased (although limited) opportunity to speak out. Glasnost should not be confused with workers' democracy. It is an effort by Gorbachev to whip up the intelligentsia and sections of the working class to speak out to help him in his struggle with those sections of the bureaucracy who oppose perestroika.

Gorbachev seeks perestroika, and uses glasnost, not in order to end the rule of the bureaucracy, but in an effort to improve the economy and thus strengthen the bureaucracy. His policy is to make some changes from the top to prevent revolution from below. His opponents say his changes encourage revolution. Gorbachev counters that without change, revolution is inevitable. Both opinions are correct, and both are incorrect. Movements toward the political revolution are unstoppable in the stalinist world, whatever measures are taken by the bureaucracy.

The most likely development in the stalinist world is that as the decentralizing of the economies and introductions of elements of the market increase prices and unemployment and decrease living standards, the working class will take independent action. It will demand an end to the rule of the bureaucracies and look toward workers' management and workers' control over the economies. As the working class movement goes forward, it will seek to keep the economies nationalized and planned but to take planning and control out of the hands of the bureaucratic dictatorships and into the hands of the working class.

The tendency in the stalinist world will be to maintain the nationalized and planned economies while taking political power from the bureaucracies. Rather than go back to the chaos and anarchy of capitalism, the movement will seek to go forward to workers' democracy. Already in Poland a wing of Solidarity is arguing for this alternative. Needless to say, this section of Solidarity is not much quoted by the big business media in the West.

Success in this struggle demands a conscious leadership based on the ideas of genuine Marxism. The weakness of these forces in the stalinist world at present means that the unfolding political revolution will be drawn out and will experience defeats as well as victories. The events in Poland demonstrate this. The revolutionary upsurge of 1980-1981 was put down by martial law due to the reformist policies of the Solidarity leaders, who believed that they could compromise with the bureaucracy and eventually negotiate it out of existence. The Solidarity leadership retains this illusion today,

as it takes the Prime Minister's and other positions in the new government while leaving state power in the hands of the stalinist bureaucracy.

The reason the right wing of Solidarity, which is propped up by the Roman Catholic hierarchy, has taken the Prime Minister's position is the rising wave of struggle of the Polish workers. A mass strike wave in 1988 and the defeat of the stalinists in the elections of 1989 threatened an all out general strike and possible uprising. Jaruzelski, representing the more far-sighted wing of the bureaucracy, was forced to give the Prime Minister's position to the right wing of Solidarity, which was vouched for by the Catholic hierarchy, in order to rest upon Solidarity to carry out the attacks on the working class. The right wing of Solidarity and the Catholic church took the poisoned chalice because these elements are as terrified of a genuine revolutionary uprising of the working class as the stalinist bureaucracy.

An opposition is now rising in Solidarity. With the help of the forces of genuine Marxism, a revolutionary leadership can be constructed in the period ahead which can successfully overthrow the bureaucratic dictatorship and spread the political revolution throughout the stalinist world.

The weakness of the forces of Marxism is not the only factor that will complicate the unfolding political revolution. The national question will also have this effect. The bureaucratic dictatorships will use national divisions to divide the working class and cling onto power. This can already be seen in Yugoslavia, Azerbaijan, and Armenia. Petit bourgeois nationalist leaderships, which tend to come to the leadership of opposition movements at their early stages, will also exacerbate the national divisions. This can be seen in Estonia and Moldavia, where proposed new voting and language laws would oppress the Russian minority.

On top of the opposition of the working class in the stalinist world to a return to capitalism as the implications of such a development become clear, is the problem of the creation of a new capitalist class in these countries. It is estimated that capital in private hands in Poland is equal to the value of only 5% of total nationalized industrial assets. Some of the right wing intellectuals who advise Solidarity speak of



*Demonstration of East German workers protesting West German President Kohl's proposals*

giving ownership of the factories to a section of the bureaucracy that now manage them. In their minds, this would solve two problems. It would overcome the opposition of the bureaucracy by making a section of it into the new capitalist class, and would create a new capitalist class at the same time. Undoubtedly these intellectuals see themselves as the advisors to this new capitalist class and thus would share in the loot. Like their counterparts in the West, these elements leave out of their calculations the power and independent movement of the working class. The Polish working class, which hates the bureaucracy because of its repression, corruption, and inefficiency, will not stand idly by and let it become a new capitalist class with the power to close factories, fire workers, raise prices, and do with its capital as it wishes.

Foreign capital, in spite of its excited chatter, will not put any substantial investment into the stalinist world at this stage. The working class in these countries, capitalism complains, seek secure employment and social services such as free education and free health. Capitalism always refrains from any large scale investment unless it controls the state apparatus with which it can defend its profits and wealth against the working class. Foreign capitalism will watch from afar with a tight grip on its purse. It may put some limited capital into special zones such as in the coastal regions of China or open a few hotels or hamburger joints or a few joint ventures in the Soviet Union or eastern Europe. It will probably give a few hundred million dollars of its own taxpayers' money to assist the weak forces of the private sectors in these countries, but any large scale foreign private investment in the stalinist countries would be held back until the nationalized and planned economy was overthrown, the working class defeated and forced to accept once again the insecurity and anarchy of capitalism, and the state apparatus placed under the control of capitalism.

However, the creation of a new capitalist class would not be a completely insuperable problem in the stalinist countries. Trotsky explained that if capitalist restoration were to take place it would begin first with a break in the monopoly of foreign trade. Layers of the former bureaucracy would move to set up privately owned businesses first in light industry and services. A new, rich peasant class would begin to develop in the countryside. In this way a new bourgeois class could begin to emerge. Such developments were what could be seen in China when Deng Xiaoping was following the line of "to get rich is glorious" from 1979 to 1989. This development has now been partially cut across in China.

Attempts to replace the nationalized and planned economies with capitalism will be opposed by the working class in the stalinist countries. Attempts at such a counter-revolution will tend to be thrown back by the revolutionary upsurge that they will provoke.

However, this does not mean that elements of the market will not be introduced into sectors of these economies. This has already happened in some cases. But as this is done the anarchy and chaos of capitalism will become clear and provoke opposition. Deng Xiaoping spoke of his policies of introducing elements of the market into China from 1979 on in these terms: "It does not matter whether a cat is black or white as long as it kills mice." In other words, he did not care



*Students in Tiananmen Square June 1989*

whether it was capitalism or the planned economy as long as it delivered the goods.

The inflation, the grain shortage, the polarization between rich and poor, the tidal wave of corruption, the rising anger of the working class and youth and the Tiananmen Square events showed Deng and his friends that the capitalist cat was not doing the job. After putting down the Tiananmen Square movement and moving to restrict the sector of the economy that was in the hands of Chinese capitalist elements, Deng Xiaoping reflected that the recent events had made the bureaucracy "more sober-minded". In other words, they had been forced to face up to the economic, social and political catastrophe that their move to the market had prepared. When this became clear they moved to reverse themselves.

The Chinese bureaucracy still seeks private foreign capital but it is more clear now on the need to maintain the nationalized and planned economy as the basis for the economy. However, it is likely that as the bureaucracy's inability to plan efficiently continues, a new turn toward more market measures may be taken. The impasse of the bureaucracies throughout the stalinist world tends to lead to policies of zig-zags, but the advantages of the planned and nationalized economies over capitalism will tend to be driven home as events unfold.

Having said this, it cannot be absolutely excluded that the nationalized and planned economies could be replaced by capitalism in some of the smaller stalinist states such as Poland and Hungary. However, for this to happen a very unlikely combination of events would need to come together. The economic boom would need to continue in the West for a further substantial period. The working class in the stalinist countries would need to suffer a series of major defeats. The Gorbachev wing of the bureaucracy, or at least the Gorbachev policies, would need to remain in power in the Soviet Union.

## Contradictory Process

When the Polish working class moved forward in the revolutionary offensive in 1980-81 and suspended the bureaucracy in mid-air, there was no talk of any return to capitalism. But the working class was defeated and martial law was imposed in 1981. In the period of defeat, a section of the right wing of Solidarity which was under Roman Catholic church domination moved openly to a pro-capitalist position. As the bureaucracy found the economic crisis worsening, a section of it also looked toward at least some

capitalist measures. The present government in Poland is now moving in that direction. Because of Solidarity's participation it is being given a brief honeymoon by the working class.

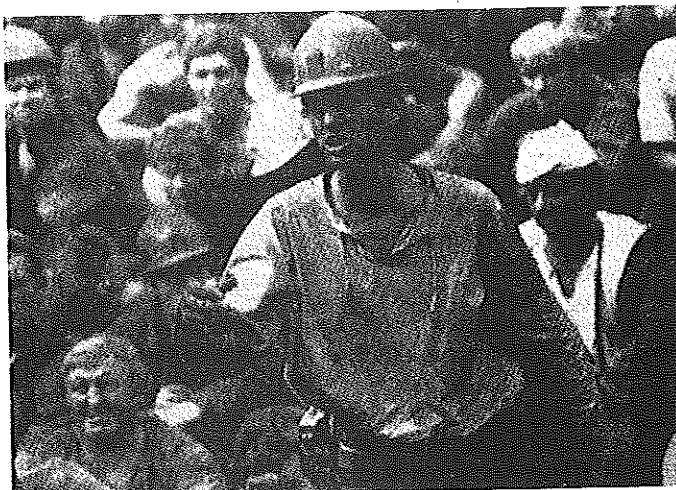
When the vicious anti-working class measures strike home, when it becomes clear what a return to capitalism would mean, it will face a powerful opposition. If the new movement of the Polish working class that is developing were then to suffer a substantial defeat and if the boom continued in the West, a return to capitalism could not be totally excluded, probably under the heel of martial law and behind the façade of a government containing leaders from Solidarity's Roman Catholic-dominated right wing.

However, it is extremely unlikely that such a development, even in some of the smaller stalinist states, will develop. The general tendency will be for the nationalized and planned economies to continue throughout the stalinist world. On top of this, the new economic downturn of capitalism that is to come will see new proletarian bonapartist regimes or healthy workers' democracies if mass genuine marxist leaderships are built, come into existence in parts of the former colonial world. And when the world revolution leaps forward in the decades ahead, with healthy workers states being formed east and west, if any of the smaller stalinist states did revert to capitalism on the basis of a series of defeats of the working class in these countries, such developments would be reversed. Capitalism would be overthrown again, replaced by nationalized and planned economies, but this time on the basis of workers' democracy, not stalinist dictatorship.

As the crisis unfolds throughout both the stalinist and capitalist worlds, it will be accompanied by even bigger movements of the working class and youth than have taken place over the past decade and a half. From Iran to Poland, South Korea to South Africa, Western Europe to Latin America, China to Palestine, the miners' strike in the Soviet Union to the recent upsurge in strikes in the U.S.A., the working class internationally is challenging capitalism and stalinism and the demands of both these systems that it take cuts in living standards. The objective forces that shape this process of world revolution will drive it to seek the road of ending stalinism and capitalism and establishing workers' democracies on a world scale.

This process of world revolution will be protracted. It will be marked with setbacks and victories. It will ebb and flow. It will witness great explosive leaps in the consciousness of the working class as well as setbacks and periods of caution and confusion, as exists in many areas at present. It will also experience periods of pessimism, despair, and even semi-reaction among sections of the working class. These, in turn, will give way to new movements of revolutionary struggle.

The protracted and contradictory way in which the process of world revolution will unfold will be particularly marked because of the role of labor leaders. The failure of Keynesianism in the 1970s, the crisis of stalinism, and the prolonged boom in the West, have seen a shift to the right in the leadership of the mass organizations of the working class and a collapse of the left reformist wings of the mass organizations. Neil Kinnock, a former Left, and now leader of the British Labor Party, is an example of this. He recently spelled out the capitulation to capitalism of the leaders of the mass workers' organizations internationally. Capitalism,



*Soviet miners on strike*

he said, is "the system we live in and we've got to make it work more efficiently, more fairly, and more successfully" (*Wall Street Journal* 5/11/89).

The right wing labor leaders in the U.S. have been further convinced of their pro-capitalist ideas by recent events. Along with the Kirklands and Donahues, leaders such as Winpisinger of the Machinists, (now retired) who formerly occasionally spoke vaguely of socialism and the need for a labor party, now also bows to the market and supports the Democrats.

The fringe groups on the left, and the left academics, also have been unable to stand up to the pressure of the events of the past years. Splits, collapse, and demoralization are the common experience of the sectarian groups and the formerly left academics. The radicals of the 1960s have in many cases become the yuppies of the 1980s. Those few who still claim to stand on the left smuggle so many capitalist and stalinist misconceptions into their thinking that they become incomprehensible to themselves and any worker they may accidentally encounter.

Only the forces of genuine Marxism have retained their footing over the past years. They have been able to do so because they have based themselves on the fundamental principles of Marxism and the general historical and world processes that are unfolding. They have resisted the pressure to interpret these processes mechanically or to become overwhelmed with a particular conjuncture in the situation or to become blinded by facts in such a way as to lose sight of the processes which make it possible to understand and interpret the facts.

They have opposed any attempt to categorize history as some unexplainable chaos. In the natural sciences a ferment of confusion and debate is now taking place as the primitive philosophical method of bourgeois science comes increasingly into conflict with new scientific evidence which is being thrown up as new technology makes measurement, recording of experiments and objective developments in general much more thoroughgoing and as new breakthroughs are made in research. While it is a step forward that bourgeois science is being forced to confront the fact that its primitive philosophical method stands in the way of its ability to explain the laws of motion of matter, which unfold dialectically, it

is a sign of the crisis and confusion that it is in that it terms its present attempts to grapple with the objective world as "chaos". This crisis in bourgeois science mirrors the crisis in bourgeois economics and politics. The semi-hysterical claims about the tide of history flowing toward U.S. and world capitalism are part of this general overall loss of bearings.

The tide of history has not turned. The 20th century today can only be characterized, as it was by Lenin and Trotsky, as an epoch of transition from capitalism to socialism. This transition is inevitably drawn out, contradictory, and complex. This is particularly the case because of the crisis of the working class leadership and the obstacles that the reformist and stalinist leaderships represent in the struggle of the working class to take power.

Even with a mass Marxist leadership on a world scale, the transition would not be an overnight mechanical affair. Historically one system gave way to another over a prolonged period, and in the course of the transitions, many varied and complex forms of society and regimes came about. This is also the case with the present process. The climb to dominance of capitalism over feudalism on a world scale took place over 400-500 years. This was a very rich and contradictory process. For example, historically and internationally speaking, the slave-owning system had been long supplanted by feudalism, by the time capitalism overthrew feudalism. Yet until the 1860s in the U.S.A., which was to emerge as the most advanced and dominant society on the planet, slavery made up a large and important part of the economy. This did not negate the general historical process. It simply illustrated how complex and contradictory this process is.

Genuine Marxism bases itself on the general processes while at the same time taking into account secondary developments and contradictions and explaining these against the background of the general processes. The theoreticians of capitalism and stalinism, desperate to justify their elite's claim to power and to hide their historical outdatedness, grasp at secondary details. They base their arguments on temporary and isolated incidents and conjunctures in order to throw their theoretical dirt into the eyes of the working class.

The historical process proceeds dialectically through contradiction and will always be richer and more varied than even the most advanced theory can foresee. As Lenin, quoting Goethe, explained it: "Theory is gray but the tree of life is ever green". This is not to say the general processes cannot be identified. Stalinism is a transitional form of regime that has been thrown up due to capitalism breaking first at its weakest link rather than in the most advanced societies, and due to the weakness of the forces of Marxism. If a conscious Marxist leadership is built, stalinism will give way to healthy workers' democracies in the period ahead. The nationalized and planned economies, which represent a major step forward historically, will be retained while the political superstructure of the stalinist dictatorships will be swept away and be replaced by workers' democracy, the most democratic form of organized society yet known.

In spite of the superficial factors of the past 7 years in the capitalist world, the objective forces preparing capitalism for its replacement by socialism have been at work and in fact have been speeding up. Lenin explained that monopoly capitalism, by concentrating the means of production into



*Leon Trotsky, fighter against capitalism and stalinism*

the hands of smaller and smaller numbers of corporations dominating the world economy was itself a transitional form between free competitive progressive capitalism and socialism. Over the past years, a wave of mergers of corporations have been taking place. Capitalism is concentrating the means of production to a greater and greater extent.

Before this merger wave, 500 corporations controlled 90% of world trade. When the new statistics are compiled in the period ahead, an even smaller number of corporations will hold control. For the working class to end capitalism, the nationalization of these dominant corporations is a fundamental step. The more concentrated capital becomes, the smaller the number of corporations that will have to be taken over initially, the more links there are between the working class internationally, and therefore the easier the task facing the working class. The present crazed speculation and merger mania of capitalism is tightening the noose around its own neck.

It is a sign of the demoralization of the few remaining left academics who still claim to be Marxists that they see the increasing internationalization of capital as something qualitatively new, as if Lenin had not explained it in "*Imperialism, the Highest Stage of Capitalism*." They also have convinced themselves that the movement of capital across borders will overcome the tendency of the rate of profit to fall. According to them, it also makes just about impossible a successful struggle of the working class to defend living standards.

The increased concentration of capital internationally and the increased interpenetration of the world market is objectively a positive development. It ensures that events are now world events, history is now world history, revolution is now world revolution to an extent that has never been the case before. It lays the objective basis for world socialism.

Unable to understand the fundamental contradictions of capitalism and with no confidence in the power of the working class to struggle to change society, these lefts cover in pessimism and hopelessness before what they view as the omnipotence of capitalism. They cannot see that capitalism is digging its own grave.

Trotsky summed up all opportunists, left and right, by saying that opportunists believe "that capitalism is being automatically restored on a new foundation. Faith in automatic



evolution is the most important and the most characteristic trait of opportunism." This description exactly fits the left academics and the left and right reformists in the labor leaderships today.

The Reagan and Bush administrations have made much of the increased number of bourgeois democratic regimes or partially bourgeois democratic regimes replacing military police dictatorships in the underdeveloped countries. In an entirely impressionistic manner, they have equated this development with the developing political revolution in the stalinist world and claim it is further proof that the whole world is moving toward the model of the U.S.

The collapse of dictatorships in many of the former colonial countries and in Greece, Spain, and Portugal in the 1970s, are signs of the failure of these dictatorships to solve the problems of capitalism and landlordism. They also show the power of the working class and its rising revolutionary struggles. These bourgeois bonapartist regimes, for example the Philippines, Argentina, Pakistan and Brazil, have been replaced in an attempt to make reforms from the top to avoid revolution from below.

The perspectives for the future of these bourgeois democratic or partial democratic regimes is that they will be unstable and short-lived. On the basis of capitalism they offer only increased poverty and starvation. The working class will use the new opportunities to organize to fight to improve their lives and change society. Capitalism will then seek to move back to even more repressive military dictatorships in order to protect its wealth unless the working class takes power into its own hands.

Along with this perspective, the Lebanonization of many of these societies also threatens as capitalism in these countries becomes over-ripe, rotten ripe, for revolution. With the reformist policies of the working class leadership preventing the working class from taking power, these societies tend to rot and disintegrate. Besides Lebanon, some examples of the development of this process to a greater or lesser extent are Sri Lanka, the Sudan, Columbia and Peru. Just as the economic boom will end, so the tendency toward the ending of military dictatorships will be reversed.

Objectively, the world situation is ripe for revolution as never before in history. All three blocks, the underdeveloped former colonial countries, the stalinist countries and the advanced capitalist countries are faced with insoluble economic and political crisis. At the same time, the only progressive force on the planet, the international working class, has been strengthened by the economic growth of both the capitalist and stalinist worlds in the post-war decades. The working class today is stronger in absolute numbers, in relation to other classes in society, and in morale, than ever before. It is the most powerful force on the planet. As the whip of counter-revolution now being raised by both capitalism and stalinism touches its back, the international working class will conduct a revolutionary struggle for power such as has never been seen before.

The heroism and sweep of struggles of workers and youth in South Africa, China, Palestine, Spain, Central America, Poland, South Korea, Chile and Britain are all signs of the developing revolutionary upswing. The world situation today can only be characterized in one way: The process of world

revolution is unfolding, and stalinism and capitalism are both fighting desperate rear guard actions to cling onto existence.

Faced with the rising tidal movement of world revolution, the Soviet Union bureaucracy and US imperialism are clinging together in the embrace of detente. As they lean against each other in an effort to hold back the tide of revolution, they demonstrate the correctness of Trotsky's statement when he spoke of the "organic antagonism of the bureaucrat and the property owner to world revolution."

Capitalism's fear of revolution sweeping it away is, in spite of its brave talk, very much in its mind. This was shown by the concerted attacks that were launched against the French Revolution of the 18th century when its 200th anniversary was marked in 1989. Even its own bourgeois revolutions, which put it in power internationally, must now be disowned for fear of the echo they would get in the working class and the youth of today.

## Leadership

In the last analysis, only one factor allows capitalism and stalinism to cling to power. This is the false policies of the leadership of the working class internationally. From Walesa in Poland to Kirkland in the U.S.A. to Kinnock in Britain to Hawke in Australia to Lafontaine in West Germany to Lula in Brazil, these leaders pull back in fear before the historic challenge which now faces the class at whose head they have been placed. They seek compromise and capitulation before stalinism and capitalism rather than the overthrow of these systems.

In another context, Trotsky spoke of the "bovine conservatism" of the labor leaders. This is an appropriate description of today's labor leaders. In an interview with a C.I.O. organizer in the 1930s, Trotsky stated, "The masses are better, more daring, more resolute than the leaders. The masses wish to struggle. Putting the brakes on the struggle are the leaders who have lagged behind the masses. Their own indecisiveness, their own conservatism, their own bourgeois prejudices are disguised by the leaders with illusions to the backwardness of the masses." This analysis of the reformist labor leaderships is even more true today.

Victory for the working class in the struggle against capitalism and stalinism depends on the construction of a fighting Marxist leadership within the working class internationally. It was once again Trotsky, who, in 1938, pointed to the main contradiction of this epoch with the ripeness of the objective situation for revolution, but also the crisis of the subjective factor, the leadership of the working class, when he stated, "The world political situation, as a whole, is chiefly characterized by a historical crisis of the leadership of the proletariat."

Only the working class, by taking power, can end the destruction of the planet and the human species, which are now threatened by capitalism and stalinism. To increasing starvation and poverty is added the poisoning of the planet, the destruction of its protective atmospheric layers and the overheating of its climate. After denying it for decades, capitalism is now forced to admit to the environmental catastrophe that it and stalinism are preparing. The Economist

Intelligence Unit, in its *World Outlook 1989*, opened its review of the world economy, not with estimates of growth rates or investment levels, but with the heading, "The Only Planet We Have." It spoke of the Earth's 5 billion inhabitants as "one species dependent on an indivisible and vulnerable biosphere. . . . Even short term forecasts will be increasingly affected by decisions taken on environmental grounds or by the consequences of failing to take them."

It spoke of the threat to the environment as "a global problem with no global institution capable of solving it" and called for a conference of the major powers to seek to deal with it. It was not hopeful about the success of such a conference. It stated, "If such a conference agreed on adequate policies, it could only be as the result of an unprecedented willingness to cooperate. Prospects for success would be much reduced if there were, for instance, a severe world recession or trade war between any or all of the E.E.C., the U.S.A. and Japan, or a third world debt crisis, or a resumption of the cold war." All of these developments loom in the period that lies ahead.

The environmental crisis is insoluble on the basis of capitalism and stalinism. As with all the other major problems facing the human species, starvation, war, poverty, drugs, repression, it cannot be solved except by replacing capitalism and stalinism with a democratic socialist world federation. Like all the other major problems facing society, the solution demands a world plan of production based on need, not profit, based on democratic control by the working class, not the dictates of capitalism or stalinist bureaucracies.

In the longer term of 20 to 30 years, if the working class were to suffer a series of major defeats, vicious, barbarous military dictatorships would come to power East and West. After wading through the blood of their own working classes, these regimes would set the world on the road to nuclear war, something which is, at present, ruled out given the power of the working class world wide. The destruction of human society and the wiping out of the accumulated cultural development of millions of years of human evolution would be the result. On the basis of capitalism and stalinism, nuclear arsenals, the threat of nuclear war, chemical and biological weapons, will always be present. Only the working class stands as a barrier to the destruction of human society and the planet.

As the a world crisis develops, the policies of the reformist labor leaders will be put to the test as never before. As this is done, more and more layers of the working class will see that these policies lead only to worsening conditions for the working class and society as a whole. The present right wing reformist labor leaders will be replaced with left reformist leaders. Parties and mass left reformist and centrist currents will develop in the workers' organizations as the struggle to change society unfolds. The collapse of left reformism at present is a temporary phenomenon. Given the small forces of genuine Marxism, enormous illusions in left reformism and centrism will develop in the period ahead.

However, as this process develops the forces of genuine Marxism, which are presently small but which are rooted

in the mass organizations of the working class, tempered with decades of struggle, and armed with the theoretical heritage of Marxism, will begin to gain a mass base internationally. From thousands, the supporters of genuine Marxism will grow to millions and tens of millions in the decades ahead.

Under the impact of events, if the forces of genuine Marxism hold firm to the principles and methods of Marxism, at some point in the future the working class, either in the East or in the West, will achieve a victory over stalinism or capitalism. One such victory, with the working class establishing a healthy workers' democracy in a major country, either East or West, would transform the entire world situation.

Such a new state would stand as a beacon to the workers, youth, and peasants of the world. It would be a society which would be run on a planned and rational basis through the nationalization of the dominant sectors of the economy under the democratic control and management of the working class. It would be a society free from the repression, corruption, and mismanagement of the stalinist dictatorships, and free from the exploitation, repression, anarchy and want of the capitalist world.

With one such victory, the historical tide would surge forward in its channels as the working class and youth internationally would seek to establish such societies in their own countries. They would seek to link up the new workers' democracies and move toward a new world socialist plan of production and a world socialist federation. A part of this process would be the triumph of genuine Marxist ideas as the theory of Marxism would be proven by events to offer the only explanation of how to change the world for the better. In so doing, Marxism would be proven to correspond to the realities of human society.

The productive forces, the science and technology now existing, all demand a democratic world plan of production if their potential is to be realized. On the basis of such a world plan, the potential of the productive forces will be unleashed. The technology now exists, if harnessed in a democratic world socialist plan, to wipe out all hunger, disease, homelessness, pollution, and to end the drudgery and back-breaking toil now endured by the majority of the world's population. The productive forces now have reached such a stage that if they are taken out of the hands of capitalism and stalinism and run on the basis of a democratic plan, a work week of eight hours or less could be entirely possible, thus freeing the human species to take a giant step forward.

The tide of history is not with the Bushes or Thatchers, the Gorbachevs or the Deng Xiaopings, nor is it with the Ligachevs or Honeckers, nor the new deal capitalist politicians nor the left reformist labor leaders who will emerge as the boom ends in the West. It is with the heroic working class which is rising up to fight for its interests in every corner of the world. And it is with the ideas of genuine Marxism, to which this historically progressive class will increasingly turn as it seeks to end capitalism and stalinism and solve the problems now threatening the very existence of the human species.

# The Weakening of U.S. Capitalism in the Face of the Unfolding World Revolution

In the face of the insoluble contradictions of US and world capitalism and the unfolding process of world revolution, US foreign policy is in crisis. The upheavals in the stalinist world and the warming of relations between the Chinese and Soviet Union bureaucracies are adding further uncertainties.

The major challenges facing US capitalism internationally in the immediate period ahead are how to respond to the changes in the stalinist world and relations with the stalinist world in general, how to prop up friendly pro-capitalist regimes in the underdeveloped countries and how to keep its relations with its major capitalist rivals from deteriorating. The main development in the Reagan administration's foreign policy was its arms reduction deal with the Soviet Union and the replacement of Reagan's "evil empire" denunciations and cold war stance with a new period of detente.

The economic crisis of the Soviet Union and the U.S. pushed both powers to seek a cut in armaments. This was a very modest reduction. The treaty on intermediate range missiles removed only 4% of the world's nuclear arsenals. In the US, the increased pressure of the working and middle classes to reduce tensions as their fear of nuclear war increased along with Reagan's cold war ranting was an important factor resulting in this arms deal and detente.

Continued arms reduction and the period of detente will not last indefinitely. Whether the breakdown comes before Bush leaves office or after, the fundamental contradiction between the nationalized economy of the Soviet Union and the capitalist economy of the U.S. makes prolonged detente impossible. As the combined efforts of the Soviet Union bureaucracy and US imperialism to end the revolutionary upheavals in the underdeveloped world and to prevent the development of mass revolutionary movements of the working class in their own countries and their immediate spheres of influence fail, relations will worsen and a new era of "cold war" will unfold. Their shared fear of revolution is what forces

them to cling to each other in the embrace of detente for the present, it is the unfolding of the same process of revolution that will force them apart and return them to their cold war stance in the future.

Such a development over the longer term will give way to a new period of detente which in turn would give way to a new period of cold war. US imperialism and the Soviet Union bureaucracy cannot freeze world events to meet their own interests. The impasse they both face will push them from detente to cold war to detente as the world revolutionary process unfolds. This detente—cold war—detente relationship will be accompanied by a continued arms race, draining the resources of both powers and holding the potential of nuclear annihilation over the head of the human species. On the basis of capitalism and stalinism, nuclear weapons and the threat of nuclear war cannot be removed.

US imperialism is likely to continue in its efforts to maintain friendly relations with the Chinese bureaucracy. The revival of links between the Chinese and Soviet Union bureaucracies is urging them on to a greater effort to maintain these links. The Chinese bureaucracy is likely to maintain these to use them as bargaining chips in its negotiations with the Soviet Union and also to assist it in its efforts to entice private capital from the capitalist countries.

This detente—cold war—detente relationship between the Soviet Union bureaucracy and US imperialism will be cut across in the decades ahead by one of two developments: The working class will come to power, overthrowing stalinism and capitalism and replacing both with a world socialist federation which will ensure harmonious economic and political relations between all the world's peoples and the elimination of nuclear, chemical, biological, and conventional weapons. Or if the working class fails to take power in the next 20 to 30 years and instead suffers a series of decisive defeats, military dictatorships would come to power over the

bodies of the working class East and West. This would open the way to a nuclear war and the destruction of the human species and human society. A nuclear war is ruled out at present given the power of the working class East and West.

As its relations with the stalinist countries continue in crisis and instability, US imperialism's relations with its capitalist rivals deteriorates. The arms deal with the Soviet Union has been a factor in this especially as regards relations with western Europe, West Germany in particular. The West German government under pressure from the West German working class is refusing to replace the short range nuclear weapons on its soil with longer range weapons which would cover most of the targets previously targeted by the intermediate range missiles that the arms agreement did away with. This would result in the weapons of NATO, which are targeted on eastern Europe and the eastern Soviet Union, being much more concentrated on West German soil than previously. This in turn would make West Germany much more a target in the case of nuclear war.

Relations between all the countries of the North Atlantic Treaty Organization (NATO) have worsened as Gorbachev has made reductions in nuclear and conventional forces in eastern Europe. In most European countries, Gorbachev was more popular than Reagan in the last period of Reagan's presidency. West Germany is seeking to build more economic ties to the stalinist block. This is seen by US imperialism as a threat to the cohesion of NATO.

Along with the rifts developing over arms reductions and relations with the stalinist world, economic tensions are increasing between the capitalist powers in the struggle over markets. *The New York Times* (2/3/89) stated, "Economic conflicts can explode." *The Wall Street Journal* (2/21/89) spoke of "clashes of economic interest cutting across national frontiers, disrupting social orders and profoundly affecting general populations."

Increased trade conflict has been developing between western Europe and the U.S.A. as each accuses the other of unfair subsidies and trading barriers to each other's goods. But the most serious conflict between the major capitalist powers is that now developing between US and Japanese capitalism, the two largest economies in the capitalist world.

Japanese capitalism continues to hold a \$50 billion surplus in its trade with US capitalism despite being forced to accept quotas on certain of its exports to the US, despite increasing imports of US goods and despite the rise of the yen against the dollar. The conflict over this imbalance will get worse. The world market is not growing fast enough to accommodate the existing productive forces of both economies. At some stage the creeping protectionism that can now be observed will leap ahead.

The results of US capitalism's pressures on Japanese capitalism to export less to the US and import more from the US will have repercussions of a revolutionary character. As US capitalism puts Japanese capitalism on rations and closes it out of the US market powerful national tensions will explode and with these the class polarization in Japan and the destabilization of this capitalist regime with whom US capitalism seeks cooperation to stand against the power of stalinism and the threat of world revolution will develop at speed.



*President Bush and Japanese Prime Minister Kaifu in discussion along with other western leaders in Houston*

US-Japanese relations are particularly fraught with tension and potential for international instability. More and more voices can be heard among the strategists of US capitalism explaining their worries. One US commentator said recently, "The emergence of Japan as a world economic power, outpacing the US in productivity and capital investment may pose a threat to American political and economic leadership." Increasingly the call for a harder line to be taken against Japanese capitalism can be heard. Clyde Presorwitz, former Commerce Dept. official and now fellow at the Carnegie Institute, recently called for a "mini Bretton Woods conference with Japan," and he stated "Let's forget about what is fair and what is not fair. Let's look at where we are and where we want to be. If a \$50 billion deficit is not acceptable, then let's figure out a way to get it down to the level where we want it."

Equally strident voices are being heard from sections of Japanese capitalism. One of the candidates for the Prime Minister's position in the summer of 1989, Shintar Ishihara, has written a book with Akio Morita, the founder of Sony. The title of this book is "A Japan that can Say No." The message of it is that "Japan is now powerful" and "no longer has to kowtow to the US." Japan's increasing use of foreign "aid" to win influence in world capitals and its insistence that it must have more say on the leading bodies of the I.M.F. and World Bank are adding to the nervousness of US capitalism and the tensions between the two powers. In the journals of Japanese capitalism the increased antagonism it faces in US markets and in Washington is referred to as "The Cold Wind."

Tensions and antagonisms will increase between US and Japanese capitalism. The result of this development in Japan is already evident. US capitalism forced Japanese capitalism to import more foodstuffs from the US. This angered the farmers in Japan, who make up a major portion of the political base of the ruling Liberal Democratic Party, the main party of Japanese capitalism. This along with the anger over the shift of taxation more onto the shoulders of the working class and the blatant control over the L.D.P. by the major corporations, has led to the recent electoral defeats for the L.D.P. and the victories for the Socialist Party.

US capitalism by seeking to unload its crisis onto its rivals is accelerating the polarization of the classes in these countries and weakening those parties of the right which have traditionally sought to maintain good relations with US capitalism. In other words, US capitalism's economic crisis and the efforts it makes to deal with it are driving forward the process of revolution and weakening its allies. In the case of Japan it is US capitalism's most important ally in the vital southeast Asian region. This is what Trotsky spoke of in the 1920's and 1930's when he described US capitalism as one of the main "levers" of the world revolution.

The contradiction is that US capitalism fans the revolutionary flames with its economic policies; then, as the main center of reaction against the world revolution, is forced to intervene to attempt to extinguish the fires that result. It is increasingly trapped in the conflagrations of the world revolution.

US capitalism's economic policies are also bringing forward the process of revolution in the underdeveloped countries. It props up capitalism and landlordism, which increase poverty and starvation. It extracts more and more wealth from these countries by worsening the terms of trade and demanding the servicing and repayment of debts. Then it gets increasingly drawn into the struggles to put down these revolutions which it has helped to ignite and fuel.

Since its defeat in Vietnam, US imperialism is in a weakened position. It can no longer invade the countries of the former colonial world and install puppet regimes whenever it wishes. The increased power of the working class in these countries and the change in consciousness of the US working class ensures this. Military invasions into major industrialized countries such as Mexico, Brazil, Argentina and the Philippines, for example, are ruled out. However, if its access to the oil fields of the Middle East were to be threatened, it would still have no choice but to try to intervene militarily. It could also intervene militarily in some of the smaller countries, such as those in Central America. Even there, military intervention would provoke a worldwide movement of condemnation and opposition. Nevertheless, if faced with the development of proletarian Bonapartist regimes or healthy workers' democracies in Central America, US imperialism would make every effort to intervene militarily.

A sign of the changed balance of forces has been its failure—at least so far—to overthrow Noriega in Panama and the Sandinistas in Nicaragua. The mood of opposition among the masses in the US, fear of repercussions throughout Latin America and beyond and the movement of the Sandinistas to the right stayed its hand and pushed direct, large scale military intervention into Central America onto the back burner at least so far. Another sign of the weakening of US imperialism has been the defiance of the Central American presidents in pushing their own peace plan and moving to disband the Contras.

## History

Not a single Central American regime is stable. As the world economy goes into a downturn, the economies of the region will worsen sharply. This will add fuel to the opposition to



*Workers' May Day demonstration in San Salvador*

these regimes. In El Salvador, with the collapse of the US-backed Duarte regime, the situation is being rapidly reduced to a confrontation between the guerrillas and the right wing death squad party now in government—the Arena.

In spite of the mistaken policies and tactics of the guerrillas, support for Arena is likely to be reduced to the capitalists, landlords, secret police and death squads in the future. An eventual victory for the guerrillas is likely if a mass Marxist current, which would open the road to a healthy workers' democracy, is not built. A victory for the guerrillas if the war is fought to a conclusion would likely result in the replacement of capitalism and landlordism with a proletarian Bonapartist regime. This would increase revolutionary pressures throughout the entire area.

For the forces of Marxism, one effect of such a development, which could temporarily make their work more difficult, would be increased illusions in guerrillism, as opposed to the traditional methods of struggle of the working class. These would develop for a period among sections of the youth and

even possibly among some sections of the working class in some countries.

Faced with an immediate threat to the existence of capitalism and landlordism in any of the Central American countries, US capitalism would most likely intervene with direct military action. If the Sandinistas turned from their present rightward movement and moved to end capitalism and landlordism, this also could provoke direct US military intervention. But it is possible that the overall situation in Latin America could become so charged with revolutionary struggles that US imperialism would have to hold its hand, as to invade would provoke a continental mass movement against US imperialism and all regimes friendly to it. However it is not at all ruled out that direct, large scale US military intervention can still take place in Central America.

If it does it will provoke even more opposition to US imperialism abroad, it will weaken the capitalist regimes worldwide, and it will provoke even more powerful anti-war movements at home than developed against the Vietnam war. And US imperialism would not achieve military victory. Any invasion into one country would spread into military engagement in the entire region. The working class and peasants would oppose US forces and any regime that cooperated with them. US imperialism would have no mass social base from which to fight its war. Over a relatively short period the morale of the US troops would collapse and a disintegration of the army as took place in Vietnam would be in the cards.

Unable to win and unable to pull out, as capitalism and landlordism would be overthrown if it did, US capitalism would be convulsed in an unprecedented military and political crisis. When this would be added to the developing economic crisis and class polarization at home, the US working class and youth could be catapulted into the front ranks of revolutionary developments.

The crisis of US capitalism and its allies in the underdeveloped world is the inability of capitalism and landlordism to increase living standards, the increased poverty of the working class in the former colonial countries and the increased opposition among the US working class and youth to fighting US capitalism's wars. While it is true that a US government could temporarily whip up chauvinism and nationalism at home and get support for direct military intervention, any action much bigger than the Granada action would very soon face substantial opposition from the rank and file of the US forces, and the working class, middle class, and youth at home.

This is not to say that the US government will not strike militarily as it has done against Libya and as it came close to doing when those groups in Lebanon who hold hostages looked to be moving to hang a number of them. What it is to say is that US capitalism no longer has the power to send in the Marines and impose its will to the extent it was able to do in the past.

The continued failure of successive US governments to free the hostages in the Middle East illustrates the process at work. This failure is portrayed as being due to lack of information

about the location of the hostages. However, what prevents the US government from getting such information and what prevents the rescue of the hostages, and what resulted in the pull out of US troops after the car bombing and deaths of over 200 troops when they were sent into Lebanon in Reagan's first term, is that US imperialism has no social base in Lebanon.

While its position is worsened in Lebanon by its support for Israel, US imperialism faces the harsh reality that if the capitalists and landlords and their military officer caste and secret police are left out of the equation, in the underdeveloped countries it lacks any reliable social base. Military power alone cannot preserve and stabilize friendly regimes, nor defeat revolutionary movements.

This is the decisive reason for the weakening of US imperialism in the former colonial countries. Of course the US budget deficit and the indebtedness of US capitalism also weaken it in its efforts to control events. But it is the failure of capitalism and landlordism to feed the masses of the underdeveloped countries which is decisive. A regime or a system develops a social base to the extent which that system can provide the necessities of life in increasing amounts. The system of US capitalism and the regimes it supports in the underdeveloped world brings only increased starvation and repression to the masses of these societies.

In the case of Colombia, where the target is the cocaine capitalists, which would make it easy to get support at home for military intervention, US capitalism is extremely cautious about sending in the military. It realizes that any temporary social base it might initially have would very quickly evaporate as the masses throughout Latin America would rise to oppose US imperialism killing Latin American workers and peasants on Latin American soil.

The changed balance of forces worldwide, the developing economic crisis and the rising tide of world revolution is convulsing US imperialism's foreign policies. This is a situation that will worsen in the coming years. As it tries to hold back the tide of revolution abroad it will accentuate the class tensions and accelerate the process of revolution at home. In particular, the racial minorities in the US will be radicalized by the events in Asia, Africa, and Latin America. And as the US working class rises to struggle this will weaken US imperialism's ability to intervene abroad and at the same time it will inspire the revolutionary struggles internationally to new heights.

Trotsky explained that the powder kegs of the world revolution are built into the foundations of US capitalism. These will increasingly be detonated in the years ahead. This will add further to the instability, crisis and class polarization that is developing in US society. US capitalism can be propelled to the front ranks of the process of the world revolution. As these developments unfold in the period ahead, they will add to the weakness, instability, and crisis of the Bush regime. Bush's rhetoric of "building a new world", of taking history in a new direction, of sending an American mission to Mars, will be forgotten as he desperately tries to prop up the waning power, influence, and control of US imperialism as it is struck by the hurricane of the world revolution.

## The Economic Crisis of U.S. and World Capitalism

The international stock market crash of October 1987 was the worst in history. As the collapse flashed around the globe visions of the 1930s rose to haunt world capitalism. Yet as 1989 draws to a close the capitalist economies continue to grow. By August 1989, the Dow Jones stock index had caught up to and surpassed its previous high of August 1987. Big business has been regaining some of its composure.

However, the continuing crisis of world capitalism is underlined by the confusion and divisions among the capitalist economists. The *Wall Street Journal* (3/27/89), referring to the 100,000 economists in the US, stated, "They simply cannot agree on how the economy works and no new consensus is likely anytime soon." The inability of bourgeois economic theory to understand the laws of, and the likely perspectives for, their own system, was explained by Trotsky in his 1930s' introduction to the *Living Thoughts of Karl Marx*. He explained, "The struggle of workers against capitalism forced the theoreticians of the bourgeoisie to turn their backs upon a scientific analysis of the system of exploitation and to busy themselves with a bare description of the economic facts, a study of the economic past and, what is immeasurably worse, a downright falsification of things as they are for the purpose of justifying the capitalist regime. The economic doctrine which is nowadays taught in official institutions of learning and preached in the bourgeois press offers no derth of important factual material, yet it is utterly incapable of encompassing the economic process as a whole and discovering its laws and perspectives, nor has it any desire to do so. Official political economy is dead." A commentator in the *Wall Street Journal* in October 1989 confirmed this analysis of Trotsky when he said: "The economists job is moving further from the Big Thought toward the Big Sell".

Given that the means of production, distribution, and exchange is in its hands, that it holds state power and that the labor leadership holds back the working class with its reformist policies, the inability of the capitalist class to understand the laws of its own system does not automatically

bring it to its knees. And anyway, as Marx explained, capitalism as a system basically works its way behind the backs of society, including the capitalist class.

However, for the forces of genuine Marxism and for the working class, if it is to succeed in ending capitalism, an understanding of the laws of motion of capitalism and its economic perspectives is essential. The challenge facing these forces is to approach the factual material produced by capitalism (given the small resources of Marxism at present, it has no choice but to use the statistics of the capitalist agencies and media) to subject this material to a rigorous analysis based on the fundamental principles of Marxism and in this way clarify a perspective for the working class movement.

Karl Marx, in collaboration with Frederick Engels, explained the basic workings of capitalism and identified its insoluble and inherent contradictions. Explaining that it is a system of production based on the drive for profit and that profit is the unpaid labor of the working class, Marx was able to explain the reasons for the cyclical development of capitalism, that is, its inevitable boom/recession/boom/recession cycles and to explain also the tendency toward periods of deeper crisis such as the 1930s.

Capitalism's profits, and by this is meant all rent, interest, and profit, come from the unpaid labor of the working class. The inevitable result of this is that the working class is not paid the full value of all that it produces. This in turn ensures that the working class cannot buy back all the products that it produces. This results in the ever-present tendency within capitalism toward over-production and over-capacity. This is not over-production in terms of what is needed to give the human species a good life, but over-production in terms of what can be sold by capitalism at a profit.

This tendency toward over-production and over-capacity can be partially and temporarily overcome by capitalism taking some of the surplus it extracts from the working class and re-investing it into new means of production, thus extending the market for itself. However, this can only have a temporary



*Author of Unbroken Thread, Ted Grant: The foremost figure of Marxism in Britain and internationally in the post-war period*

effect. New means of production will only be created if there is a profitable market for the goods these means of production would produce. This brings the system once again up against the problem of the inability of the working class to buy back all it produces.

Capitalism also seeks to overcome this contradiction through state spending. But state spending, if it is not to be based on debt or the printing of money and therefore unsustainable and inflationary, must be financed out of taxes. Taxes either come out of the wages of the working class or the profits of the capitalists. If they come out of wages, this further cuts into the ability of the working class to buy goods and therefore cuts into demand. If they come from the capitalists this cuts into profits which in turn cuts into capitalism's ability and willingness to re-invest. This in turn cuts into demand. The tendency toward over-production/over-capacity cannot be overcome in this way.

Capitalism also seeks to overcome the tendency to over-production/over-capacity by means of credit. Credit is accumulated by the working class, by the undeveloped countries, by sections of the capitalists themselves, and by governments which pile up budget deficits. Credit, as Marx explained, can allow the system temporarily to go further than its own limits. But at some stage the debt has to be repaid. Today's demand cannot be sustained indefinitely through borrowing from the future. Credit cannot overcome the basic contradiction of the tendency to over-production/over-capacity. Instead it allows the system temporarily and partially to overcome its own limits, only then to suffer a violent contraction of the economy at a certain stage as the system is yanked back inside those limits.

The huge expenditure on arms in the past decades led some currents of thought to believe that arms spending, the "permanent arms economy" as it was termed, could overcome the tendency toward over-production/over-capacity. This is not so. Arms production is basically the production of scrap metal. While those who work in arms production need the basic necessities of life, what is produced in this industry contributes nothing to the production of these necessities.

Arms production is therefore a source of inflation and a hemorrhage on the economy. It cannot overcome the tendency toward over-production/over-capacity.

This inherent, insoluble contradiction lies at the root of the periodic booms and slumps of capitalism. As demand slows, goods pile up on shelves, overcapacity increases, production is cut back, and the economy goes into recession. Goods wear out, a new market is created, and recession is followed by a new boom. As Ted Grant explained in his 1960 document, *Will There be a Slump?*, reprinted in the collection of his works, *The Unbroken Thread*: "The fundamental cause of crisis in capitalist society, a phenomenon peculiar to capitalist society alone, lies in the inevitable over-production of both consumer and capital goods for the purposes of capitalist production. There can be all sorts of secondary causes of crisis, particularly in a period of capitalist development and partial over-production in only some industries, financial juggling on the stock exchange, inflationary swindles, disproportions in production; and a whole host of others—but the fundamental cause of crisis lies in over-production. This in turn, is caused by the market economy, and the division of society into mutually conflicting classes."

This tendency to over-production/over-capacity is reflected in the fact that in the advanced countries of capitalism the rate of utilization of the productive forces tends to hover around only 80% in booms and falls to 70% or less in slumps. A Gary Shilling & Co, a Manhattan based investment consulting firm, points to this tendency: "The world of excess supply of almost everything that commenced in the early 1980s should still be in effect in 10 years"! Another commentator in the *Wall Street Journal* put it this way: "the world is making too much stuff" and as a result, "we are awash in a sea of over-capacity".

Arising out of this contradiction is the struggle over markets. Each capitalist and each capitalist class has no choice but continually to struggle to hold and to increase its own market share and to sell its surplus goods in the markets of its rivals. In periods of general economic down-swing or slowdown this leads to uncontrollable bursts of protectionism. These in turn cut across world trade, further cut into the market and add to recessionary pressures.

This boom/recession/boom cycle is inseparable from the private ownership of the means of production. It cannot be overcome. As Trotsky said, it is as much a part of capitalism as breathing in and breathing out are part of the human organism.

This tendency toward over-production/over-capacity is not the only inherent contradiction rooted in the private ownership of the means of production. Marx also identified and explained the insoluble contradiction, which he termed the tendency of the rate of profit to fall.

## Surplus

The capitalist invests in commodities, puts these commodities together in the productive process, and produces a new commodity which is then sold on the market. Capitalists tend to end up with more capital at the end of the process



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LABOR & YOUTH:

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# Facing the Challenge of the



# 90s

Perspectives  
for the United States of America

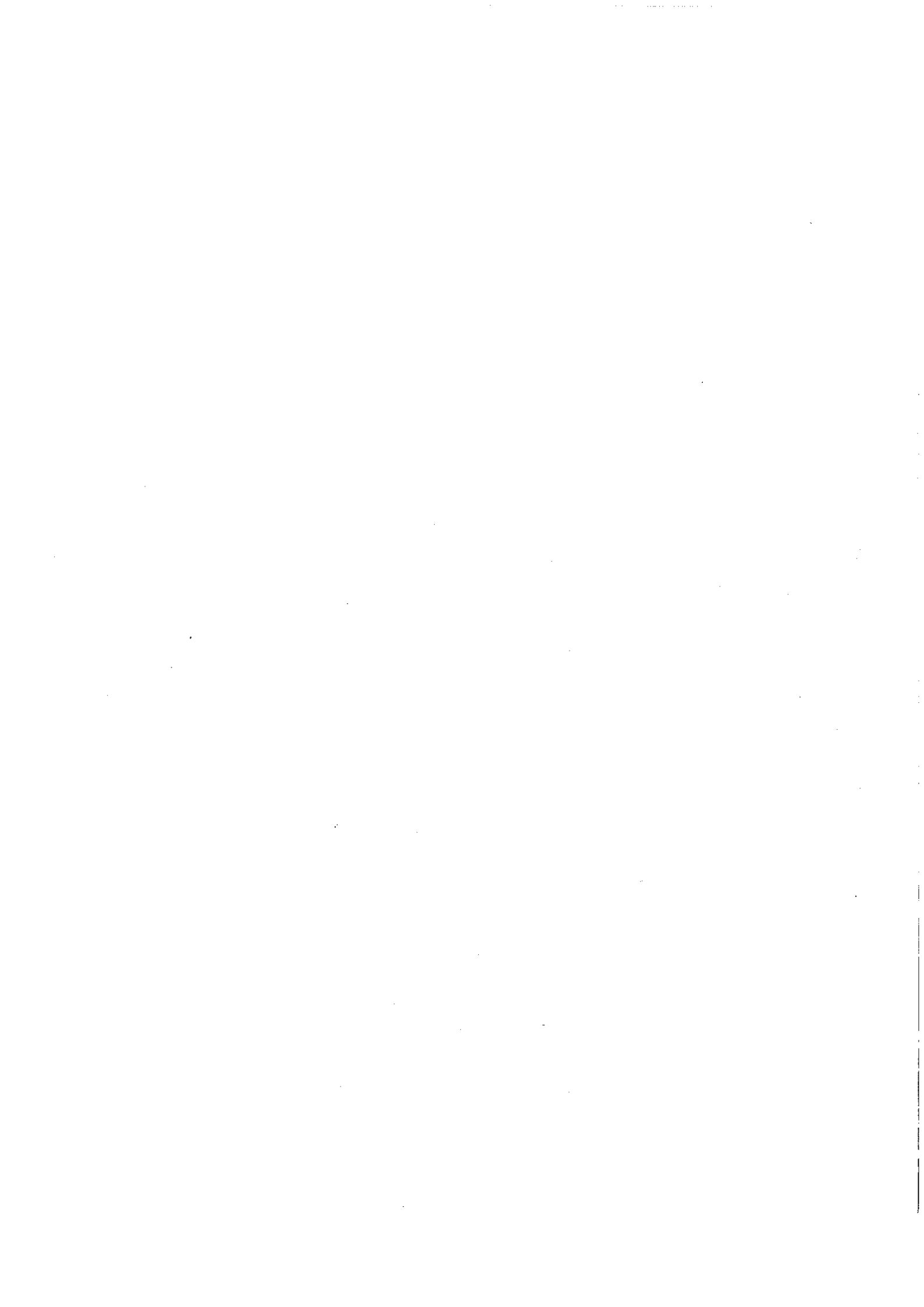
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by Sean Herron

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**LABOR AND YOUTH: FACING THE CHALLENGE OF THE '90s**

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## Introduction

This perspectives document, written in September 1989 outlines the main features of the world situation. These are: capitalism and stalinism are at an impasse, the working class and youth internationally are rising up to challenge these decaying systems and the working class has the power and will to sustain this challenge. Thus, the process of the world revolution is unfolding.

It also explains the crisis of leadership of the working class. The social-democratic, stalinist and openly pro-capitalist leaders of the workers organizations represent major obstacles in the path of the working class struggle to change society. Therefore, this process of world revolution will be protracted over a period of decades. It will be contradictory and uneven, and the working class will suffer defeats as well as achieve victories.

This analysis has been brilliantly confirmed by the events of the past 7 months. During this short period, the working class in Eastern Europe has risen up and shaken loose the foundations of the stalinist dictatorships. In the Soviet Union, while the movement is at an earlier stage, the pressure for change is so great that Gorbachev resembles a downhill skier fleeing from a rapidly gaining avalanche. This magnificent movement of the working class, striving in the direction of the political revolution, confirms the basic ideas of the document.

Neither the strategists of capitalism, nor their hired academics, nor the reformist leaders of the labor movement, (of the right or the left varieties) had the slightest idea that events of such magnitude were on the agenda. For them the working class is a passive force incapable of changing society. For all of them, the stalinist dictatorships were powerful, monolithic regimes that would last indefinitely. Only the forces of genuine Marxism, the publishers of this document and the publishers of the material of genuine Marxism internationally, forecast such developments and were not taken by surprise. The heroic working class of Eastern Europe in a matter of months has brought about a turning point in world affairs and a transformation in world politics.

If the revolutionary events in any one of the Eastern European countries should be singled out, it would have to

be the armed overthrow of the vicious dictator Ceausescu, in Romania. He was determined to make no reforms from the top to avoid revolution from below and to put down any opposition in blood. Arms in hand, the Romanian working class gave its answer. The mass armed opposition won over the rank and file of the army and the united movement of workers, youth and soldiers carried out an armed uprising, fought the murderous Securitate to a standstill and the Ceausescu dynasty was overthrown.

The sight of this armed uprising of workers and youth, their guns turned against the ruling regime and their barricades controlling the roads and streets of the country, sent shivers down the spine of every bureaucrat and capitalist world-wide. De Klerk in South Africa, for example, said he had taken account of the Romanian events when making his decision to release Nelson Mandela and unban the African National Congress (ANC). The fear of the capitalist regimes in the West, which mirrored the fear of the stalinist regimes in the East, was underlined by the fact that the Western capitalist governments urged Gorbachev to invade Romania to "restore order"!

All regimes, East and West, shared the fear that the idea that governments could be toppled by mass demonstrations, general strikes and if necessary, armed insurrection, would enter into the consciousness of the working class and youth in their own countries. In spite of the barrage of propaganda thrown up to prevent this happening, workers in struggle regularly refer to the employers and the governments they oppose as "Ceausescus". As the mass anti-poll tax movement rocks the Thatcher regime in Britain and the increased strike movements and struggles unfold internationally, the examples of the movements of the Eastern European working class are never far beneath the surface.

In the period of worsening crisis in the capitalist world that lies ahead, the lessons of the political revolution in Eastern Europe will be more clearly understood. The main conclusion that will be drawn is that the working class through mass action can bring down governments. It will also be noticed that in societies in both the capitalist and the stalinist worlds, which contain fundamental contradictions, it is possible that

little change may take place for whole periods. However, beneath the surface, these contradictions are intensifying and at some point they explode to the surface and change takes place at lightening speed.

It was Engels, collaborator with Marx in developing the ideas of scientific socialism, who explained this process by saying that there are times when 50 years can be like one day and other times when one day can be like 50 years. Labor and youth activists in the US, where the contradictions of capitalism are intensifying savagely beneath the surface, must learn this lesson so that they will not be taken by surprise by the events that lie ahead.

The leap forward of the process of world revolution which is explained in this document, and which is what the events in Eastern Europe represent, is not the only part of the analysis of genuine Marxism that has been confirmed by the unfolding of the political revolution. The crisis of leadership of the working class has also been dramatically underlined. From the strike wave and vote for Solidarity in Poland in 1988 and 1989 to the mass demonstrations in East Germany, from the general strike and mass demonstrations in Czechoslovakia to the mass demonstrations in Bulgaria to the armed uprising in Romania, it can be clearly seen that the working class was in a position to take power into its own hands. If a clear-sighted genuine marxist leadership had existed, workers' councils could have been created and drawn together centrally and healthy workers' democracies could have been established.

However, because of the absence of such a force, that is because of the crisis of leadership, rather than this happening, new governments are now in place in most of these countries which are to a greater or lesser extent looking toward the restoration or partial restoration of capitalism. Gorbachev in his most recent statements signalled his intention of more openly looking towards capitalist measures. The experience has been from the heroic movement toward the political revolution to the threat of capitalist counter-revolution in a matter of months.

The overthrow of the stalinist dictatorships is in the interests of the working class world-wide. However, the restoration of capitalism would be against these interests. The way forward is for the overthrow of the stalinist regimes but with the maintenance of the nationalized and planned economies, run on the basis of workers' democratic control and management, that is, the establishment of workers' democracies. This would unleash the potential of the productive forces in these societies and would provide an alternative for the working class in the capitalist world to the anarchy and crisis of capitalism. It would open the way for a world federation of democratic socialist states as the only solution to the crisis now facing the human species. The restoration of capitalism would be a defeat for the international working class. To put it bluntly, it would be a counter-revolution.

The decisive reason for the existence of the present threat of capitalist restoration is the absence of a genuine marxist leadership with a mass base among the working class and youth. This can be seen particularly clearly in the case of Poland 1980-81. When the working class was on the offensive there was no talk of a return to capitalism. However, the working class was defeated in 1981 due to the failure of the Solidarity leadership to show a way forward and overthrow

the bureaucracy. The result was the establishment of martial law.

In the period of reaction that followed, these same elements, the intellectuals, the catholic-based academics and leaders among the leadership of Solidarity, who were responsible for the defeat became more dominant in Solidarity as its working class roots shrank. As the Polish economy sank deeper and deeper into crisis and as the economic boom developed in the West from late 1982 on, these strata became openly pro-capitalist. Sections of the working class, their confidence in their ability to change society in the direction of workers' democracy having been shaken, have now also developed more illusions in capitalism. A certain mood that "anything would be better than this" has developed. It was the failure of the leadership of Solidarity to lead the revolution in 1980-81 to the overthrow of the bureaucracy that led to defeat and created the basis for the present strivings in the direction of capitalism.

In East Germany, in the initial weeks of the movement of the working class and youth against the Honecker regime, there was no sentiment for being absorbed into a capitalist united Germany. However, the leaders of New Forum, the original opposition movement, were incapable of giving a strategy and program to the working class to allow it to take power. They were unable to show a way out of the crisis. The movement was left leaderless and open to the assault of the pro-capitalist forces in West Germany. These then began to get a sustained echo in East Germany. When Kohl, the chancellor of West Germany promised to exchange one-for-one West and East German marks, millions of East Germans mistakenly believed him and interpreted this as meaning West German living standards immediately. Consequently, they voted for the most right wing block of parties in the elections which were supported by Kohl. They took what appeared to be the line of least resistance.

This crisis of leadership has at least temporarily and partially blocked the movements toward the political revolution in Eastern Europe. It also acts as a drag upon the developing movement in the Soviet Union. It has resulted in pro-capitalist illusions developing and nationalist divisions coming to the fore in many cases. It has allowed regimes to come to power which continue to oppose the democratic control and management of the working class over society.

Sections of the bureaucracies, utterly demoralized by their inability to any longer take society forward on the basis of the nationalized and planned economies, are now pushing for the restoration of capitalism as they believe this would allow them to continue in positions of power and privilege. As they do so, they have reached out to middle class intellectuals, who temporarily have tended to come to the fore in the early stages of the movement, before the working class has decisively put its imprint on events. Clinging together in their shared contempt and fear of the working class, mesmerized by the seven-and-a-half-year boom in the capitalist economies and averting their eyes from the fragility of the boom and the poverty and starvation afflicting the majority of the population in the capitalist world, these disparate elements now control the governments and the state apparatus in most of the countries of Eastern Europe. These uneasy alliances idolize capitalism and seek its restoration.

The crisis of leadership of the working class, the extreme

crisis of the stalinist economies, the seven-and-a-half-year boom in the west and on top of this the throwing back of the consciousness of the working class due to the decades of dictatorship, are the factors that have led to some illusions in capitalism developing among sections of the working class and youth. The elections and developments in East Germany reflect this process. It is now very possible that East Germany will be absorbed into a capitalist united Germany.

These developments raise wider questions. Is it now possible that capitalism could be restored in all of Eastern Europe and the Soviet Union? If this were to happen, what type of capitalist regimes and economies would these be and how would such a development affect world events? Would the developing process of world revolution be removed from the agenda and would it open up a new epoch in which capitalism would surge forward again with a new lease on life? It is essential for the forces of genuine marxism to be clear on these questions, to be clear on international perspectives, in order that they can be properly prepared to intervene.

In answering these questions, it must be seen that the situations in the countries of Eastern Europe and the Soviet Union are not identical. For example the working class in Hungary has not yet spoken. This means that enormous shocks are waiting for the pro-capitalist regime that will be erected with the victories of the pro-capitalist parties in the recent election. However, the situation in East Germany is most distinctive from the rest of Eastern Europe and the Soviet Union. It has to be viewed separately because of a number of special features that exist.

The peoples of East and West Germany have a common national origin and share the same language. West Germany is the most powerful and wealthy capitalist economy in Europe. West German capitalism has committed itself to pour its surplus into East Germany in what amounts to a mini-Marshall plan. As a result of this, and of the absence of a mass, genuine marxist leadership in either East or West Germany, and if the economic boom in the capitalist world continues for one, two or three years, then the most likely perspective is for East Germany to be united with West Germany on a capitalist basis.

However, such a development is not absolutely definite. Many hurdles still exist. The present resolve and ability of West German capitalism to re-absorb East Germany would be seriously weakened by the ending of the boom in the West. This would also strengthen the opposition of the East German workers to the re-introduction of capitalism. Even with the boom continuing, the re-introduction of capitalism would mean, at least initially, reduced living standards, mass unemployment and insecurity. As this becomes more clear, illusions in capitalism will be shaken and mass movements to defend jobs and living standards will erupt. This is already in evidence with the demonstrations against the West German Central Bank's announcement that a one-to-one exchange rate for the two currencies would not be set. The attitude of the Soviet Union bureaucracy, though its influence has been weakened, is also a factor that can not be totally ignored. For all these reasons, although the re-absorption of East Germany into a capitalist united Germany is now a very possible prospect, it can not be said to be an absolute certainty.

If such a development were to take place it would represent

a defeat for the world working class as it would mean the exploitative and crisis-ridden capitalist system regaining control over the economy and working class of East Germany. While this must be faced up to as a possibility, it would by no means be an unmitigated plus for German and world capitalism. For one thing it would re-unite what was in the past the most powerful working class in Europe. On top of this, the investment that would be necessary from West Germany would soak up that country's surplus, would increase dramatically its money supply and push up interest rates and inflation internationally. While in the short-term, it would probably increase growth in West Germany, this would be at the cost of worsening many fundamental problems within the West German economy.

The unification of Germany on a capitalist basis would increase tensions on the world stage. A re-unified Germany pushing more strongly than ever for economic and political dominance in Europe would lead to increased conflicts with its capitalist rivals and protectionism would be given a further boost. A re-direction of West German investment from the international arena to East Germany would weaken investment internationally and therefore weaken world economic growth and world trade. The availability of East German labor would increase unemployment in Germany as a whole, exacerbating class tensions internally and would increase the tendency to push out the workers from Southern Europe, the East Mediterranean and North Africa who at present work in West Germany. This would increase the economic crisis and class tensions in these societies and increase the tendency toward revolutionary upheavals.

The conclusions to be drawn from the recent developments are that while re-unification on a capitalist basis is now very possible, it is not absolutely certain. If it does take place, while it would initially give a boost to growth in West Germany, it would increase the contradictions and crisis of German and world capitalism in the medium and longer term. And if it were to take place, a united German working class facing the common enemy of the German and world monopolies would be a powerful opponent for European and world capitalism.

It should be pointed out that while the forces of genuine Marxism are opposed to the re-unification of Germany on a capitalist basis, this does not mean opposition to unification in general. Unification on a capitalist basis means capitalist counter-revolution in East Germany. Genuine Marxism stands for the ending of stalinism in East Germany and the ending of capitalism in West Germany on the basis of workers' democracy, and for the united workers' democracy of Germany to develop as part of the Socialist United States of Europe.

While these developments have been unfolding in East and West Germany, the pro-capitalist forces in Eastern Europe as a whole and in the Soviet Union have become more vocal and assertive. However, the perspectives for developments in these areas are not identical to those for East Germany. These economies do not have powerful capitalist classes next door seemingly ready to pour their surplus into these economies. The "Marshall Plan" of West German capitalism for East Germany is not available to the rest of Eastern Europe or the Soviet Union.

Who would fund such a plan? U.S. imperialism, the

strongest capitalist power, is now also the largest debtor in the world. It is estimated that the funds that the U.S. government has committed to Eastern Europe and the Soviet Union so far equals 0.4% of the funds it poured into the Marshall Plan to assist West European capitalism back to its feet in the aftermath of World War II. The collapse of the Japanese stock market, to be followed soon by the collapse of Japanese land prices is a sign of that economy's impending crisis and its inability to fund a Marshall Plan for Eastern Europe and the Soviet Union. The capitalist world as a whole is facing its worse crisis since the 1930s and is in no position to commit massive sums for capitalist restoration in the stalinist world.

Led at present by the Polish and Hungarian regimes, the various governments in Eastern Europe and the Soviet Union to a greater or lesser degree are looking toward dismantling price controls and ending the subsidization of industry and basic necessities. Their idea is to create a large unemployed workforce, to allow prices to be determined by supply and demand, to sell or to give away the nationalized economy to private ownership, to encourage foreign capitalism to come in and buy up the economy and to allow the repatriation of capital and profits. These regimes are gambling that foreign capital will rush in and re-build their economies fast enough to avert the explosion of rage from the working class at the dismantling of the planned economies from sweeping them away.

This gamble will fail. Foreign capital, in spite of its excited chatter, will not rush into Eastern Europe and the Soviet Union. There is already a crisis of over-production/over-capacity in the West. The increasingly impoverished working classes in Eastern Europe and the Soviet Union will provide no new mass market. The infrastructure essential to profit-making is inadequate in the East. Security of investment would in no way be guaranteed. And on top of this, the working class in the East will put up the most determined resistance to their security and present living standards, which are the gains of the nationalization and planning of these economies, being taken away.

When the implications of what capitalist restoration would mean become clear, explosive opposition will erupt from the working class. This is likely to reach revolutionary proportions. Millions unemployed, hungry and homeless, a rich capitalist class developing and closing factories and plundering the economies, hyper-inflation, corruption and increasing gaps between the rich and the poor, when it becomes clear that this is what capitalist restoration would mean, the illusions in capitalism that now exist among some sections of the working class will be severely weakened. As this opposition increases, the chances of substantial foreign investment will be further cut across. This would also be likely to cut across the pro-capitalist policies of the various governments.

As such conflicts develop within these societies, the movement toward the political revolution would take a new surge forward and the opportunity to establish healthy workers' democracies would once again become very great. However, for these opportunities to be seized and realized, there would need to be strong genuine marxist forces capable of giving leadership. If these existed and were able to develop into mass parties, the political revolution could be carried

through to a successful conclusion. This would open up an entirely new historical epoch for humanity and the process of world revolution would leap forward. This exists as one of the possibilities for developments in Eastern Europe and the Soviet Union.

However, if mass leaderships based on the ideas of genuine Marxism are not built in time to lead these opposition movements what would be the likely course of events? In answering this, it is necessary to develop further and adjust one of the points of the September 1989 document in light of events and new information. The events of the past months have made it possible to examine more closely the situation in Eastern Europe and the Soviet Union. It is now possible to see that the economic crisis is more severe than was apparent from afar. This reality, combined with the effects of the monstrous dictatorial regimes that have been in power for decades, combined with the seven-and-a-half-year boom in the West, have thrown back the consciousness of the working class and youth. Some illusions in capitalism now exist which are not only confined to the bureaucracy and intelligentsia. Such illusions also exist among sections of the working class. In light of these developments, the possibilities of the re-introduction of capitalism into Eastern Europe and the Soviet Union must be re-examined.

In this document of September 1989, it was stated that capitalist restoration was a possibility for some of the smaller states of Eastern Europe. Now it must be said that capitalist restoration can not be totally ruled out for all of Eastern Europe and also the Soviet Union. While this reality must be faced up to, it must be stressed that it is the least likely possibility. Many factors would have to fall into place and with the proper timing for such a development to come about.

If a genuine marxist leadership was not able to be built in time, the explosive opposition of the working class to the pro-capitalist measures could suffer a series of defeats and be thrown back. A severe economic crisis could add to these defeats, creating a certain despair. If the boom were to continue in the West, a mood could develop among Eastern European and Soviet Union workers that anything would be an improvement from what they had. In such a situation, the ruling regimes, using dictatorial measures, could possibly push through capitalist restoration and spread these economies at the feet of the worlds' capitalist monopolies.

By examining this process it can be seen how difficult the re-introduction of capitalism would be. The boom in the West would have to continue for some years. But this boom grows shakier every day, as is demonstrated by rising interest rates, slowing growth rates, the collapse of the Japanese stock market and the developing credit squeeze in the U.S. The powerful working class of Eastern Europe and the Soviet Union would have to be decisively defeated. The development of genuine marxist currents would have to be prevented.

Developments in Poland show the difficulties. In Poland the pro-capitalist forces have an advantage as the Solidarity-led government has a certain base among the working class due to the events of 1980-81 and is being given a honeymoon period. In spite of this, Rural Solidarity is on the verge of a break with the government because its pro-capitalist policies threaten to drive the poorer peasants off the land. Workers are increasingly restive as unemployment rose fifteen-fold from



December 1989 to January 1990 and as prices have gone up by more than 300%.

The government's efforts to sell off the nationalized industries is failing due to the lack of buyers and the opposition of the workers. The Polish-born owner of the U.S. corporation Johnson and Johnson, who sees herself as a friend of Walesa, promised to buy the Gdansk shipyard. This multi-millionaire sent in her consultants and then demanded a halving of the workforce, from 7,500 to 3,500, wages to be 50 cents an hour and a five-year no-strike agreement.

Mrs Johnson's chief manager explained "she is committed to helping Poland. At the same time, she feels that her investments have to make a profit." The workers rejected Johnson's offer and have now forced the Solidarity government to take back its threat to close the shipyard. It has been re-affirmed as a nationalized industry.

Walesa made his tour of the West begging for capitalism to buy up Poland at bargain prices. In spite of his obscene bowing and scraping before the world's capitalists, in spite of kissing Thatcher's hand in Britain, foreign capital remains only a trickle. The Polish working class will rise to challenge the Solidarity government's pro-capitalist policies as these are demonstrated to offer only worsening conditions.

Some recent developments in Hungary demonstrate the obstacles in front of capitalist restoration and also the explosion of the working class that is yet to come in that country. Joint ventures with western capitalism have been legal in Hungary since 1972. Yet, over 90% of the economy remains nationalized. Foreign investment accounts for only 2% of Hungary's total assets. The pro-capitalist forces say that 30% of the workers in the nationalized sector should be fired. The *Wall Street Journal* (4/5/90) commented: "Hungarians liken selling off state companies to selling off the family silver" and quoted one worker as saying "what does re-privatization mean? If it is national property, shouldn't I have a say in it?" Later in the same article, the *Wall Street Journal* reporter stated: "Many Hungarians were angered at the sale of a state hotel group to Swedish interests. . . ." and angry also at a deal where a West German company, Axel Springer Verlag AG, "was given control over four Hungarian newspapers by their managements; the West German company apparently paid nothing for them."

So it will be extremely difficult to push through the re-introduction of capitalism. It is a very real possibility that as opposition develops, pro-capitalist policies will be reversed as splits open up in the ruling regimes with the old stalinist wings of the bureaucracies gaining more influence and a movement back to maintaining the nationalized and planned economies and stepping up dictatorial controls and pressures would take place. This would be combined with maintaining the invitation to foreign capital to come in but with more controls over it and confining it to limited areas of the economy, as is the case in China now. In other words, along with the options of successful political revolution and capitalist counter-revolutionary restoration, there is also the option of stalinist counter-revolution such as has taken place in China.

However, there is a difference between China and the countries of Eastern Europe and the Soviet Union. The Chinese bureaucracy remain, as yet, only a relative fetter on the means of production. That is, while it holds back the development

of the economy relative to how it would develop under workers' democracy, it can still take it forward.

The bureaucracies in Eastern Europe and the Soviet Union however, are now absolute fetters on the means of production. That is, under their rule the economies and living standards in these societies now at best stagnate and as is increasingly the case, actually fall back. This means that any attempt at stalinist counter-revolution in Eastern Europe and the Soviet Union would be very unstable and short-lived, giving way very quickly to new revolutionary explosions. This is not to say that the Chinese bureaucratic dictatorship will enjoy stability and longevity. However, relative to any stalinist counter-revolution in Eastern Europe and the Soviet Union, the Chinese regime has more of an economic and social base.

However, it cannot be totally excluded that the opposition of the working class to capitalist counter-revolution could be decisively defeated, that against the background of economic crisis and defeat of the working class, dictatorial regimes could consolidate themselves sufficiently to force through capitalist restoration. But it must be stressed again that this is the least likely possibility. However, genuine Marxism as Leon Trotsky explained, is the "advantage of foresight over astonishment." So even if the smallest possibility of capitalist restoration exists, this must be faced up to and examined and the necessary political conclusions drawn so that the forces of genuine Marxism are not caught unprepared.

A number of possible options have been put forward in this introduction in relation to the development of events in Eastern Europe and the Soviet Union. Successful political revolution with the establishment of workers' democracies, capitalist counter-revolution, and stalinist counter-revolution, have been the alternatives outlined. However, these do not exhaust the possibilities. In a period of crisis, instability and great explosive events such as exist at present, and with the lack of a mass-based, genuine marxist leadership, other, more complicated formations could take place. One other possibility could be types of transitional regimes such as that which has existed in Nicaragua only in reverse. There, the revolution of 1979 smashed the capitalist state machine and created a new state machine resting on the working class and peasants. Yet, the economy remained fundamentally on a capitalist basis. This inherently unstable formation has lasted for more than a decade. However, it can not continue for ever. Either the capitalist forces will re-create a state machine under its control and re-impose its will on society as a whole (such is the objective of the newly elected Chamorro regime), or the working class and peasants will end capitalist control of the economy and bring the state apparatus and the economy into consonance.

In Eastern Europe, it is possible that governments can come to power which are totally committed to capitalist restoration and which have control over the state apparatus, yet they could find themselves incapable of dismantling the nationalized and planned economies. Due to the opposition of the working classes, the national and international weakness and contradictions of capitalism and the national and international balance of class forces, virulently pro-capitalist governments could be forced to preside over and administer nationalized and planned economies. Such formations could last for some time. It would depend on the flow of events and balance of forces both internally and internationally. In the longer

term such a situation could not last. The state apparatus and governments would have to be brought into line with the economic base or vice versa.

One other possibility for developments in Eastern Europe and the Soviet Union if a genuine marxist leadership with a mass base is not built, is that over a period of time tendencies towards the Lebanonization of some of these societies could gain strength. Elements of barbarism could power their way to the surface. Religious and national divisions could explode out of hand. The nationalist killings in Azerbaijan and Armenia, the attacks on the Hungarian minority in Romania, the attacks on the Albanian minority in Kosovo, Yugoslavia, and the mass expulsions of ethnic Turks from Bulgaria, are warnings of what could develop at a later stage if no way out of the crisis can be found.

In the West, the break up of states such as Lebanon, the barbaric communal, racial and tribal violence such as seen in India, Sri Lanka and Uganda reflect the fact that capitalism objectively is over-ripe for revolution. But due to the crisis of the subjective factor, the crisis of leadership, the road to revolution is temporarily blocked. Therefore, sections of the capitalist world begin to retrogress, begin to experience total decay. Disintegration and barbarism threaten. Objectively, the situation in Eastern Europe and the Soviet Union is over-ripe for the political revolution. If the leadership is not built the situation in parts of these areas could also begin to rot. The total break-down of these societies could threaten and barbarism could rise to the surface.

If the least likely of the possible developments in Eastern Europe and the Soviet Union were to take place, that is the restoration of capitalism, what would be the effects on world capitalism and world perspectives? What can be said with absolute certainty is that with the possible exception of East Germany, the development of advanced capitalist economies and stable long-lasting capitalist democracies is ruled out. Capitalism in Eastern Europe and the Soviet Union, with the possible exception of East Germany, would be of the Latin American variety, societies of mass poverty and starvation kept in place by vicious dictatorial regimes.

If capitalism were restored, foreign capital, in the shape of the major imperialist powers, would come in and take the plum areas of investments, buy up the most accessible resources and re-export their profits as they do today in the underdeveloped countries. The very weak national capitalist classes which would develop in these countries would be unable to stand up to these powers. Instead they would in the main co-operate with them, having many of the features of comprador bourgeoisies, and would assist imperialism in plundering the resources of their own countries and holding down the opposition of their own working classes. Trotsky's theory of the permanent revolution would apply with a vengeance. As he explained, weak bourgeoisies coming late onto the scene of history are incapable of standing up to imperialism or of developing their own societies on a capitalist basis. The capitalist class that would come into existence out of a wing of the bureaucracies, the intelligencia, co-op owners, farmers and foreign capital would be extremely weak and would fulfil the role as described by Trotsky.

The surplus produced by the labor of the working class would be sucked out of these economies by imperialism, which

would rule them as virtual colonies. Only the profitable areas would be developed. The infrastructure would be allowed to collapse except in those sectors necessary for the extraction of profits for the international corporations. The facilities of housing, health and education built up on the basis of the nationalized and planned economies would atrophy and collapse. Mass unemployment, mass starvation and mass homelessness would result. Literacy and health care would decline dramatically. Capitalist restoration in Eastern Europe and the Soviet Union would be the capitalism of the underdeveloped capitalist world, not the capitalism of the developed capitalist world. It should also be kept in mind that many of the features of the underdeveloped world are now surfacing in the advanced capitalist countries, for example mass poverty and homelessness.

The kind of decline in living standards that this would entail can be seen by making a comparison between Eastern Europe and Latin America today. Per capita gross domestic product in Latin America is at present \$2,000 per year. In Eastern Europe it is \$5,000 per year. The Eastern European and Soviet Union working class will move many mountains before it will allow itself to be reduced to Latin American living standards.

The plunder of these economies by imperialism and the reduction in living standards that would result could only be enforced by dictatorial methods. Gorbachev has had to give himself even more dictatorial powers through the newly created bonapartist executive presidency in order to even begin to push in the direction of capitalist measures. Capitalism in Eastern Europe and the Soviet Union would mean that these societies would become virtual colonies of imperialism, populated by impoverished workers and peasants and ruled over by dictatorial regimes.

Such a development would not give a new lease on life to world capitalism. The crisis of over-production/over-capacity it now faces would not be resolved because the impoverished peoples of these new capitalist countries could not provide new mass markets. Neither the organic crisis, indebtedness, imbalances, falling profit rates, over-production/over-capacity, the impending downturn nor bankruptcies would be averted. While a marginal boost to growth could result, mainly affecting some of the West European countries, the developing crisis of capitalism would continue to develop.

In fact, capitalist restoration in Eastern Europe and the Soviet Union would tend to worsen many aspects of the capitalist crisis. Antagonisms between the various imperialist powers, would worsen as a strengthened Germany would increasingly challenge US and Japanese imperialism on the world arena and seek to increase its dominance over its European rivals. With the threat of the powerful stalinist regime of the Soviet Union gone, this restraining influence would be removed and savage antagonisms would erupt between the capitalist powers.

A capitalist regime in the Soviet Union would also increase antagonisms in another way. Such a regime would be similar to the old Czarist regimes. On the one hand it would become a virtual colony of the imperialist powers but on the other hand its size, location and military power would result in it continually seeking increased influence over the countries

on its periphery, especially in Eastern Europe. A capitalist class in the Soviet Union would be somewhat less of a comprador bourgeoisie than its counterparts in Eastern Europe. A capitalist world in economic crisis wracked by sharply worsening antagonisms would be the result of capitalist restoration.

Restoration would also, after a short period of confusion allow the real nature of capitalism to be seen even more clearly by the international working class. It would become more obvious that a few major capitalist powers were dominating and plundering the majority of the world's peoples. At the same time, the working classes of the Soviet Union and Eastern Europe, Japan, the US, and of the countries of the underdeveloped capitalist world, would find themselves facing the same enemy: world imperialism as represented by the same plundering and exploiting banks and corporations such as General Motors, Daimler Benz, Toyota, Citicorp, Deutsche Bank, Barkleys and so on. The unity of the working class internationally would be given a powerful boost. In the US, it would be much more difficult for US big business to hold its own working class in check as it would no longer have the stalinist dictatorship of the Soviet Union to hold over its head.

The consequences of capitalist restoration should not be taken to mean that such a development would not represent a serious defeat for the international working class. However, what can be seen is that restoration would not mean that capitalism could escape from the death agony in which it now thrashes. All the old contradictions would remain and would continue to intensify. After a brief period of confusion, the international working class would be driven even more decisively into open combat with capitalism. Having already seen the failure of stalinism, the ideas of genuine Marxism, of neither capitalism nor stalinism but a democratic world federation of socialist states, would become more and more looked toward as the only way out.

The general analysis of this document remains correct. The world situation can only be characterized as one of one of an unfolding process of revolution, which given the crisis of leadership unfolds in an uneven and contradictory manner. As this process of revolution develops, it is interrupted and cut across at times by bouts of counter-revolution. Given the smallness of the forces of genuine Marxism at present, the severe crisis of stalinism and the capitulation of Gorbachev and the presently dominant wing of of the Eastern European and Soviet bureaucracies to imperialism, it is not ruled out that the present bout of counter-revolution that threatens could go quite far, even to the extent of capitalist restoration in Eastern Europe and the Soviet Union.

However, not only is this the least likely prospect but even even if it were to take place, capitalism would not be restored to health. It would not be restored to its youth when it represented a progressive system relative to feudalism. It has long outlived itself. It would remain in its death agony. The historical process outlined in this document retains its validity. Capitalism and stalinism remain in their death agonies. Only a world federation of democratic socialist states and a world economic plan of production based on the common ownership of the means of production, distribution and exchange under democratic workers' control and management, can assure a

future for the human species.

In this introduction, it is not necessary to deal with any of the other points of the document. The crisis of world capitalism, the fragility of the present boom, the crisis of US capitalism and the rising opposition among the working class and youth in the US and internationally are being confirmed daily by events. The crisis of Thatcherism in the face of economic crisis and the anti-poll tax movement in Britain, the largest movement of working people since the 1926 general strike, the collapse of the Japanese stock market, the desperate measures being taken by Brazilian capitalism, the continuing crisis of the Savings and Loans industry and the developing credit squeeze in the US, all these confirm the general analysis of the document. The unprecedented walk-outs and protests in US high schools, the increase in the days lost through strikes in the US in 1989, the general strikes from Argentina to Puerto Rico to Nepal, the surge forward of the events in South Africa, the million striking school students in Spain, the mass movement of workers and crumbling of governments from Sweden to Israel to Peru, all these events confirm the increasing class polarization and the rising struggles of the working class and youth in the capitalist world.

The crisis of leadership as explained in this document has also been underlined by the electoral defeat of the Sandinistas in Nicaragua. This defeat is a reflection of the failure of the policies of the Sandinistas to resolve the problems of the Nicaraguan revolution. The Sandinista leadership's refusal to end capitalism in Nicaragua, its confining the revolution to its national borders, its refusal to base itself on and appeal to the working class internationally, its move to the right in an effort to placate US imperialism, and the worsening living conditions due in part to the US-sponsored contra war and economic blockade, all these factors undermined its base. The right wing Chamorro won because a war-weary population, despairing of the Sandinistas showing a way out, felt that maybe Chamorro with her links with the US government could negotiate an end to the war and the US economic blockade and win some economic aid.

The victory of Chamorro is a setback for the working class and peasants internationally. But her regime will be one of crisis. It will be unable to solve the economic crisis. The Sandinistas still control the army and police. The contras still exist as an armed force. This victory for the right in Nicaragua temporarily and partially cuts across but does not fundamentally alter the perspective for Central America. This remains one of the unfolding process of revolution, driven forward by the failure of capitalism and landlordism to provide the minimum conditions of life for the majority of the regions' people. This process will be interrupted and cut across by periods of counter-revolution until the crisis of leadership is resolved.

The US invasion of Panama does not negate the analysis of this document, which explained that US big business would tend to get involved in large scale military interventions in the smaller countries of Central America. It was explained that US military invasions would tend to get bogged down in unwinnable wars in the whole region if it invaded against a popular uprising or guerrilla forces with a mass base. Its relatively easy victory, so far, in Panama does not contradict this analysis. This invasion was not against a popular

government taking measures to implement reforms or challenge capitalism and landlordism. It was not against a popular guerrilla force or against a mass uprising of the working class. If either of these had been the case it would have been entirely different.

However, the invasion was against Noriega, a corrupt dictator with little social base other than the state apparatus. No mass movement came to his assistance and the puppet regime of Endara was put in place. Even in this favorable situation for US big business, the weakness of US capitalism and the problems it faces in Central and Latin America can be seen in outline. Endara's regime has little support outside the small upper middle and upper classes and rests on the military power of the US. The economic problems are not being solved. It is very possible that in spite of its relatively easy victory initially, US capitalism can yet find itself drawn into a struggle to defend an unpopular and corrupt government in the face of a mass movement of Panamanian workers and youth.

As the document states, large scale military interventions in Central America, with all the repercussions these would have throughout Latin America, the rest of the world and of course inside the US itself, are still likely. In fact, in some ways, it is even more likely now as the Chamorro regime faces rising opposition. Chamorro's government will probably claim it won the election and will possibly be prepared to appeal for US troops to help it stay in power. The Bush administration would thus have a cover it could use to intervene. It could claim to be propping up democracy when it would be propping up capitalism and landlordism. As explained in the document, large scale military invasion in Central America, prolonged for any length of time would detonate a mass movement of opposition in the US and would accelerate the developing process of revolution that is developing there beneath the surface.

It is not only in Central America that war can develop. As Marx explained, the death agony of capitalism would be marked by revolutions, counter-revolutions and wars. While world war is ruled out for the present, wars between smaller powers and regional conflicts are inherent in the present situation. The present intensifying contradictions in the Middle East make the possibility of war there once again very real. War between Pakistan and India also can not be excluded. Such developments can cut across the perspectives for a period and add further complications and shocks to the unfolding process.

This introduction continually refers to the fact that periods of revolution inevitably contain the threat of counter-revolution. The Russian revolution included the February uprising, the July days which were dominated by the threat of counter-revolution, to be followed by the victory of October, to be followed by the victory in the war against the forces of counter-revolution from 1918-1921. The forces of revolution triumphed because of the genuine marxist leadership of the Bolsheviks. In the 1930s, the Spanish revolution unfolded and was crushed by the victory of the counter-revolution because of the false leadership of the stalinists and the social democrats. In Iran in 1979, the magnificent revolution of the Iranian working class and youth smashed the Shah's dictatorship but due to the absence of a marxist leadership the reactionary

regime of the mullahs was able to seize power and introduce a period of counter-revolution which took place against the background of the war with Iraq. Now the forces are gathering for a new surge forward of the Iranian revolution.

The present world situation is one of an unfolding process of revolution because stalinism and capitalism both stand as major obstacles to the development of the productive forces and society, while at the same time the working class internationally has the power and the will to change things. The international working class has not suffered decisive defeats of an international or historic character. The balance of class forces is overwhelmingly on the side of the working class. The coming period will see many opportunities for the working class to take power on a world scale. Only if the crisis of leadership is not resolved, if the mighty proletariats such as those of the USSR, the US, Japan etc, which are as yet only in the earliest stages of rising to their feet, along with the international working class, were to suffer not one but a series of decisive defeats in the coming decades would the process of world revolution turn into the process of counter-revolution. In the meantime, however, the unfolding process of world revolution in its tidal sweep onward will be interrupted partially, temporarily and in this or that area by bouts of counter-revolution. For it to triumph decisively on a world scale, the crisis of leadership must be resolved. A genuine marxist leadership of a mass character must be developed.

Amidst all the talk of the death of Marxism and the victories of capitalism, the events in Britain show the enormous struggles that lie ahead, the explosive changes in consciousness that will develop among the working class and youth, the weakness of even the strongest-looking capitalist governments and the increasing influence of genuine marxism. The Thatcher government, in many ways the leader of the assault against the working class in the advanced capitalist countries over the past decade, is now being brought to its knees by the mass movement against the Poll Tax. After eleven years of defeating strikes and passing anti-union laws, of cutting health and social services and selling off nationalized industries, of winning three elections in a row, of declaring almost on a daily basis the death of socialism and Marxism, the conservative party of Thatcher now has only half the support in opinion polls of the Labor Party. The defeats of the past eleven years experienced by the working class have prepared a powerful wave of anger and revolt beneath the surface. This is now erupting in the offensive around the poll tax which, has already begun the process that will see the defeat of Thatcher and her government in the coming period.

The forces that have given expression to this mass movement that is humbling Thatcher and which are leading the anti-Poll Tax movement are those of the genuine marxist tendency within the British labor movement. These forces, grouped around the weekly paper, *MILITANT*, and known as the *Militant Tendency*, have stepped in and filled the gap left by the refusal of the trade union and Labor Party leaders to build a movement against Thatcherism and the Poll Tax. It was they who took the initiative to launch the Anti-Poll Tax Unions which mobilized a quarter of a million demonstrators in London and Glasgow on March 31st. Over one million people are now defying the law and refusing to

pay the new tax in Scotland alone. An estimated eight million in England and Wales are set to join them.

Far from being dead, the ideas of genuine Marxism are going from strength to strength as they are being proven in the struggle against Thatcher and British capitalism. As on the countless occasions when it happened in the past, the declarations of the final death of Marxism are without foundation. The ideas and method of genuine marxism correspond to the realities of the world and human society. They provide the only way to understand and see a way out of the crisis of the death agony of capitalism and stalinism. Because of this, they will be increasingly adopted and taken up by the working class and youth internationally as these forces struggle for a decent future in the process of world revolution that is unfolding.

This document of September 1989 has brilliantly stood the test of the momentous events of the past 7 months. Its publishers can with confidence challenge any other current of opinion in society and in the labor movement to publish their analyses made at that time. With this introduction, of April 1990, this document provides the basis for activists in the US labor movement and among the youth to move forward in the struggle to improve their lives and to change society.

One note of caution should be sounded. No theory, however brilliant, no perspective, however painstakingly thought through, can ever fully anticipate the full richness of events. Clarifying the perspective for world developments means dealing with the clash of living forces and with great explosive battles in which many elements interact. This is particularly the case in this period when both stalinism and capitalism are blindly threshing around in their death agonies and when

the working class has its eyes partially covered by its reformist leaderships.

Sharp turns, sudden changes, shocks, explosive events, all of these are inherent in the world situation. The forces of genuine Marxism must not expect events to unfold in an uncomplicated and mechanical fashion or at an even tempo.

This document and introduction outlines the main processes at work and the most likely course of events. However, a perspective is not a blueprint. It cannot forecast every detail and turn in the situation. Great shocks, sharp turns and sudden changes are more than ever inevitable in world affairs. If the forces of genuine Marxism in the US keep these points in mind when basing themselves on the general analysis of this document and introduction, if they continue to intervene in the daily struggles of the working class and youth, learning from, as well as giving an explanation and program to these struggles, then they will achieve great successes in the period ahead. They should keep in mind the speed with which the consciousness of the working class can change as demonstrated by the events in Eastern Europe, and how small groupings and little known individuals can almost overnight develop a mass base. The forces of genuine Marxism, if based on correct perspectives, strategy and program, can become mass forces in the period ahead and resolve the crisis of leadership, which alone stands in the way of the human species attaining a decent and secure future.

**Sean Herron**  
April 1990

## Historical and International Background

Before he vacated the White House, in January 1989, Ronald Reagan presented his "Economic Report of the President." In it he stated, "The tide of history, which some skeptics saw as ebbing inevitably away from Western ideals, . . . flows in our direction." He spoke of his eight years in office as a "second American revolution" which would "inspire changes throughout the world." Speaking in the same vein, the *Wall Street Journal*, referring to the antagonism between imperialism and stalinism, headed its editorial of May 24, 1989, "Bulletin: We Won."

In a paper prepared and circulated among the Washington-based strategists of U.S. capitalism, an official at the State Department, Francis Fukuyama, has since attempted to place the remarks of Reagan and the *Wall Street Journal* in a historical context. Like an aged and toothless dog baring his gums at a lion, this hired academic tries to challenge the ideas of Marx on capitalism and history. In volume 3, chapter 15 of *Capital*, Marx summed up his views, "It capitalism is not an absolute, but only an historical, mode of production corresponding to a definite and limited epoch in the development of the material conditions of production."

In a staggering display of ignorance and wishful thinking, Fukuyama states that Marx was wrong. According to him, "The period of post-history has arrived. . . . Liberal democracy has triumphed, and mankind has reached its highest wisdom. History has come to an end." U.S. capitalism, he says, is the perfected mode of existence of the human species, and cannot be surpassed. According to this thesis, Ronald Reagan, George Bush, Dan Quayle, and Donald Trump would represent the finished, perfected product of millions of years of human evolution.

Nonsensical as these claims are, it is not an accident that they are being made at this time. They are representative of a groundless confidence which has arisen among sections of U.S. capitalism in the past months. This attitude arises out of the present world economic and political conjuncture. Having so far survived the 1987 stock market crash without

experiencing an economic downturn, and observing the economic and political crisis of stalinism, some sections of the capitalist classes internationally -and this is particularly the case among some sections of U.S. capitalism- have become the victims of severe delusions.

The recent comments of these elements, such as the claims of Reagan, the *Wall Street Journal*, and Mr. Fukuyama, reflect this over-confidence. They are also part of a major ideological offensive of capitalism. This is aimed at convincing the capitalist class itself, as well as the middle and working classes, that there is no alternative to the profit-driven capitalist system, or as it tends to be put, "no alternative to the market". This ideological offensive has overpowered the reformist leaders of the mass workers' organizations. Lacking the compass of Marxist theory, these elements have become, as Leon Trotsky phrased it, "worshipers of accomplished facts."

The "facts" that overwhelm them are: the boom which started in the capitalist world in December 1982 continues into its seventh year; the economies of the stalinist world are in crisis; the stalinist bureaucracies are looking to introduce elements of the market into their economies; and Keynesian economic policies were shown to have failed in the 1970s.

These "facts" are driven into the heads of the labor leadership by their inability to understand that the working class is capable of taking independent action which could end capitalism and stalinism, and replace these two bankrupt systems with a democratic world socialist federation. The result is that the labor leaders echo the arguments of big business and, from behind their desks, in their air-conditioned offices, pass on capitalism's message. Nothing can be done. Concessions must be given. To mobilize the working class would only lead to chaos. Profits must be made, and the market, capitalism, is the only system.

Only the small forces of genuine Marxism have stood firm in the face of this ideological offensive of capitalism and explained the recent economic and political developments of stalinism and capitalism. But genuine Marxism has lacked

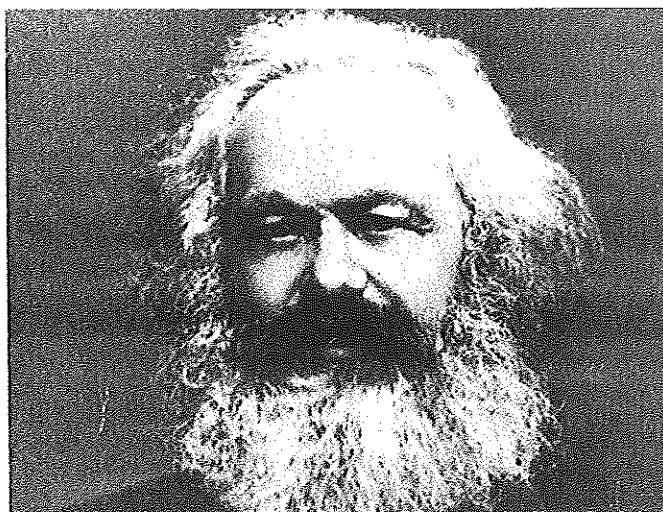
the resources to reach the mass of the working class, or for that matter, even the advanced layers of the working class. As a result, the present objective situation, capitalism's ideological offensive, and the capitulation of the labor leaders have had an effect on the consciousness of the masses in society. The middle classes in the capitalist world have tended to swing to the right, and their counterparts in the stalinist world have moved in a similar direction. The powerful working classes in the advanced capitalist countries are in many cases carrying out struggles, but of a mainly defensive character. Politically, they have become extremely skeptical that fundamental change in society is possible. To this has been added increasing confusion as they scramble to try to find their bearings in the rapidly changing world situation. The youth in the advanced capitalist countries have also tended to become much more doubtful that a fundamental change in society can be brought about. In the former colonial world, the struggles of the working class, peasantry and youth, have tended to continue unabated, due to the catastrophic conditions of life. But even these struggles have been affected. Reformist leaders there have also tended to be pushed to the right by the confluence of developments internationally.

Only the forces of genuine Marxism have kept their bearings throughout recent events. Based on the fundamental principles of Marxism, and rooted in the organizations and struggles of the working class, they have made gains in quality and quantity. This is so because they have been able to understand and explain the general underlying processes in world events. They have explained that the temporary rise in confidence of sections of capitalism is totally misplaced and can not last. They have also explained that underlying the too strongly stated claims of Reagan, Bush, the *Wall Street Journal* and the hired academics, the most deep-rooted and widespread pessimism permeates the capitalist classes as they face the organic and insoluble crises of their own system. This superficial confidence that presently exists will be swept away in the wreckage of the end of the boom and the coming economic downturn. These events will also shatter all talk of the tide of history having turned toward capitalism or that history has already reached and stopped at the peak of perfection. What will be demonstrated for all to see as the crisis of stalinism and capitalism continues to erupt, crash, and surge across the face of the planet is that genuine Marxism has been and remains correct; that the tide of history is flowing powerfully away from both capitalism and stalinism in the direction of the working class internationally coming to power and establishing a world socialist federation.

## History

History shows that this is the direction in which the future lies. As the development of the productive forces shattered the bounds of the old societies, primitive communist societies gave way to slave-based societies. These in turn were supplanted by feudalism, which was overthrown and replaced by capitalism. The leading elements and ruling classes in all these societies tended to be just as convinced as Mr. Fukuyama that their society was perfection and the end of history.

Capitalism established itself as the dominant world system



**Karl Marx founded scientific socialism together with Friedrich Engels.**

as the 19th century unfolded. Developing the productive forces, establishing the nation-state, expanding the world market and bringing into existence the modern international proletariat, capitalism represented historical progress over feudalism. The tide of history was then flowing its way.

However, as Lenin explained in "*Imperialism, the Highest Stage of Capitalism*" (1916) free competitive capitalism, the progressive phase of capitalism, gave way to monopoly capitalism, modern-day imperialism, as the 19th century gave way to the 20th century. In doing so, capitalism passed from its progressive phase, when it had taken society forward, into its prolonged death agony, in which it threatens to pull the world down around its head.

Once the enemy of absolutism, capitalism became the most repressive force on the planet, plundering and savaging the colonial world and the working class internationally. Once the liberator of the productive forces, these were now entangled in the coils of private ownership and the nation-state. As its contradictions intensified, imperialism plunged the world into two world wars and the economic catastrophe of the 1930s. These events all demonstrated the historical impasse which capitalism had reached. They demonstrated that its historically progressive role was over, and that it was now time to pass from the stage of history. The productive forces could no longer reach their full potential within what had now become the straight jacket of capitalism.

As the First World War came to an end, the new historically progressive class, the working class, in what was then Czarist Russia overthrew capitalism and landlordism and established a workers' democracy, a society in which the economy was nationalized and planned, and where the working class, with the support of the poorer peasants, ruled through democratically elected workers' and peasants' councils. The Russian Revolution of 1917 remains to this day the most important event in human history as it created an alternative to decaying capitalism and in so doing demonstrated that a new historical era was at hand.

However, the first successful workers' revolution took place not in an advanced industrial country of capitalism, as was expected by Marx and Engels, but in an economically and

culturally backward, semi-feudal society. Only 10% of the population were working class, and only a similar percentage were literate. Over 80% of the population were peasants.

On top of this backwardness was piled the devastation of the years of imperialist war of 1914-1918, and the 1918-1921 war against the armies of the capitalist countries, which invaded the new workers' state. When military victory was achieved in 1921, the new workers' state was a place of economic devastation and mass starvation. The productive forces had been thrown back behind where they had been in 1913.

The leaders of the Bolshevik Party and the 1917 Russian Revolution, Lenin and Trotsky, saw the Russian Revolution as the spark that would ignite the European revolution. A powerful revolutionary wave did sweep Europe, but the revolutions that took place outside the Soviet Union in the period from 1917 to the Spanish revolution of the 1930's were defeated due to the absence of an experienced, steered Marxist leadership. As a result, the first workers' state was isolated in a backward and devastated country. Instead of receiving assistance from the hoped-for new workers' states in the advanced industrial countries, the new workers' state stood alone.

Lenin and Trotsky had both believed that if the Russian Revolution was not followed by successful revolutions in at least some of the advanced countries of western Europe, that the new workers' state in the Soviet Union would be overthrown, and capitalism and landlordism would be re-established. While this did not take place, the heritage of

backwardness bequeathed by Czarist Russia to the new workers' state, the destruction of seven years of war, and the defeats of the revolutions in Europe, and later in China (1927), exacted a heavy toll.

With the Soviet Union working class decimated by the war against the capitalist armies (1918-1921), with exhaustion and deprivation stalking its every step as the 1920's unfolded, political power was wrested from its grasp by a rising bureaucratic caste composed of elements of the old Czarist state machine and demoralized, bureaucratized and militarized elements of formerly revolutionary forces. With Stalin at its head, this new bureaucratic force ensconced itself in power. Seeking increased privilege and control, it constructed a dictatorship and crushed all the democratic rights of the workers' state. Abandoning the guiding principle of the 1917 revolution, which saw the revolution in Russia as part of the world revolution, and contrary to all Marxist theory, it proclaimed it could build "socialism in one country".

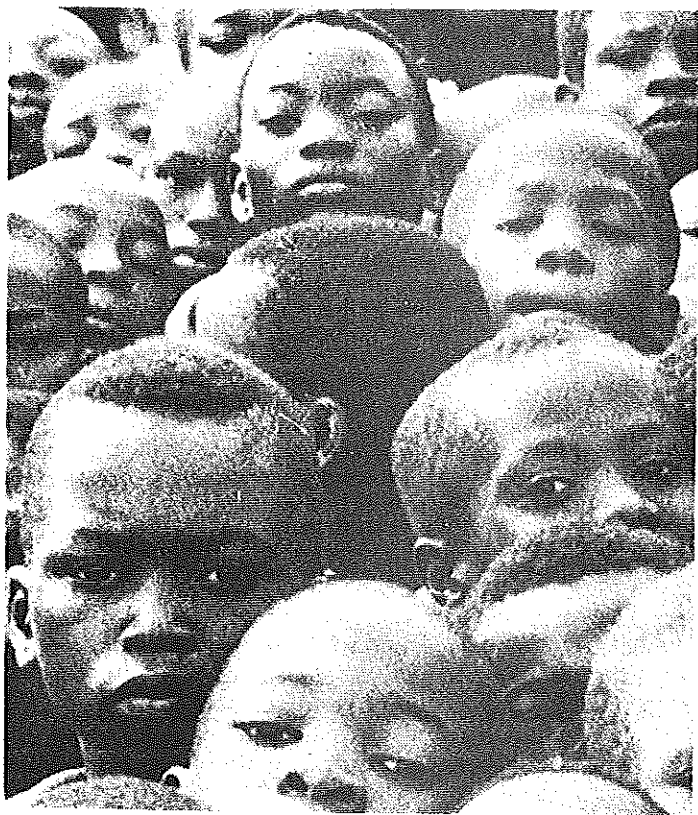
In particular, this stalinist bureaucratic dictatorship crushed the genuine Marxist forces which opposed its brutal rise to power. After the death of Lenin, these were grouped around the Left Opposition and its leader, Leon Trotsky. The result was that the Third International, established by Lenin and Trotsky and the Bolsheviks in 1919 on the basis of revolutionary Marxist ideas, was turned into a mass stalinist, reformist organization.

Along with the Social Democratic parties of the old Second International, these parties of the new stalinist Third International now also stood as barriers to the world socialist revolution. Revolution after revolution in the decades since have been thrown back by the obstacle of these reformist organizations. Capitalism owes its continued existence to the barriers these forces of reformism have represented in the path of the working class internationally.

While the working class had lost political power in the Soviet Union, capitalism and landlordism were not restored. The nationalized and planned economy was maintained. The revolution had not been thrown back to its starting point, as Lenin and Trotsky had feared would happen if the European revolution was not successful. However, the workers' state had not emerged unscathed. In fact, it suffered a severe deformation.

The nationalized and planned economy was maintained, and therefore the Soviet Union remained a workers' state, as this is the form of ownership of the productive forces of a workers' state. But political power was not in the hands of the working class. Economic planning and control over society was in the hands of the bureaucratic, stalinist dictatorship. What existed was a deformed workers' state, or proletarian Bonapartist regime, that is, a regime which defended the property relations of the workers' state but which ruled as a dictatorship over society, balancing between the classes, and keeping power in its own hands.

The superiority of the planned and nationalized economy over capitalism, and, with this, the direction of the tide of history, was demonstrated in the unprecedented economic growth in the Soviet Union. In spite of the mismanagement, corruption and repression of the bureaucracy, in spite of the destruction of the productive forces in the 1918-1921 war against the capitalist armies, and in spite of the Nazi invasion



*Two-thirds of these children will die from common diseases that could be prevented by vaccines, oral rehydration and antibiotics at a cost of \$2.5 billion.*





*Slum housing in Brazil's Rio*

of the Second World War (an estimated 50% of the productive forces and 20-25 million people were destroyed) the Soviet Union went from a backward, semi-feudal society on the level of India, in 1917, to the second industrial power and the first military power in the decades after World War II.

The insoluble contradictions of capitalism, as it thrashed around in the coils of the economic crisis of the 1930s, remorselessly pushed the world into the Second World War. As this slaughter drew to a close, a new revolutionary wave exploded internationally. The stalinist bureaucracy was strengthened as it replaced capitalism and landlordism in eastern Europe with new, deformed workers' states. In 1949, China, the world's most populous nation, passed out of the hands of capitalism and landlordism as a former guerrilla army took power and established a regime in the image of the Soviet Union. In the decades following, more deformed workers' states, or proletarian Bonapartist regimes, came into existence in such countries as Cuba, Syria, Viet Nam, Laos, Cambodia, Mozambique, Angola, and Ethiopia. Capitalism ruled the planet in 1917. By the 1970s approximately one-third of the world's population lived outside the rule of capitalism.

However, the reformist policies of the mass workers' organizations, the social democratic and the stalinist organizations, stood in the way of the working class sweeping away world capitalism entirely in the post-World War II period. These false policies of the labor leadership prepared the political conditions for the powerful, unprecedented economic upswing of 1950-1973. As genuine Marxism explains, capitalism will not die of its own contradictions. Conscious revolutionary leadership is needed to put an end to its rule. If this does not exist, capitalism clings onto power.

While the post-war upswing resulted in a new expansion of productive forces in the capitalist world, even in this period the historical impasse in which capitalism was trapped was apparent. While the living standards of the working class in the advanced capitalist countries increased during the upswing, the living standards of the majority in the capitalist world fell in absolute terms. Even in the most favorable conditions of capitalism, that is in a prolonged economic upswing, the workers and peasants of the former colonial countries sank into unprecedented poverty and starvation.

## One Billion Starving

The Brandt report in 1980 showed that one billion people in the underdeveloped countries lived in absolute poverty. The International Labor Office reported that in 1976 1.2 billion were seriously poor and 700 million of these were destitute. A report by two American scientists has shown that 60% of the population of the underdeveloped countries of the capitalist world have inadequate diets. According to the World Health Organization 40,000 infants die in these countries every day of preventable diseases and hunger. In Central America the masses eat worse now than they did during the time of the old Mayan civilization over 1000 years ago.

The World Health Organization estimates that increasing health spending by \$2.00 per person would produce dramatic improvements in health in the underdeveloped world. This adds up to an expenditure of around six to seven billion dollars. It is a crushing indictment of capitalism that it cannot spend this paltry sum to transform the health of billions of people or to use enough cultivatable land to end hunger.

Increased poverty, disease, repression, and death squads are inseparable from capitalism and landlordism in the former colonial countries. These evils have proceeded hand in hand with the accumulation of \$1.3 trillion in debt.

On behalf of imperialism, the International Monetary Fund and the World Bank are now demanding that these debts be repaid no matter how many must die. Their message is simple: eat less, build fewer houses and hospitals, sell off the state-owned industries, eradicate social services, and pay back the profit-addicted bankers their money. Unless this is done, no more loans are to be made, and countries which renege on their debt will have their assets seized wherever imperialism can get its hands on them.

In an example of the cruel attitude of finance capital and its representatives, a U.S. Treasury official said as a response to any default, "Have you ever contemplated what would happen to the health of a country if the government could not get insulin for its diabetics?" Even in the post-war upswing, the majority of the capitalist world's population became worse-off. The tide of history even then was not flowing with the Reagans, the CitiCorps, the General Motors, the Mitsubishis or the Daimler-Benz.

The experience of the underdeveloped countries that have remained under the rule of capitalism and landlordism is a confirmation of the theory of Permanent Revolution, as explained by Trotsky. Basing himself on the experience of the 1905 Russian Revolution, Trotsky explained that in those nations where the bourgeois had come late onto the scene of history, they were incapable of carrying through the bourgeois revolutions and overthrowing feudalism, ejecting imperialism, unifying the nation state and modernizing society. Only the working class, he explained, by coming to power, could carry out the tasks of the bourgeois revolution. In doing so, it would proceed uninterruptedly to carry out the socialist tasks and seek to spread the revolution internationally.

The big business media and agencies refer to the underdeveloped world as the "developing countries" or "the third world." The former is to give the impression that the "developing countries" will catch up with the developed countries. It is just a question of time, they imply. The latter

form of reference is to seek to separate the underdeveloped countries and their underdevelopment from the exploitation of them by the capitalist classes in the advanced capitalist countries. At all costs, capitalism must deny the reality, which is that the condition of the masses in these countries is worsening drastically under capitalism, and far from developing, these countries are falling back economically and socially. To admit this is to invite the objectively correct conclusion to be drawn that only by ending capitalism and landlordism, can these societies develop.

Trotsky's analysis, concerning the ability of the bourgeois in these countries to develop their societies, is confirmed with what is taking place with capital flight. The Latin American countries owe around \$400 billion in foreign debt. Yet at the end of 1987, the capitalist classes in these countries had \$239 billion invested abroad, mainly in the United States. Mexican capitalism, with a debt of around \$100 billion, had \$84 billion stashed away abroad. This is a definitive vote of no confidence by the capitalist classes in these countries and in their own ability to develop society. As further confirmation of Trotsky's theory of the Permanent Revolution, an administrator for the Agency of International Development was quoted in the *Wall Street Journal* (3/2/89) as saying, "No country receiving U.S. aid in the past 20 years has graduated from less-developed to developed status."

The crime and scandal of the mass starvation in the underdeveloped countries is starkly in contrast to the expenditure on arms internationally. U.S. capitalism spends \$1,205 per American on military spending per year. Worldwide, \$16 trillion has been spent for military purposes since World War II. The total in 1986 was \$825 billion, up from less than \$200 billion in 1950 (1984 dollars). Since 1960, the advanced industrial countries have doubled their military spending, while the underdeveloped countries have increased their military spending more than six-fold. The world's armed forces are 29 million strong, and a further 11 million are employed making weapons. These resources alone, properly used, could end starvation and disease in the former colonial countries. But on the basis of capitalism and stalinism, they cannot be used for this purpose.

As feudalism did not lie down and give way to capitalism, neither has capitalism walked peacefully from the stage of history. It fights ferociously to survive. Nevertheless, a trend has been evident. It has been losing ground. One third of the world's population has moved out of its direct control. The 20th century is, as genuine Marxism has explained, an epoch of the transition from capitalism to a higher world order, a democratic socialist society worldwide. This is not to say that the stalinist countries are socialist societies. They are most certainly not. However, the advantages of the planned and nationalized economies which exist in these countries over capitalism have been evident. The ending of mass starvation and imperialist plundering in China has been one example of this.

Imperialism's belief that capitalism and landlordism could not be re-established in the stalinist world was what lay behind U.S. imperialism's strategy of "containment." Laid down in the 1940s, this stated imperialism's objective to be to hold the line between stalinism and capitalism and contain the deformed workers' states inside the boundaries in which they

then existed. This position of imperialism reflected its belief that capitalism and landlordism could not be re-established in these countries.

However, the economic crisis of stalinism in the Soviet Union, China and eastern Europe has worsened dramatically over the past decade. The mismanagement and corruption of the stalinist bureaucracies are now wiping out many of the advantages of the planned economies. This is especially so in the Soviet Union. The economic crisis in the stalinist world is accompanied by a partial retreat from its engagements in many of the conflicts in the colonial world, and the pursuit of detente and arms reduction with U.S. imperialism. According to former President Nixon (*Foreign Affairs Journal 1988-1989*), "By the early 1990's, the Soviet Union's client states abroad would be costing it \$20 billion per year."

Utterly demoralized by their own inability to manage the planned economies and take society forward and unable to involve the working class in the planning and control of production, as this would result in their own overthrow, many of the stalinist bureaucracies are introducing elements of the market, of capitalism, into their economies. This is being done in an effort to overcome shortages and stagnation and cut across the political revolutions that have been building up beneath the surfaces of all the stalinist countries. So demoralized have some sections of the stalinist bureaucracies become, that they openly advocate the wholesale re-introduction of the market and the ending of the planned and nationalized economies.

Terrified by the rising rage of its own working class, lacking all historical perspective, mesmerized by the seven-year boom in the West, turning their eyes away from the starvation in the majority of the capitalist world of Latin America, Africa, and Asia, undoubtedly, sections of the stalinist bureaucracies presently look to capitalism as a way out.

This crisis of stalinism confirms what genuine Marxism has always maintained. The stalinist bureaucracies, while claiming the mantle of Marxism, are crude empiricists lacking all theoretical basis, lacking any historical viewpoint, clutching at any expedient which seems to offer the possibility of helping them keep their grip on power for another period.

## Political Revolution

From being a relative fetter on the development of society (that is, its rule initially developed society faster than it would have developed under capitalism but much slower and at a greater cost than under workers' democracy), stalinism has now become an absolute fetter on the productive forces of society. This has prepared the ground for the political revolution which is now unfolding in the stalinist world. Clear evidence of this can be observed in the 1980-1981 and 1988-1989 events in Poland, the revolt of Chinese students and workers in 1989, the strike movement in Yugoslavia in 1986-1988, the uprising in Burma in 1988, the miners' strike in the Soviet Union in 1989, and the continuing movements of oppressed nationalities in the Soviet Union.

The insoluble crisis of stalinism that has now developed was forecast by Trotsky and genuine Marxism as far back as the 1930s. It is the duty of the forces of genuine Marxism

today to explain the roots of this crisis and how it can be resolved. In doing so, a clear answer must be given to the question of whether or not the historical tide has turned in the direction of re-establishing capitalism in every corner of the planet

An answer must be given to the recently expressed hopes of sections of capitalism that perhaps the policy of containment can be replaced with one of "rolling back" the nationalized and planned economies. Reagan demagogically set himself this objective during his eight years. His failure to achieve this objective is underlined by the fact that even in Afghanistan, where the Soviet troops have pulled out, the most likely development is the maintenance of the nationalized and planned economy to the extent to which it has been established.

To answer this question of the direction of the tide of history, developments not only in the stalinist world, but also in the capitalist world, must be examined. A major factor in the overconfidence of sections of the capitalist classes internationally has been the prolongation of the boom which began in December, 1982. This is also a powerful element in the thinking of those sections of the stalinist bureaucracies which look to the market at present. It can be said categorically that this boom will come to an end. The fundamental contradictions of capitalism, which have endured throughout its whole history and which have made it a system of booms and slumps and crises, remain in existence today. As Alan Greenspan, chairman of the Federal Reserve, said: "We haven't repealed the business cycle. Sooner or later we will get one a recession" (*New York Times* 2/26/89).

When this boom ends, further misery will be heaped on the masses of the former colonial countries, which remain under the heel of imperialism. The advanced capitalist countries themselves will see unemployment exploding to levels not experienced since the 1930s. Even now, after almost seven years of boom, unemployment remains at 10% in the 24 most advanced capitalist countries grouped in the Organization for Economic Cooperation and Development. Nations, corporations, banks, farmers, and families, will be threatened with bankruptcy and destitution as the debts that have piled up will no longer be able to be serviced.

The recently found confidence of U.S. and world capitalism itself is very shallow. Even the *Wall Street Journal*, which represents the most unrealistically optimistic elements of U.S. capitalism, in the same pages in which it talks of the historical triumph of capitalism, cannot avoid showing the shallowness of this optimism and the developing organic crisis of capitalism. In its special centennial edition, it stated, "The (U.S.) public, or at least its articulate sectors, is enveloped in dank pessimism, a sense of fading glory and lost opportunity."

In this same centennial edition, the *Wall Street Journal* included a review of the world situation. Naturally for it, this was done in a non-historical and piecemeal fashion instead of viewing the processes from an international and historical standpoint. It had this to say about the prospects for the former colonial countries still under capitalism. Africa: "In economic terms, it is a basket case." It quoted a professor of economics at the Massachusetts Institute of Technology as saying, "Africa is gone." Latin America: "Unless the debt



*Moscow demonstration demanding an end to the monopoly of the so-called Communist Party*

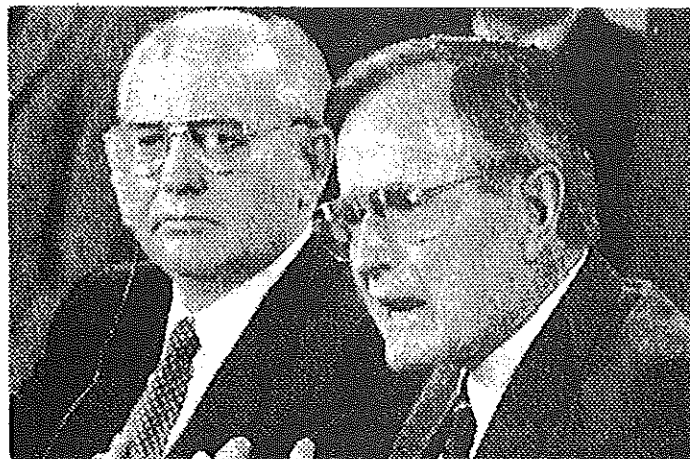
crisis is solved, you can write off most of Latin America." Central America was filed under "No peace, no prosperity." In Asia, the only countries about which it had any optimism were Thailand and Malaysia. The Middle-East was not worth a mention.

The more far-sighted strategists of capitalism understand how fragile is the 7 year boom and how serious is the crisis of capitalism. The *Financial Times* of London recently described the situation in an extremely apt analogy. Its view was that big business resembled a family living in a beautiful house built on the edge of a cliff. The foundations of the house, and the cliff itself, are crumbling onto the rocks and the sea below. Ignoring this, the occupants stride around their living room exclaiming excitedly how wonderful the view is.

Even the *Wall Street Journal* on occasion is forced to abandon its role of leading the chant in the huddle, and try to assess the situation more soberly. In February it ran a series of articles on "The 1990s and Beyond." It said, "There is every reason to believe that the world of the 1990s will be less predictable and in many ways more unstable than the world of the last several decades." It went on: "Among the ships certain to be careening about in this global lake over the next generation are the jerrybuilt European Community craft answering to no single captain or command, a Japanese destroyer aggressively challenging other ships with economic torpedoes, a still primitive Chinese junk weighted down with a billion increasingly unruly passengers, and the old Soviet battleship floundering uncertainly in the waters as its crew ignore the orders of its captain." Even by pointedly ignoring the internal crisis of U.S. capitalism, laden with debt and faced by the challenge of its own working class as it rises to its feet in the future, the *Wall Street Journal* is forced to paint a pessimistic picture from the point of view of capitalism.

When the boom ends, the recent burst of confidence of sections of capitalism will be shattered. At the same time, elements in the Stalinist world who look to capitalism will have the ground cut from under their feet. In spite of capitalism's opposition, and stalinism's efforts to prevent such a development, a new wave of proletarian Bonapartist regimes is likely to replace capitalism and landlordism in parts of the colonial world. If a mass Marxist leadership is built in time, then healthy democratic workers' states will replace capitalism and landlordism in the former colonial world instead.

Another element which will assert itself and cut across the adoration of and illusions in the market will be the movement of the powerful working classes in the stalinist world. The ideological offensive of capitalism tries to portray the opposition movements in the stalinist world as seeking a return to capitalism. It is undoubtedly the case that the right wing Catholic-dominated leadership of Poland's Solidarity, now holding the Prime Minister's position, openly speak of returning to capitalism. It is also true that many of the movements of the oppressed nationalities in the Soviet Union, in their early stages, and mainly led by petit bourgeois nationalist elements, at least hint at this path. In Hungary, similar ideas are put forward, and sections of the bureaucracy in the Soviet Union, Eastern Europe and China also look to return to capitalism.



*Presidents Bush and Gorbachev*

However, the essential features of the situation need to be grasped. Perestroika, and the turn to the market in China and eastern Europe, all have one thing in common, and they share this feature in common with capitalism as it tries to solve its economic crisis. East and West, stalinism and capitalism both seek to solve the crises of their respective systems by cutting the living standards and increasing the work load on the working class. The "market", capitalism, and any turn to the market demands this.

Turning to the market in the stalinist world means raising prices, closing factories, cutting wages, raising unemployment, and speeding up the work rate. Witold Trzeciakowski, Minister for Economic Affairs in the Polish government, told a French newspaper in September that one-third of Polish workers would have to deal with losing their job or changing jobs.

The contradiction that this entails is likely to see a split in Solidarity in Poland and unprecedented movements of the working class throughout all of the stalinist world as attacks are made on its living standards. This explosive movement of the working class will threaten the rule of the bureaucracy. As this happens, and as the boom ends in the West, the movement towards the market in the stalinist world will tend to be cut across and those wings of the bureaucracy opposed to perestroika and the turn to the market will gain more strength.

China gives an example of the processes that are unfolding. When the implications of the capitalist measures introduced in China from 1979 on (inflation, unemployment, corruption, and the rise of a rich minority) became clear, a mass movement erupted from below and the Chinese bureaucracy has partially reversed itself. In the aftermath of the Tiananmen Square massacre, which was carried out because the working class was moving to form an independent trade union in the early days of June, over 2 million non-state-owned companies are to be closed down, and increased surveillance of foreign capital has been implemented. The turn to the market is being severely curtailed.

## Working Class

The working class will oppose the counter-revolution of returning the means of production to private hands. The reason the revolutions took place in these countries in the first place

was because capitalism had shown its inability to solve the problems of these societies.

Chinese students and workers in Tiananmen Square explained that if capitalism were reintroduced, China would not be like the advanced capitalist countries, but would be like Latin America. When the miners in the Soviet Union struck in the summer of 1989, in one area they marched under the banner, "All Power to the People's Soviets." In a recent strike in Poland, strikers demanded an end to the handing over of formerly state-owned factories into the private ownership of their previous managers.

Gorbachev's popularity in the Soviet Union has been based on his success in achieving an arms deal with the U.S.A., which the Soviet masses incorrectly interpret as reducing the chances of war. It also has its roots in glasnost, and the increased (although limited) opportunity to speak out. Glasnost should not be confused with workers' democracy. It is an effort by Gorbachev to whip up the intelligentsia and sections of the working class to speak out to help him in his struggle with those sections of the bureaucracy who oppose perestroika.

Gorbachev seeks perestroika, and uses glasnost, not in order to end the rule of the bureaucracy, but in an effort to improve the economy and thus strengthen the bureaucracy. His policy is to make some changes from the top to prevent revolution from below. His opponents say his changes encourage revolution. Gorbachev counters that without change, revolution is inevitable. Both opinions are correct, and both are incorrect. Movements toward the political revolution are unstoppable in the stalinist world, whatever measures are taken by the bureaucracy.

The most likely development in the stalinist world is that as the decentralizing of the economies and introductions of elements of the market increase prices and unemployment and decrease living standards, the working class will take independent action. It will demand an end to the rule of the bureaucracies and look toward workers' management and workers' control over the economies. As the working class movement goes forward, it will seek to keep the economies nationalized and planned but to take planning and control out of the hands of the bureaucratic dictatorships and into the hands of the working class.

The tendency in the stalinist world will be to maintain the nationalized and planned economies while taking political power from the bureaucracies. Rather than go back to the chaos and anarchy of capitalism, the movement will seek to go forward to workers' democracy. Already in Poland a wing of Solidarity is arguing for this alternative. Needless to say, this section of Solidarity is not much quoted by the big business media in the West.

Success in this struggle demands a conscious leadership based on the ideas of genuine Marxism. The weakness of these forces in the stalinist world at present means that the unfolding political revolution will be drawn out and will experience defeats as well as victories. The events in Poland demonstrate this. The revolutionary upsurge of 1980-1981 was put down by martial law due to the reformist policies of the Solidarity leaders, who believed that they could compromise with the bureaucracy and eventually negotiate it out of existence. The Solidarity leadership retains this illusion today,

as it takes the Prime Minister's and other positions in the new government while leaving state power in the hands of the stalinist bureaucracy.

The reason the right wing of Solidarity, which is propped up by the Roman Catholic hierarchy, has taken the Prime Minister's position is the rising wave of struggle of the Polish workers. A mass strike wave in 1988 and the defeat of the stalinists in the elections of 1989 threatened an all out general strike and possible uprising. Jaruzelski, representing the more far-sighted wing of the bureaucracy, was forced to give the Prime Minister's position to the right wing of Solidarity, which was vouched for by the Catholic hierarchy, in order to rest upon Solidarity to carry out the attacks on the working class. The right wing of Solidarity and the Catholic church took the poisoned chalice because these elements are as terrified of a genuine revolutionary uprising of the working class as the stalinist bureaucracy.

An opposition is now rising in Solidarity. With the help of the forces of genuine Marxism, a revolutionary leadership can be constructed in the period ahead which can successfully overthrow the bureaucratic dictatorship and spread the political revolution throughout the stalinist world.

The weakness of the forces of Marxism is not the only factor that will complicate the unfolding political revolution. The national question will also have this effect. The bureaucratic dictatorships will use national divisions to divide the working class and cling onto power. This can already be seen in Yugoslavia, Azerbaijan, and Armenia. Petit bourgeois nationalist leaderships, which tend to come to the leadership of opposition movements at their early stages, will also exacerbate the national divisions. This can be seen in Estonia and Moldavia, where proposed new voting and language laws would oppress the Russian minority.

On top of the opposition of the working class in the stalinist world to a return to capitalism as the implications of such a development become clear, is the problem of the creation of a new capitalist class in these countries. It is estimated that capital in private hands in Poland is equal to the value of only 5% of total nationalized industrial assets. Some of the right wing intellectuals who advise Solidarity speak of



*Demonstration of East German workers protesting West German President Kohl's proposals*

giving ownership of the factories to a section of the bureaucracy that now manage them. In their minds, this would solve two problems. It would overcome the opposition of the bureaucracy by making a section of it into the new capitalist class, and would create a new capitalist class at the same time. Undoubtedly these intellectuals see themselves as the advisors to this new capitalist class and thus would share in the loot. Like their counterparts in the West, these elements leave out of their calculations the power and independent movement of the working class. The Polish working class, which hates the bureaucracy because of its repression, corruption, and inefficiency, will not stand idly by and let it become a new capitalist class with the power to close factories, fire workers, raise prices, and do with its capital as it wishes.

Foreign capital, in spite of its excited chatter, will not put any substantial investment into the stalinist world at this stage. The working class in these countries, capitalism complains, seek secure employment and social services such as free education and free health. Capitalism always refrains from any large scale investment unless it controls the state apparatus with which it can defend its profits and wealth against the working class. Foreign capitalism will watch from afar with a tight grip on its purse. It may put some limited capital into special zones such as in the coastal regions of China or open a few hotels or hamburger joints or a few joint ventures in the Soviet Union or eastern Europe. It will probably give a few hundred million dollars of its own taxpayers' money to assist the weak forces of the private sectors in these countries, but any large scale foreign private investment in the stalinist countries would be held back until the nationalized and planned economy was overthrown, the working class defeated and forced to accept once again the insecurity and anarchy of capitalism, and the state apparatus placed under the control of capitalism.

However, the creation of a new capitalist class would not be a completely insuperable problem in the stalinist countries. Trotsky explained that if capitalist restoration were to take place it would begin first with a break in the monopoly of foreign trade. Layers of the former bureaucracy would move to set up privately owned businesses first in light industry and services. A new, rich peasant class would begin to develop in the countryside. In this way a new bourgeois class could begin to emerge. Such developments were what could be seen in China when Deng Xiaoping was following the line of "to get rich is glorious" from 1979 to 1989. This development has now been partially cut across in China.

Attempts to replace the nationalized and planned economies with capitalism will be opposed by the working class in the stalinist countries. Attempts at such a counter-revolution will tend to be thrown back by the revolutionary upsurge that they will provoke.

However, this does not mean that elements of the market will not be introduced into sectors of these economies. This has already happened in some cases. But as this is done the anarchy and chaos of capitalism will become clear and provoke opposition. Deng Xiaoping spoke of his policies of introducing elements of the market into China from 1979 on in these terms: "It does not matter whether a cat is black or white as long as it kills mice." In other words, he did not care



*Students in Tiananmen Square June 1989*

whether it was capitalism or the planned economy as long as it delivered the goods.

The inflation, the grain shortage, the polarization between rich and poor, the tidal wave of corruption, the rising anger of the working class and youth and the Tiananmen Square events showed Deng and his friends that the capitalist cat was not doing the job. After putting down the Tiananmen Square movement and moving to restrict the sector of the economy that was in the hands of Chinese capitalist elements, Deng Xiaoping reflected that the recent events had made the bureaucracy "more sober-minded". In other words, they had been forced to face up to the economic, social and political catastrophe that their move to the market had prepared. When this became clear they moved to reverse themselves.

The Chinese bureaucracy still seeks private foreign capital but it is more clear now on the need to maintain the nationalized and planned economy as the basis for the economy. However, it is likely that as the bureaucracy's inability to plan efficiently continues, a new turn toward more market measures may be taken. The impasse of the bureaucracies throughout the stalinist world tends to lead to policies of zig-zags, but the advantages of the planned and nationalized economies over capitalism will tend to be driven home as events unfold.

Having said this, it cannot be absolutely excluded that the nationalized and planned economies could be replaced by capitalism in some of the smaller stalinist states such as Poland and Hungary. However, for this to happen a very unlikely combination of events would need to come together. The economic boom would need to continue in the West for a further substantial period. The working class in the stalinist countries would need to suffer a series of major defeats. The Gorbachev wing of the bureaucracy, or at least the Gorbachev policies, would need to remain in power in the Soviet Union.

## Contradictory Process

When the Polish working class moved forward in the revolutionary offensive in 1980-81 and suspended the bureaucracy in mid-air, there was no talk of any return to capitalism. But the working class was defeated and martial law was imposed in 1981. In the period of defeat, a section of the right wing of Solidarity which was under Roman Catholic church domination moved openly to a pro-capitalist position. As the bureaucracy found the economic crisis worsening, a section of it also looked toward at least some

capitalist measures. The present government in Poland is now moving in that direction. Because of Solidarity's participation it is being given a brief honeymoon by the working class.

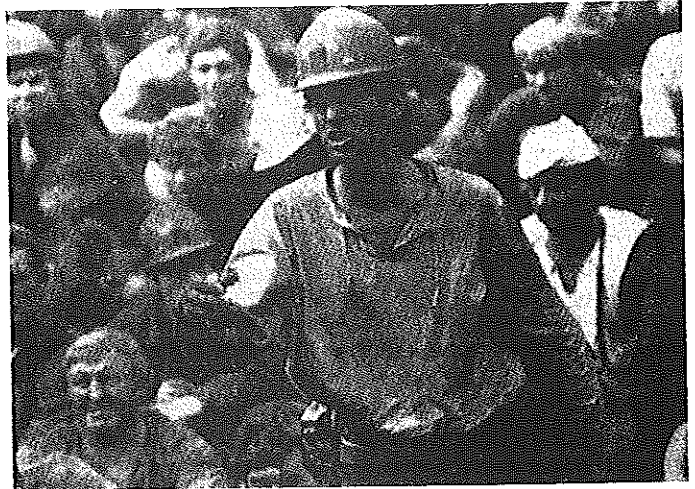
When the vicious anti-working class measures strike home, when it becomes clear what a return to capitalism would mean, it will face a powerful opposition. If the new movement of the Polish working class that is developing were then to suffer a substantial defeat and if the boom continued in the West, a return to capitalism could not be totally excluded, probably under the heel of martial law and behind the facade of a government containing leaders from Solidarity's Roman Catholic-dominated right wing.

However, it is extremely unlikely that such a development, even in some of the smaller stalinist states, will develop. The general tendency will be for the nationalized and planned economies to continue throughout the stalinist world. On top of this, the new economic downturn of capitalism that is to come will see new proletarian bonapartist regimes or healthy workers' democracies if mass genuine marxist leaderships are built, come into existence in parts of the former colonial world. And when the world revolution leaps forward in the decades ahead, with healthy workers states being formed east and west, if any of the smaller stalinist states did revert to capitalism on the basis of a series of defeats of the working class in these countries, such developments would be reversed. Capitalism would be overthrown again, replaced by nationalized and planned economies, but this time on the basis of workers' democracy, not stalinist dictatorship.

As the crisis unfolds throughout both the stalinist and capitalist worlds, it will be accompanied by even bigger movements of the working class and youth than have taken place over the past decade and a half. From Iran to Poland, South Korea to South Africa, Western Europe to Latin America, China to Palestine, the miners' strike in the Soviet Union to the recent upsurge in strikes in the U.S.A., the working class internationally is challenging capitalism and stalinism and the demands of both these systems that it take cuts in living standards. The objective forces that shape this process of world revolution will drive it to seek the road of ending stalinism and capitalism and establishing workers' democracies on a world scale.

This process of world revolution will be protracted. It will be marked with setbacks and victories. It will ebb and flow. It will witness great explosive leaps in the consciousness of the working class as well as setbacks and periods of caution and confusion, as exists in many areas at present. It will also experience periods of pessimism, despair, and even semi-reaction among sections of the working class. These, in turn, will give way to new movements of revolutionary struggle.

The protracted and contradictory way in which the process of world revolution will unfold will be particularly marked because of the role of labor leaders. The failure of Keynesianism in the 1970s, the crisis of stalinism, and the prolonged boom in the West, have seen a shift to the right in the leadership of the mass organizations of the working class and a collapse of the left reformist wings of the mass organizations. Neil Kinnock, a former Left, and now leader of the British Labor Party, is an example of this. He recently spelled out the capitulation to capitalism of the leaders of the mass workers' organizations internationally. Capitalism,



*Soviet miners on strike*

he said, is "the system we live in and we've got to make it work more efficiently, more fairly, and more successfully" (*Wall Street Journal* 5/11/89).

The right wing labor leaders in the U.S. have been further convinced of their pro-capitalist ideas by recent events. Along with the Kirklands and Donahues, leaders such as Winpisinger of the Machinists, (now retired) who formerly occasionally spoke vaguely of socialism and the need for a labor party, now also bows to the market and supports the Democrats.

The fringe groups on the left, and the left academics, also have been unable to stand up to the pressure of the events of the past years. Splits, collapse, and demoralization are the common experience of the sectarian groups and the formerly left academics. The radicals of the 1960s have in many cases become the yuppies of the 1980s. Those few who still claim to stand on the left smuggle so many capitalist and stalinist misconceptions into their thinking that they become incomprehensible to themselves and any worker they may accidentally encounter.

Only the forces of genuine Marxism have retained their footing over the past years. They have been able to do so because they have based themselves on the fundamental principles of Marxism and the general historical and world processes that are unfolding. They have resisted the pressure to interpret these processes mechanically or to become overwhelmed with a particular conjuncture in the situation or to become blinded by facts in such a way as to lose sight of the processes which make it possible to understand and interpret the facts.

They have opposed any attempt to categorize history as some unexplainable chaos. In the natural sciences a ferment of confusion and debate is now taking place as the primitive philosophical method of bourgeois science comes increasingly into conflict with new scientific evidence which is being thrown up as new technology makes measurement, recording of experiments and objective developments in general much more thoroughgoing and as new breakthroughs are made in research. While it is a step forward that bourgeois science is being forced to confront the fact that its primitive philosophical method stands in the way of its ability to explain the laws of motion of matter, which unfold dialectically, it

is a sign of the crisis and confusion that it is in that it terms its present attempts to grapple with the objective world as "chaos". This crisis in bourgeois science mirrors the crisis in bourgeois economics and politics. The semi-hysterical claims about the tide of history flowing toward U.S. and world capitalism are part of this general overall loss of bearings.

The tide of history has not turned. The 20th century today can only be characterized, as it was by Lenin and Trotsky, as an epoch of transition from capitalism to socialism. This transition is inevitably drawn out, contradictory, and complex. This is particularly the case because of the crisis of the working class leadership and the obstacles that the reformist and stalinist leaderships represent in the struggle of the working class to take power.

Even with a mass Marxist leadership on a world scale, the transition would not be an overnight mechanical affair. Historically one system gave way to another over a prolonged period, and in the course of the transitions, many varied and complex forms of society and regimes came about. This is also the case with the present process. The climb to dominance of capitalism over feudalism on a world scale took place over 400-500 years. This was a very rich and contradictory process. For example, historically and internationally speaking, the slave-owning system had been long supplanted by feudalism, by the time capitalism overthrew feudalism. Yet until the 1860s in the U.S.A., which was to emerge as the most advanced and dominant society on the planet, slavery made up a large and important part of the economy. This did not negate the general historical process. It simply illustrated how complex and contradictory this process is.

Genuine Marxism bases itself on the general processes while at the same time taking into account secondary developments and contradictions and explaining these against the background of the general processes. The theoreticians of capitalism and stalinism, desperate to justify their elite's claim to power and to hide their historical outdatedness, grasp at secondary details. They base their arguments on temporary and isolated incidents and conjunctures in order to throw their theoretical dirt into the eyes of the working class.

The historical process proceeds dialectically through contradiction and will always be richer and more varied than even the most advanced theory can foresee. As Lenin, quoting Goethe, explained it: "Theory is gray but the tree of life is ever green". This is not to say the general processes cannot be identified. Stalinism is a transitional form of regime that has been thrown up due to capitalism breaking first at its weakest link rather than in the most advanced societies, and due to the weakness of the forces of Marxism. If a conscious Marxist leadership is built, stalinism will give way to healthy workers' democracies in the period ahead. The nationalized and planned economies, which represent a major step forward historically, will be retained while the political superstructure of the stalinist dictatorships will be swept away and be replaced by workers' democracy, the most democratic form of organized society yet known.

In spite of the superficial factors of the past 7 years in the capitalist world, the objective forces preparing capitalism for its replacement by socialism have been at work and in fact have been speeding up. Lenin explained that monopoly capitalism, by concentrating the means of production into



*Leon Trotsky, fighter against capitalism and stalinism*

the hands of smaller and smaller numbers of corporations dominating the world economy was itself a transitional form between free competitive progressive capitalism and socialism. Over the past years, a wave of mergers of corporations have been taking place. Capitalism is concentrating the means of production to a greater and greater extent.

Before this merger wave, 500 corporations controlled 90% of world trade. When the new statistics are compiled in the period ahead, an even smaller number of corporations will hold control. For the working class to end capitalism, the nationalization of these dominant corporations is a fundamental step. The more concentrated capital becomes, the smaller the number of corporations that will have to be taken over initially, the more links there are between the working class internationally, and therefore the easier the task facing the working class. The present crazed speculation and merger mania of capitalism it tightening the noose around its own neck.

It is a sign of the demoralization of the few remaining left academics who still claim to be Marxists that they see the increasing internationalization of capital as something qualitatively new, as if Lenin had not explained it in "*Imperialism, the Highest Stage of Capitalism.*" They also have convinced themselves that the movement of capital across borders will overcome the tendency of the rate of profit to fall. According to them, it also makes just about impossible a successful struggle of the working class to defend living standards.

The increased concentration of capital internationally and the increased interpenetration of the world market is objectively a positive development. It ensures that events are now world events, history is now world history, revolution is now world revolution to an extent that has never been the case before. It lays the objective basis for world socialism.

Unable to understand the fundamental contradictions of capitalism and with no confidence in the power of the working class to struggle to change society, these lefts cower in pessimism and hopelessness before what they view as the omnipotence of capitalism. They cannot see that capitalism is digging its own grave.

Trotsky summed up all opportunists, left and right, by saying that opportunists believe "that capitalism is being automatically restored on a new foundation. Faith in automatic



evolution is the most important and the most characteristic trait of opportunism." This description exactly fits the left academics and the left and right reformists in the labor leaderships today.

The Reagan and Bush administrations have made much of the increased number of bourgeois democratic regimes or partially bourgeois democratic regimes replacing military police dictatorships in the underdeveloped countries. In an entirely impressionistic manner, they have equated this development with the developing political revolution in the stalinist world and claim it is further proof that the whole world is moving toward the model of the U.S.

The collapse of dictatorships in many of the former colonial countries and in Greece, Spain, and Portugal in the 1970s, are signs of the failure of these dictatorships to solve the problems of capitalism and landlordism. They also show the power of the working class and its rising revolutionary struggles. These bourgeois bonapartist regimes, for example the Philippines, Argentina, Pakistan and Brazil, have been replaced in an attempt to make reforms from the top to avoid revolution from below.

The perspectives for the future of these bourgeois democratic or partial democratic regimes is that they will be unstable and short-lived. On the basis of capitalism they offer only increased poverty and starvation. The working class will use the new opportunities to organize to fight to improve their lives and change society. Capitalism will then seek to move back to even more repressive military dictatorships in order to protect its wealth unless the working class takes power into its own hands.

Along with this perspective, the Lebanonization of many of these societies also threatens as capitalism in these countries becomes over-ripe, rotten ripe, for revolution. With the reformist policies of the working class leadership preventing the working class from taking power, these societies tend to rot and disintegrate. Besides Lebanon, some examples of the development of this process to a greater or lesser extent are Sri Lanka, the Sudan, Columbia and Peru. Just as the economic boom will end, so the tendency toward the ending of military dictatorships will be reversed.

Objectively, the world situation is ripe for revolution as never before in history. All three blocks, the underdeveloped former colonial countries, the stalinist countries and the advanced capitalist countries are faced with insoluble economic and political crisis. At the same time, the only progressive force on the planet, the international working class, has been strengthened by the economic growth of both the capitalist and stalinist worlds in the post-war decades. The working class today is stronger in absolute numbers, in relation to other classes in society, and in morale, than ever before. It is the most powerful force on the planet. As the whip of counter-revolution now being raised by both capitalism and stalinism touches its back, the international working class will conduct a revolutionary struggle for power such as has never been seen before.

The heroism and sweep of struggles of workers and youth in South Africa, China, Palestine, Spain, Central America, Poland, South Korea, Chile and Britain are all signs of the developing revolutionary upswing. The world situation today can only be characterized in one way: The process of world

revolution is unfolding, and stalinism and capitalism are both fighting desperate rear guard actions to cling onto existence.

Faced with the rising tidal movement of world revolution, the Soviet Union bureaucracy and US imperialism are clinging together in the embrace of detente. As they lean against each other in an effort to hold back the tide of revolution, they demonstrate the correctness of Trotsky's statement when he spoke of the "organic antagonism of the bureaucrat and the property owner to world revolution."

Capitalism's fear of revolution sweeping it away is, in spite of its brave talk, very much in its mind. This was shown by the concerted attacks that were launched against the French Revolution of the 18th century when its 200th anniversary was marked in 1989. Even its own bourgeois revolutions, which put it in power internationally, must now be disowned for fear of the echo they would get in the working class and the youth of today.

## Leadership

In the last analysis, only one factor allows capitalism and stalinism to cling to power. This is the false policies of the leadership of the working class internationally. From Walesa in Poland to Kirkland in the U.S.A. to Kinnock in Britain to Hawke in Australia to Lafontaine in West Germany to Lula in Brazil, these leaders pull back in fear before the historic challenge which now faces the class at whose head they have been placed. They seek compromise and capitulation before stalinism and capitalism rather than the overthrow of these systems.

In another context, Trotsky spoke of the "bovine conservatism" of the labor leaders. This is an appropriate description of today's labor leaders. In an interview with a C.I.O. organizer in the 1930s, Trotsky stated, "The masses are better, more daring, more resolute than the leaders. The masses wish to struggle. Putting the brakes on the struggle are the leaders who have lagged behind the masses. Their own indecisiveness, their own conservatism, their own bourgeois prejudices are disguised by the leaders with illusions to the backwardness of the masses." This analysis of the reformist labor leaderships is even more true today.

Victory for the working class in the struggle against capitalism and stalinism depends on the construction of a fighting Marxist leadership within the working class internationally. It was once again Trotsky, who, in 1938, pointed to the main contradiction of this epoch with the ripeness of the objective situation for revolution, but also the crisis of the subjective factor, the leadership of the working class, when he stated, "The world political situation, as a whole, is chiefly characterized by a historical crisis of the leadership of the proletariat."

Only the working class, by taking power, can end the destruction of the planet and the human species, which are now threatened by capitalism and stalinism. To increasing starvation and poverty is added the poisoning of the planet, the destruction of its protective atmospheric layers and the overheating of its climate. After denying it for decades, capitalism is now forced to admit to the environmental catastrophe that it and stalinism are preparing. The Economist

Intelligence Unit, in its *World Outlook 1989*, opened its review of the world economy, not with estimates of growth rates or investment levels, but with the heading, "The Only Planet We Have." It spoke of the Earth's 5 billion inhabitants as "one species dependent on an indivisible and vulnerable biosphere. . . . Even short term forecasts will be increasingly affected by decisions taken on environmental grounds or by the consequences of failing to take them."

It spoke of the threat to the environment as "a global problem with no global institution capable of solving it" and called for a conference of the major powers to seek to deal with it. It was not hopeful about the success of such a conference. It stated, "If such a conference agreed on adequate policies, it could only be as the result of an unprecedented willingness to cooperate. Prospects for success would be much reduced if there were, for instance, a severe world recession or trade war between any or all of the E.E.C., the U.S.A. and Japan, or a third world debt crisis, or a resumption of the cold war." All of these developments loom in the period that lies ahead.

The environmental crisis is insoluble on the basis of capitalism and stalinism. As with all the other major problems facing the human species, starvation, war, poverty, drugs, repression, it cannot be solved except by replacing capitalism and stalinism with a democratic socialist world federation. Like all the other major problems facing society, the solution demands a world plan of production based on need, not profit, based on democratic control by the working class, not the dictates of capitalism or stalinist bureaucracies.

In the longer term of 20 to 30 years, if the working class were to suffer a series of major defeats, vicious, barbarous military dictatorships would come to power East and West. After wading through the blood of their own working classes, these regimes would set the world on the road to nuclear war, something which is, at present, ruled out given the power of the working class world wide. The destruction of human society and the wiping out of the accumulated cultural development of millions of years of human evolution would be the result. On the basis of capitalism and stalinism, nuclear arsenals, the threat of nuclear war, chemical and biological weapons, will always be present. Only the working class stands as a barrier to the destruction of human society and the planet.

As the a world crisis develops, the policies of the reformist labor leaders will be put to the test as never before. As this is done, more and more layers of the working class will see that these policies lead only to worsening conditions for the working class and society as a whole. The present right wing reformist labor leaders will be replaced with left reformist leaders. Parties and mass left reformist and centrist currents will develop in the workers' organizations as the struggle to change society unfolds. The collapse of left reformism at present is a temporary phenomenon. Given the small forces of genuine Marxism, enormous illusions in left reformism and centrism will develop in the period ahead.

However, as this process develops the forces of genuine Marxism, which are presently small but which are rooted

in the mass organizations of the working class, tempered with decades of struggle, and armed with the theoretical heritage of Marxism, will begin to gain a mass base internationally. From thousands, the supporters of genuine Marxism will grow to millions and tens of millions in the decades ahead.

Under the impact of events, if the forces of genuine Marxism hold firm to the principles and methods of Marxism, at some point in the future the working class, either in the East or in the West, will achieve a victory over stalinism or capitalism. One such victory, with the working class establishing a healthy workers' democracy in a major country, either East or West, would transform the entire world situation.

Such a new state would stand as a beacon to the workers, youth, and peasants of the world. It would be a society which would be run on a planned and rational basis through the nationalization of the dominant sectors of the economy under the democratic control and management of the working class. It would be a society free from the repression, corruption, and mismanagement of the stalinist dictatorships, and free from the exploitation, repression, anarchy and want of the capitalist world.

With one such victory, the historical tide would surge forward in its channels as the working class and youth internationally would seek to establish such societies in their own countries. They would seek to link up the new workers' democracies and move toward a new world socialist plan of production and a world socialist federation. A part of this process would be the triumph of genuine Marxist ideas as the theory of Marxism would be proven by events to offer the only explanation of how to change the world for the better. In so doing, Marxism would be proven to correspond to the realities of human society.

The productive forces, the science and technology now existing, all demand a democratic world plan of production if their potential is to be realized. On the basis of such a world plan, the potential of the productive forces will be unleashed. The technology now exists, if harnessed in a democratic world socialist plan, to wipe out all hunger, disease, homelessness, pollution, and to end the drudgery and back-breaking toil now endured by the majority of the world's population. The productive forces now have reached such a stage that if they are taken out of the hands of capitalism and stalinism and run on the basis of a democratic plan, a work week of eight hours or less could be entirely possible, thus freeing the human species to take a giant step forward.

The tide of history is not with the Bushes or Thatchers, the Gorbachevs or the Deng Xiaopings, nor is it with the Ligachevs or Honeckers, nor the new deal capitalist politicians nor the left reformist labor leaders who will emerge as the boom ends in the West. It is with the heroic working class which is rising up to fight for its interests in every corner of the world. And it is with the ideas of genuine Marxism, to which this historically progressive class will increasingly turn as it seeks to end capitalism and stalinism and solve the problems now threatening the very existence of the human species.

## The Weakening of U.S. Capitalism in the Face of the Unfolding World Revolution

In the face of the insoluble contradictions of US and world capitalism and the unfolding process of world revolution, US foreign policy is in crisis. The upheavals in the stalinist world and the warming of relations between the Chinese and Soviet Union bureaucracies are adding further uncertainties.

The major challenges facing US capitalism internationally in the immediate period ahead are how to respond to the changes in the stalinist world and relations with the stalinist world in general, how to prop up friendly pro-capitalist regimes in the underdeveloped countries and how to keep its relations with its major capitalist rivals from deteriorating. The main development in the Reagan administration's foreign policy was its arms reduction deal with the Soviet Union and the replacement of Reagan's "evil empire" denunciations and cold war stance with a new period of detente.

The economic crisis of the Soviet Union and the U.S. pushed both powers to seek a cut in armaments. This was a very modest reduction. The treaty on intermediate range missiles removed only 4% of the world's nuclear arsenals. In the US, the increased pressure of the working and middle classes to reduce tensions as their fear of nuclear war increased along with Reagan's cold war ranting was an important factor resulting in this arms deal and detente.

Continued arms reduction and the period of detente will not last indefinitely. Whether the breakdown comes before Bush leaves office or after, the fundamental contradiction between the nationalized economy of the Soviet Union and the capitalist economy of the U.S. makes prolonged detente impossible. As the combined efforts of the Soviet Union bureaucracy and US imperialism to end the revolutionary upheavals in the underdeveloped world and to prevent the development of mass revolutionary movements of the working class in their own countries and their immediate spheres of influence fail, relations will worsen and a new era of "cold war" will unfold. Their shared fear of revolution is what forces

them to cling to each other in the embrace of detente for the present, it is the unfolding of the same process of revolution that will force them apart and return them to their cold war stance in the future.

Such a development over the longer term will give way to a new period of detente which in turn would give way to a new period of cold war. US imperialism and the Soviet Union bureaucracy cannot freeze world events to meet their own interests. The impasse they both face will push them from detente to cold war to detente as the world revolutionary process unfolds. This detente—cold war—detente relationship will be accompanied by a continued arms race, draining the resources of both powers and holding the potential of nuclear annihilation over the head of the human species. On the basis of capitalism and stalinism, nuclear weapons and the threat of nuclear war cannot be removed.

US imperialism is likely to continue in its efforts to maintain friendly relations with the Chinese bureaucracy. The revival of links between the Chinese and Soviet Union bureaucracies is urging them on to a greater effort to maintain these links. The Chinese bureaucracy is likely to maintain these to use them as bargaining chips in its negotiations with the Soviet Union and also to assist it in its efforts to entice private capital from the capitalist countries.

This detente—cold war—detente relationship between the Soviet Union bureaucracy and US imperialism will be cut across in the decades ahead by one of two developments: The working class will come to power, overthrowing stalinism and capitalism and replacing both with a world socialist federation which will ensure harmonious economic and political relations between all the world's peoples and the elimination of nuclear, chemical, biological, and conventional weapons. Or if the working class fails to take power in the next 20 to 30 years and instead suffers a series of decisive defeats, military dictatorships would come to power over the

bodies of the working class East and West. This would open the way to a nuclear war and the destruction of the human species and human society. A nuclear war is ruled out at present given the power of the working class East and West.

As its relations with the stalinist countries continue in crisis and instability, US imperialism's relations with its capitalist rivals deteriorates. The arms deal with the Soviet Union has been a factor in this especially as regards relations with western Europe, West Germany in particular. The West German government under pressure from the West German working class is refusing to replace the short range nuclear weapons on its soil with longer range weapons which would cover most of the targets previously targeted by the intermediate range missiles that the arms agreement did away with. This would result in the weapons of NATO, which are targeted on eastern Europe and the eastern Soviet Union, being much more concentrated on West German soil than previously. This is turn would make West Germany much more a target in the case of nuclear war.

Relations between all the countries of the North Atlantic Treaty Organization (NATO) have worsened as Gorbachev has made reductions in nuclear and conventional forces in eastern Europe. In most European countries, Gorbachev was more popular than Reagan in the last period of Reagan's presidency. West Germany is seeking to build more economic ties to the stalinist block. This is seen by US imperialism as a threat to the cohesion of NATO.

Along with the rifts developing over arms reductions and relations with the stalinist world, economic tensions are increasing between the capitalist powers in the struggle over markets. *The New York Times* (2/3/89) stated, "Economic conflicts can explode." *The Wall Street Journal* (2/21/89) spoke of "clashes of economic interest cutting across national frontiers, disrupting social orders and profoundly affecting general populations."

Increased trade conflict has been developing between western Europe and the U.S.A. as each accuses the other of unfair subsidies and trading barriers to each other's goods. But the most serious conflict between the major capitalist powers is that now developing between US and Japanese capitalism, the two largest economies in the capitalist world.

Japanese capitalism continues to hold a \$50 billion surplus in its trade with US capitalism despite being forced to accept quotas on certain of its exports to the US, despite increasing imports of US goods and despite the rise of the yen against the dollar. The conflict over this imbalance will get worse. The world market is not growing fast enough to accommodate the existing productive forces of both economies. At some stage the creeping protectionism that can now be observed will leap ahead.

The results of US capitalism's pressures on Japanese capitalism to export less to the US and import more from the US will have repercussions of a revolutionary character. As US capitalism puts Japanese capitalism on rations and closes it out of the US market powerful national tensions will explode and with these the class polarization in Japan and the destabilization of this capitalist regime with whom US capitalism seeks cooperation to stand against the power of stalinism and the threat of world revolution will develop at speed.



*President Bush and Japanese Prime Minister Kaifu in discussion along with other western leaders in Houston*

US-Japanese relations are particularly fraught with tension and potential for international instability. More and more voices can be heard among the strategists of US capitalism explaining their worries. One US commentator said recently, "The emergence of Japan as a world economic power, outpacing the US in productivity and capital investment may pose a threat to American political and economic leadership." Increasingly the call for a harder line to be taken against Japanese capitalism can be heard. Clyde Presorwitz, former Commerce Dept. official and now fellow at the Carnegie Institute, recently called for a "mini Bretton Woods conference with Japan," and he stated "Let's forget about what is fair and what is not fair. Let's look at where we are and where we want to be. If a \$50 billion deficit is not acceptable, then let's figure out a way to get it down to the level where we want it."

Equally strident voices are being heard from sections of Japanese capitalism. One of the candidates for the Prime Minister's position in the summer of 1989, Shintar Ishihara, has written a book with Akio Morita, the founder of Sony. The title of this book is "A Japan that can Say No." The message of it is that "Japan is now powerful" and "no longer has to kowtow to the US." Japan's increasing use of foreign "aid" to win influence in world capitals and its insistence that it must have more say on the leading bodies of the I.M.F. and World Bank are adding to the nervousness of US capitalism and the tensions between the two powers. In the journals of Japanese capitalism the increased antagonism it faces in US markets and in Washington is referred to as "The Cold Wind."

Tensions and antagonisms will increase between US and Japanese capitalism. The result of this development in Japan is already evident. US capitalism forced Japanese capitalism to import more foodstuffs from the US. This angered the farmers in Japan, who make up a major portion of the political base of the ruling Liberal Democratic Party, the main party of Japanese capitalism. This along with the anger over the shift of taxation more onto the shoulders of the working class and the blatant control over the L.D.P. by the major corporations, has led to the recent electoral defeats for the L.D.P. and the victories for the Socialist Party.

US capitalism by seeking to unload its crisis onto its rivals is accelerating the polarization of the classes in these countries and weakening those parties of the right which have traditionally sought to maintain good relations with US capitalism. In other words, US capitalism's economic crisis and the efforts it makes to deal with it are driving forward the process of revolution and weakening its allies. In the case of Japan it is US capitalism's most important ally in the vital southeast Asian region. This is what Trotsky spoke of in the 1920's and 1930's when he described US capitalism as one of the main "levers" of the world revolution.

The contradiction is that US capitalism fans the revolutionary flames with its economic policies; then, as the main center of reaction against the world revolution, is forced to intervene to attempt to extinguish the fires that result. It is increasingly trapped in the conflagrations of the world revolution.

US capitalism's economic policies are also bringing forward the process of revolution in the underdeveloped countries. It props up capitalism and landlordism, which increase poverty and starvation. It extracts more and more wealth from these countries by worsening the terms of trade and demanding the servicing and repayment of debts. Then it gets increasingly drawn into the struggles to put down these revolutions which it has helped to ignite and fuel.

Since its defeat in Vietnam, US imperialism is in a weakened position. It can no longer invade the countries of the former colonial world and install puppet regimes whenever it wishes. The increased power of the working class in these countries and the change in consciousness of the US working class ensures this. Military invasions into major industrialized countries such as Mexico, Brazil, Argentina and the Philippines, for example, are ruled out. However, if its access to the oil fields of the Middle East were to be threatened, it would still have no choice but to try to intervene militarily. It could also intervene militarily in some of the smaller countries, such as those in Central America. Even there, military intervention would provoke a worldwide movement of condemnation and opposition. Nevertheless, if faced with the development of proletarian Bonapartist regimes or healthy workers' democracies in Central America, US imperialism would make every effort to intervene militarily.

A sign of the changed balance of forces has been its failure—at least so far—to overthrow Noriega in Panama and the Sandinistas in Nicaragua. The mood of opposition among the masses in the US, fear of repercussions throughout Latin America and beyond and the movement of the Sandinistas to the right stayed its hand and pushed direct, large scale military intervention into Central America onto the back burner at least so far. Another sign of the weakening of US imperialism has been the defiance of the Central American presidents in pushing their own peace plan and moving to disband the Contras.

## History

Not a single Central American regime is stable. As the world economy goes into a downturn, the economies of the region will worsen sharply. This will add fuel to the opposition to



*Workers' May Day demonstration in San Salvador*

these regimes. In El Salvador, with the collapse of the US-backed Duarte regime, the situation is being rapidly reduced to a confrontation between the guerrillas and the right wing death squad party now in government—the Arena.

In spite of the mistaken policies and tactics of the guerrillas, support for Arena is likely to be reduced to the capitalists, landlords, secret police and death squads in the future. An eventual victory for the guerrillas is likely if a mass Marxist current, which would open the road to a healthy workers' democracy, is not built. A victory for the guerrillas if the war is fought to a conclusion would likely result in the replacement of capitalism and landlordism with a proletarian Bonapartist regime. This would increase revolutionary pressures throughout the entire area.

For the forces of Marxism, one effect of such a development, which could temporarily make their work more difficult, would be increased illusions in guerrillaism, as opposed to the traditional methods of struggle of the working class. These would develop for a period among sections of the youth and

even possibly among some sections of the working class in some countries.

Faced with an immediate threat to the existence of capitalism and landlordism in any of the Central American countries, US capitalism would most likely intervene with direct military action. If the Sandinistas turned from their present rightward movement and moved to end capitalism and landlordism, this also could provoke direct US military intervention. But it is possible that the overall situation in Latin America could become so charged with revolutionary struggles that US imperialism would have to hold its hand, as to invade would provoke a continental mass movement against US imperialism and all regimes friendly to it. However it is not at all ruled out that direct, large scale US military intervention can still take place in Central America.

If it does it will provoke even more opposition to US imperialism abroad, it will weaken the capitalist regimes worldwide, and it will provoke even more powerful anti-war movements at home than developed against the Vietnam war. And US imperialism would not achieve military victory. Any invasion into one country would spread into military engagement in the entire region. The working class and peasants would oppose US forces and any regime that cooperated with them. US imperialism would have no mass social base from which to fight its war. Over a relatively short period the morale of the US troops would collapse and a disintegration of the army as took place in Vietnam would be in the cards.

Unable to win and unable to pull out, as capitalism and landlordism would be overthrown if it did, US capitalism would be convulsed in an unprecedented military and political crisis. When this would be added to the developing economic crisis and class polarization at home, the US working class and youth could be catapulted into the front ranks of revolutionary developments.

The crisis of US capitalism and its allies in the underdeveloped world is the inability of capitalism and landlordism to increase living standards, the increased poverty of the working class in the former colonial countries and the increased opposition among the US working class and youth to fighting US capitalism's wars. While it is true that a US government could temporarily whip up chauvinism and nationalism at home and get support for direct military intervention, any action much bigger than the Granada action would very soon face substantial opposition from the rank and file of the US forces, and the working class, middle class, and youth at home.

This is not to say that the US government will not strike militarily as it has done against Libya and as it came close to doing when those groups in Lebanon who hold hostages looked to be moving to hang a number of them. What it is to say is that US capitalism no longer has the power to send in the Marines and impose its will to the extent it was able to do in the past.

The continued failure of successive US governments to free the hostages in the Middle East illustrates the process at work. This failure is portrayed as being due to lack of information

about the location of the hostages. However, what prevents the US government from getting such information and what prevents the rescue of the hostages, and what resulted in the pull out of US troops after the car bombing and deaths of over 200 troops when they were sent into Lebanon in Reagan's first term, is that US imperialism has no social base in Lebanon.

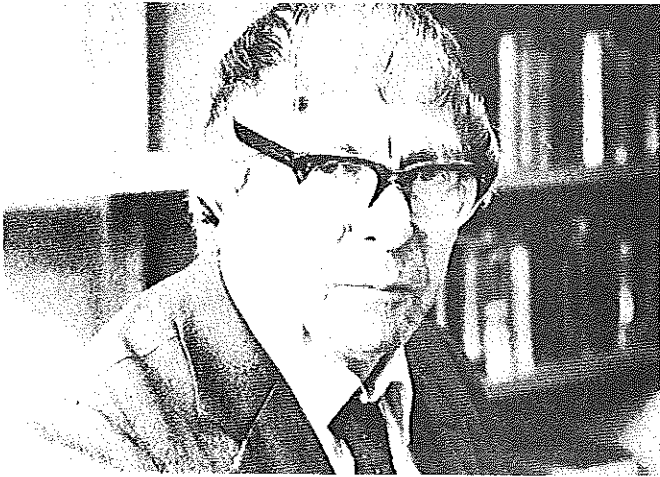
While its position is worsened in Lebanon by its support for Israel, US imperialism faces the harsh reality that if the capitalists and landlords and their military officer caste and secret police are left out of the equation, in the underdeveloped countries it lacks any reliable social base. Military power alone cannot preserve and stabilize friendly regimes, nor defeat revolutionary movements.

This is the decisive reason for the weakening of US imperialism in the former colonial countries. Of course the US budget deficit and the indebtedness of US capitalism also weaken it in its efforts to control events. But it is the failure of capitalism and landlordism to feed the masses of the underdeveloped countries which is decisive. A regime or a system develops a social base to the extent which that system can provide the necessities of life in increasing amounts. The system of US capitalism and the regimes it supports in the underdeveloped world brings only increased starvation and repression to the masses of these societies.

In the case of Colombia, where the target is the cocaine capitalists, which would make it easy to get support at home for military intervention, US capitalism is extremely cautious about sending in the military. It realizes that any temporary social base it might initially have would very quickly evaporate as the masses throughout Latin America would rise to oppose US imperialism killing Latin American workers and peasants on Latin American soil.

The changed balance of forces worldwide, the developing economic crisis and the rising tide of world revolution is convulsing US imperialism's foreign policies. This is a situation that will worsen in the coming years. As it tries to hold back the tide of revolution abroad it will accentuate the class tensions and accelerate the process of revolution at home. In particular, the racial minorities in the US will be radicalized by the events in Asia, Africa, and Latin America. And as the US working class rises to struggle this will weaken US imperialism's ability to intervene abroad and at the same time it will inspire the revolutionary struggles internationally to new heights.

Trotsky explained that the powder kegs of the world revolution are built into the foundations of US capitalism. These will increasingly be detonated in the years ahead. This will add further to the instability, crisis and class polarization that is developing in US society. US capitalism can be propelled to the front ranks of the process of the world revolution. As these developments unfold in the period ahead, they will add to the weakness, instability, and crisis of the Bush regime. Bush's rhetoric of "building a new world", of taking history in a new direction, of sending an American mission to Mars, will be forgotten as he desperately tries to prop up the waning power, influence, and control of US imperialism as it is struck by the hurricane of the world revolution.



*Author of Unbroken Thread, Ted Grant: The foremost figure of Marxism in Britain and internationally in the post-war period*

effect. New means of production will only be created if there is a profitable market for the goods these means of production would produce. This brings the system once again up against the problem of the inability of the working class to buy back all it produces.

Capitalism also seeks to overcome this contradiction through state spending. But state spending, if it is not to be based on debt or the printing of money and therefore unsustainable and inflationary, must be financed out of taxes. Taxes either come out of the wages of the working class or the profits of the capitalists. If they come out of wages, this further cuts into the ability of the working class to buy goods and therefore cuts into demand. If they come from the capitalists this cuts into profits which in turn cuts into capitalism's ability and willingness to re-invest. This in turn cuts into demand. The tendency toward over-production/over-capacity cannot be overcome in this way.

Capitalism also seeks to overcome the tendency to over-production/over-capacity by means of credit. Credit is accumulated by the working class, by the undeveloped countries, by sections of the capitalists themselves, and by governments which pile up budget deficits. Credit, as Marx explained, can allow the system temporarily to go further than its own limits. But at some stage the debt has to be repaid. Today's demand cannot be sustained indefinitely through borrowing from the future. Credit cannot overcome the basic contradiction of the tendency to over-production/over-capacity. Instead it allows the system temporarily and partially to overcome its own limits, only then to suffer a violent contraction of the economy at a certain stage as the system is yanked back inside those limits.

The huge expenditure on arms in the past decades led some currents of thought to believe that arms spending, the "permanent arms economy" as it was termed, could overcome the tendency toward over-production/over-capacity. This is not so. Arms production is basically the production of scrap metal. While those who work in arms production need the basic necessities of life, what is produced in this industry contributes nothing to the production of these necessities.

Arms production is therefore a source of inflation and a hemorrhage on the economy. It cannot overcome the tendency toward over-production/over-capacity.

This inherent, insoluble contradiction lies at the root of the periodic booms and slumps of capitalism. As demand slows, goods pile up on shelves, overcapacity increases, production is cut back, and the economy goes into recession. Goods wear out, a new market is created, and recession is followed by a new boom. As Ted Grant explained in his 1960 document, *Will There be a Slump?*, reprinted in the collection of his works, *The Unbroken Thread*: "The fundamental cause of crisis in capitalist society, a phenomenon peculiar to capitalist society alone, lies in the inevitable over-production of both consumer and capital goods for the purposes of capitalist production. There can be all sorts of secondary causes of crisis, particularly in a period of capitalist development and partial over-production in only some industries, financial juggling on the stock exchange, inflationary swindles, disproportions in production; and a whole host of others—but the fundamental cause of crisis lies in over-production. This in turn, is caused by the market economy, and the division of society into mutually conflicting classes."

This tendency to over-production/over-capacity is reflected in the fact that in the advanced countries of capitalism the rate of utilization of the productive forces tends to hover around only 80% in booms and falls to 70% or less in slumps. A Gary Shilling & Co, a Manhattan based investment consulting firm, points to this tendency: "The world of excess supply of almost everything that commenced in the early 1980s should still be in effect in 10 years"! Another commentator in the *Wall Street Journal* put it this way: "the world is making too much stuff" and as a result, "we are awash in a sea of over-capacity".

Arising out of this contradiction is the struggle over markets. Each capitalist and each capitalist class has no choice but continually to struggle to hold and to increase its own market share and to sell its surplus goods in the markets of its rivals. In periods of general economic down-swing or slowdown this leads to uncontrollable bursts of protectionism. These in turn cut across world trade, further cut into the market and add to recessionary pressures.

This boom/recession/boom cycle is inseparable from the private ownership of the means of production. It cannot be overcome. As Trotsky said, it is as much a part of capitalism as breathing in and breathing out are part of the human organism.

This tendency toward over-production/over-capacity is not the only inherent contradiction rooted in the private ownership of the means of production. Marx also identified and explained the insoluble contradiction, which he termed the tendency of the rate of profit to fall.

## Surplus

The capitalist invests in commodities, puts these commodities together in the productive process, and produces a new commodity which is then sold on the market. Capitalists tend to end up with more capital at the end of the process

## The Economic Crisis of U.S. and World Capitalism

The international stock market crash of October 1987 was the worst in history. As the collapse flashed around the globe visions of the 1930s rose to haunt world capitalism. Yet as 1989 draws to a close the capitalist economies continue to grow. By August 1989, the Dow Jones stock index had caught up to and surpassed its previous high of August 1987. Big business has been regaining some of its composure.

However, the continuing crisis of world capitalism is underlined by the confusion and divisions among the capitalist economists. The *Wall Street Journal* (3/27/89), referring to the 100,000 economists in the US, stated, "They simply cannot agree on how the economy works and no new consensus is likely anytime soon." The inability of bourgeois economic theory to understand the laws of, and the likely perspectives for, their own system, was explained by Trotsky in his 1930s' introduction to the *Living Thoughts of Karl Marx*. He explained, "The struggle of workers against capitalism forced the theoreticians of the bourgeoisie to turn their backs upon a scientific analysis of the system of exploitation and to busy themselves with a bare description of the economic facts, a study of the economic past and, what is immeasurably worse, a downright falsification of things as they are for the purpose of justifying the capitalist regime. The economic doctrine which is nowadays taught in official institutions of learning and preached in the bourgeois press offers no depth of important factual material, yet it is utterly incapable of encompassing the economic process as a whole and discovering its laws and perspectives, nor has it any desire to do so. Official political economy is dead." A commentator in the *Wall Street Journal* in October 1989 confirmed this analysis of Trotsky when he said: "The economists job is moving further from the Big Thought toward the Big Sell".

Given that the means of production, distribution, and exchange is in its hands, that it holds state power and that the labor leadership holds back the working class with its reformist policies, the inability of the capitalist class to understand the laws of its own system does not automatically

bring it to its knees. And anyway, as Marx explained, capitalism as a system basically works its way behind the backs of society, including the capitalist class.

However, for the forces of genuine Marxism and for the working class, if it is to succeed in ending capitalism, an understanding of the laws of motion of capitalism and its economic perspectives is essential. The challenge facing these forces is to approach the factual material produced by capitalism (given the small resources of Marxism at present, it has no choice but to use the statistics of the capitalist agencies and media) to subject this material to a rigorous analysis based on the fundamental principles of Marxism and in this way clarify a perspective for the working class movement.

Karl Marx, in collaboration with Frederick Engels, explained the basic workings of capitalism and identified its insoluble and inherent contradictions. Explaining that it is a system of production based on the drive for profit and that profit is the unpaid labor of the working class, Marx was able to explain the reasons for the cyclical development of capitalism, that is, its inevitable boom/recession/boom/recession cycles and to explain also the tendency toward periods of deeper crisis such as the 1930s.

Capitalism's profits, and by this is meant all rent, interest, and profit, come from the unpaid labor of the working class. The inevitable result of this is that the working class is not paid the full value of all that it produces. This in turn ensures that the working class cannot buy back all the products that it produces. This results in the ever-present tendency within capitalism toward over-production and over-capacity. This is not over-production in terms of what is needed to give the human species a good life, but over-production in terms of what can be sold by capitalism at a profit.

This tendency toward over-production and over-capacity can be partially and temporarily overcome by capitalism taking some of the surplus it extracts from the working class and re-investing it into new means of production, thus extending the market for itself. However, this can only have a temporary



than was invested at the beginning. This surplus comes from the unpaid labor of the working class.

The capital invested in this process is composed of two types. Constant, or "dead," capital is that invested in machinery, buildings, and raw materials. This capital is "dead" in that it produces no new value. Its existing value enters into the value of the finished product but no extra value is added. As the production process unfolds, new machinery, buildings, and raw materials continually have to be purchased.

Variable capital is that invested in labor power. This commodity has a unique quality. It can add more than its own value to the production process. Controlling the means of production and the state apparatus, capitalism forces the working class to work longer hours than it takes to produce goods or services equal to the value of its own labor power; that is, what is necessary to feed, clothe, and house it, bring it to the workplace every day and allow it to reproduce. In this way surplus value (profit) is produced. It is this unpaid labor that ensures that the capitalist ends up with more capital at the end of the process than at the beginning.

It is variable capital which alone produces surplus value, the rent, interest, and profit of the capitalists. Unconsciously they themselves admit that their profits are the unpaid labor of the working class, as they refer to their rent, interest and profit as "unearned income." Each capitalist and each capitalist class on pain of extinction must combat his or her rivals or be driven out of business. This can only be done by producing more commodities, more quickly, efficiently, and cheaply than their rivals. This demands a continual increase in investment in constant capital: newer and more modern machinery, bigger plants and more raw materials. More and more must be plowed into constant capital in relation to variable capital. As a result, the amount of surplus value relative to overall investment tends to fall. As Marx put it, there is the tendency for the rate of profit to fall and this tendency is inherent to and inseparable from capitalism. A rough idea of this tendency can be gained from the tables below.

**Rates of Profit as a % Before Taxes,  
Industrial and Commercial Companies**

Country	1960	1965	1970	1973	1975
U.K.	14.2	11.8	8.7	7.2	3.5
U.S.A.	9.9	13.7	8.1	8.6	6.9
France	11.9	9.9	11.1	10.2	4.1
Japan	19.7	15.3	22.7	14.7	9.5
Italy	11.0	7.9	8.6	4.5	0.8
Germany	23.4	16.5	15.6	12.1	9.1

Source: Clarkes and Williams; Feldstein and Summers, et al; Annual Report on National Income; Statistics on Japan, 1979; estimates for Italy, and Germany based on National Account and Capital Stock sources are very rough and cannot be compared with other countries. Reprinted from *Capitalism Since World War II* by P. Armstrong, A. Glyn, and J. Harrison (London: Fontana, 1984)

In another calculation of profit rates, this one drawn up by the OECD, the actual figures are somewhat different but the downward trend is just as evident.

**Net Profit Rates  
(Rate of return less long term real interest rate)**

	1971-80	1981-85	1986-90 (estimate)
Top 7 Capitalist Countries	10.1%	4.9%	6.7%
USA	12.5%	6.6%	9.9%
Japan	6.2%	0.2%	2.9%
West Germany	5.6%	4.5%	7.3%

US government statistics show that the rate of profit (net pre-tax profits divided by capital stock) for non-financial investment in the US peaked in 1965 at 17.2%, fell to 4.6% in the recession year 1982 and rose to 8% in 1987.

The difference in the actual figures is accounted for by variations in the methods of calculation. In spite of this, they all show the tendency for the rate of profit to fall. The OECD and US government statistics show some increase in profit rates as the 1980s unfolded. This reflects the increased attacks on workers' living standards, which cut into their ability to buy goods and services. Any increase indicated is very small. The rate of profit of the non-financial sector is small relative to the 20% to 30% profits being made annually by the speculators in the stock market, and is lower than the rates of the 1960's and 1970's.

The tendency for the rate of profit to fall can be slowed for a period by various measures. Among these are forcing the working class to work either longer hours or to work faster or a combination of both. However, the working class can only be squeezed so far. This tendency cannot be eradicated and inevitably asserts itself. As it does so, and the rate of profit falls, capitalism tends to turn away from investment in the real economy as it can make bigger profits in speculation. This cuts into the market and into demand, therefore exacerbating the other major contradiction of capitalism, the tendency toward over-production/over-capacity.

Capitalism also seeks to reverse the falling rate of profit by cutting the wages and benefits of the working class. To the extent that it is successful in this, the ability of the working class to buy the goods and services it produces is further weakened. This in turn further exacerbates the tendency to over-production/over-capacity. Contrary to the claims of big business, the labor leaders acceptance of wage cuts actually deepens the economic crisis as it weakens demand and strengthens the tendency to over-production/over-capacity. As Trotsky put it, beggars cannot be buyers. Of course, if wages are not cut, the tendency for the rate of profit to fall is strengthened. This also deepens the crisis. There is no way in which the contradictions of capitalism can be overcome. Capitalism is inherently a system of crisis. Attempts to overcome one contradiction worsen the other contradictions

and vice-versa. As Marx explained, the contradictions of capitalism are inherent to it and insoluble.

These contradictions, which continually throw capitalism into crisis, are rooted in the private ownership of the means of production. Private ownership, and along with it the obstacle of the nation state, are barriers to realizing the full potential of the productive forces and solving the basic problems of hunger and want.

The nation state, initially a progressive development, now obstructs the further development of the productive forces. Advances in science and technology now demand a world plan of production if the productive forces are to reach their full potential. Instead, the nation state cuts across, and in spite of the unprecedented development of the world market, makes impossible the development of a harmonious and unified world plan of production.

The barriers of the nation state become more and more exacerbated as capitalism finds its markets either falling or growing less rapidly. In this situation each capitalist class tends to fall back behind its own national barriers in an effort to defend its own market. This is caused by the developing crisis of weakening demand. This in turn worsens this crisis as it cuts across world trade, further weakening demand.

The big business media in the US seeks to blame the developing economic crisis on mistakes by the Federal Reserve, the stubbornness of the West German government, the refusal of the Japanese to buy US goods or the wages of the US workers being too high. What is determinedly avoided at all cost is any willingness to consider that the system is fundamentally flawed as Marx explained. Reflecting big business' need continually to claim that capitalism is not a system of crisis, the "Economic Report of the President, January 1989" stated, "The private sector is inherently stable."

Understanding the boom/recession/boom cycles of capitalism and the fact that capitalism was initially a progressive system which has now outlived itself is not enough. It is also necessary to consider and understand what Trotsky called the "general curve of capitalist development." This at times is ascending and at other times is descending. While the boom/recession/boom cycle is common to both, it is essential to identify the direction of the general curve at any time.

The 1929 depression was the result of the contradictions rooted in private ownership and the nation state, as the bulging warehouses and unsold crops and the explosion of protectionism between the nation states made clear. During the 1929-39 period, the curve of capitalist development plunged downward. That is, while the depression of 1929-33 was followed by a brief boom in the mid-'30s, this was in turn followed by an even sharper fall in production in 1937-1938. Only the demand created by preparations for war and the war itself cut across the general downward curve.

When the war ended, the destruction wrought created demand which according to United Nations statistics continued to boost economic growth until 1958. The end of the war also saw US imperialism emerge as a colossus, economically dominating its rivals. It accounted for 52% of the production of the world's goods and services in 1950. This is partly explained by the fact that the war was fought in Europe and Japan. The productive forces of US capitalism

remained untouched throughout while those of its main rivals were partially destroyed.

## World Trade

From this dominant position US capitalism enforced its will on its capitalist rivals. Tariff barriers were forced down worldwide. The US dollar, linked to gold, became for a time virtually a world currency. The threat of revolution forced US capitalism to help its defeated rivals in Western Europe to their feet with loans and grants, to give Japanese imperialism a hand, and to plow investment into the Asian "tigers" to try to contain the spread of the Chinese revolution. The result was an unprecedented expansion in world trade, which increased by an average of 12.5% per year in the 1950-1973 period.

Added to these factors which spurred world trade and economic growth was a certain industrialization in the underdeveloped countries as a whole, and the turning of the agriculture of these countries increasingly away from feeding their populations toward producing cash crops for the world market. These developments further added to demand and to the increase in world trade. New technological breakthroughs added impetus to the upswing also.

Government deficit spending was a secondary feature in sparking this upswing. Its effect was marginal. The same was the case with arms spending. Both these elements contributed to the build-up of inflationary pressures in the system.

The overall result of these developments was that capitalism temporarily and partially overcame its contradictions. The post war upswing was on. During this period the cycle of boom/recession/boom continued, but the general curve of capitalist development, as opposed to the 1930s, was now upward. Each new boom took the economy to new, higher peaks than had been reached in the previous boom. The recessions tended to be weak and the booms strong.

However, the factors which allowed for the upswing in the post war period in no way resolved the contradictions of the system. These continued to burrow away beneath the surface. The tensions arising from them continued to build up. As they made their pressure felt, weakening demand, applying downward pressure on the rate of profit and increasing the tensions between the nation states, capitalism reacted in the 1960s by increasing Keynesian measures; that is, more state spending and more budget deficits. These measures fueled inflation. Along with this, currencies were devalued in an effort to undersell the goods of rival capitalists in the world market. This also added to inflationary pressures.

These Keynesian and protectionist attempts to overcome the contradictions which threatened to end the world upswing were unsuccessful. The recession of 1973-75, the first simultaneous world recession since World War II, struck a severe blow to the post war economic upswing. In its aftermath the growth of world trade and world investment was cut in half.

Capitalism reacted to this by moving at the end of the 1970s to monetarist policies. These were to pull back the money supply, cut back on government deficit spending and squeeze inflation out of the system. Capitalism was to be pulled back closer to its limits. These measures deepened the 1980 and

the 1982 recessions. These severely increased unemployment worldwide and cut into living standards. In the US unemployment reached its highest level since the 1930s, rising to 10% by the end of the 1982 recession. US gross national product fell 2.5% in this downturn. The production of goods and services of the 24 major capitalist countries which are full members of the Organization of the Economic Cooperation and Development fell 0.5%.

Three recessions in eight years and the depth of the 1982 recession made it clear that the general upward curve of capitalist development and the post war upswing of 1950-1973 had been cut across. A new period had opened up. The boom/recession/boom cycles would continue but the recessions would tend to be stronger and the booms weaker. This new period was seeing the direction of the general curve of capitalist development being reversed from the post war years. Now it was proceeding in a downward direction.

In spite of the prolonged boom which began in December 1982, this analysis remains correct. This boom has been prolonged due to the power of US capitalism, which has allowed it to shoulder a gigantic build-up of debt, and to the increased super-exploitation of the former colonial countries.

However, neither of these developments can be sustained indefinitely. The longer they are sustained the worse the economic downturn will be. Both these props of the boom are now cracking under the pressure. When the boom ends and the downturn unfolds it will be seen that taking the whole period from the middle 1970's into account, the general curve of capitalist development has been proceeding downward.

One factor of this boom shows that it is entirely different in character from the booms that took place in the 1950-73 period, when the general curve of capitalist development was upward. During this boom the capitalist class has continued to cut the living standards of the working class in the advanced capitalist countries and increased the intensity of labor. During the 1950-73 period living standards in these countries rose dramatically.

Along with monetarist policies, there was a turn to the so-called theory of supply side economics. According to this theory the problem of the world economy was insufficient profits. The "solution" was to be as follows: cut the living standards of the working class, and to achieve this, weaken the trade unions; cut taxes on the capitalists; cut back on government regulation of the economy, giving the big monopolies free reign to reduce safety conditions; in an increased burst of competition squeeze the smaller capitalists out and re-emerge on a higher level of concentration and with higher profits than before. The state sector was also to be sold off at bargain prices to the private sector. The increased profits thus produced, it was argued, would then be plowed back into investment in new plant and machinery and this would pull the economy forward into a new upswing.

Living standards have been cut and profits have been increased. But contrary to the theories of the supply-siders, capitalism has not taken its unprecedented profits, plowed them back into investment and laid the basis in this way for a sustained increase in the market, sustained expansion of the productive forces and a new upward curve of development such as existed from 1950-1973. The policies of Reagan and

Thatcher, aped by their counterparts internationally, have not been able to overcome the fundamental contradictions of capitalism which are rooted in the private ownership of the means of production and the nation state: the tendency of the rate of profit to fall, the tendency to over-production/over-capacity and increased protectionism between the nation states. They still stood as barriers.

Capitalism could see the unsustainable debt of the former colonial world and of consumers in the capitalist world. It saw that even in the booms it still had around 20% spare capacity of the productive forces while in recessions it had 30%. At the same time the rate of profit from new investments in the productive sectors of the economy was much less than could be had in areas of speculation.

In the US for example the rate of profit was in single figures in the 1980s. During the same period profits of 25% per year and more could be had by speculating in the stock markets or buying and selling property. The bottom line, the law of profit, dictated to the capitalists. A sustained market to justify a major increase in the productive forces did not exist. More profits could be made in speculating.

The result of this has been the explosion of the stock markets as the surplus extracted from the increased exploitation of the working class was squandered in these casinos. Another result has been the increase in property and land values. Japanese capitalism illustrates this best. Reaping super-profits from its increased penetration of its rivals' markets and the high prices it charges its own working class, it has recently been plowing more and more of these super-profits into speculation. The Japanese stock market is at unsustainable heights and the quoted price of the land in Tokyo alone is sufficient to buy all the land in the US, all the companies on the New York Stock Exchange and still have \$1 billion left over.

Japanese capitalism is only the most extreme and recent example. Capitalism in general is squandering its profits on speculation and mergers rather than the development of the productive forces. In 1979 there were 1,459 corporate buy-outs in the US. In 1986 there were 4,223, a 300% increase. No new wealth was produced in this speculation merger binge. As the 1987 stock market crash showed, this speculative madness cannot go on unchecked. The prices of stocks do not correspond even remotely to the real wealth of society. This house of cards will come tumbling down. When the wreckage is cleared away it will be found that its collapse flowed from the inability of capitalism to overcome the contradictions of its own system, as explained by Marx and Engels.

The hired academics, the media, and the economists of big business out-do each other in their effort to deny this reality. As they do so they enthuse over the prolongation of the boom which began in December 1982. Desperate to shield themselves and their class from the criticism of Marxism, and to hide the correctness of the analysis of Marxism from the working class, they speak of this boom possibly never ending, and if it does it will do so only because Alan Greenspan makes an error or because some politician in an under-developed country wants to become popular and cancel the country's foreign debt.

## 1980s Boom

Far from proving the correctness of the ideas of the monetarists and supply-siders, the prolongation of this boom can only be explained by starting from the fundamental principles of Marxism. The 1982 recession gave way to a new boom as goods wore out and new demand naturally arose. As explained, the boom/recession/boom cycle is an inevitable part of capitalism. A boom arising out of the 1982 recession was as inevitable as the economic downturn which will follow the present boom.

However, it is nevertheless true that this boom has lasted longer than any peace-time boom since World War II. Only the 1960s Vietnam War boom lasted longer. The arguments of sections of the capitalist classes is that this prolonged boom marks the beginning of a new upswing in the curve of capitalist development, the beginning of a new period similar to 1950-1973. They claim that the policies of Reagan/Thatcher/Kohl have overcome the crisis of the 1970s and early 1980s and prepared a new period of upswing.

When this boom is examined, this argument is seen to be false. In fact in one sense the length of the boom, as will be shown, is an indication not of the health of capitalism but of its sickness and of the terror of world capitalism of the economic and political effects of a new economic downturn.

As the boom began the US government and US capitalism stumbled into a situation which it did not foresee, and it did not want, but the temporary benefits of which it has been bragging about ever since. Faced with the increased force of the unfolding revolution in the colonial world and the power of stalinism, US capitalism approximately doubled arms spending to around \$300 billion a year over recent years. At the same time it cut taxes, the benefits of which went

overwhelmingly to the capitalist and upper middle classes.

It proceeded to take action to cut the social spending of the government and the wages and jobs of government workers. While it succeeded in cutting seriously into the programs affecting the poorest and weakest sections of society, its fear of the power of the US working class caused it to pull back from the kinds of attacks on social security benefits and the jobs of government employees that it initially intended in order to allow it to balance the budget. The result was a ballooning of the budget deficit. The Reagan government was blasted off its monetarist policies by the power of the US working class. It found itself instead being propelled along the road of a type of Keynesian stimulation of the US and world economy.

It was not the Keynesianism of the early years of the post war period when deficit spending tended to go to social programs for the working class. It was what can be termed negative-Keynesianism in the sense that it went to the production of scrap metal in the form of a massive build-up in arms spending.

US government spending and revenues had oscillated in a narrow band above and below balance in the post war years up to 1970. In the 1970s it dipped into a permanent but relatively small deficit. In the 1980s this deficit exploded until it reached \$221 billion in 1986 (official figures). These yearly budget deficits were added onto the US national debt. This debt was \$0.9 trillion in 1980. It will reach \$2.9 trillion in 1989, and, if the present trend continues, \$3.1 trillion in 1990. The Reagan/Bush governments have accumulated three times more debt than all previous US administrations combined. The national debt has gone up more in the past nine years than in the previous 200 years. This mountainous accumulation of debt by US capitalism has in no way overcome



*Despite the 7½-year boom, up to one million Americans like these in Washington, D.C., remain homeless.*

the contradictions of capitalism, which are pulling it deeper into crisis and toward a new downturn. Yet at the cost of worsening the inflationary pressures, increasing the economic imbalances internationally and preparing the ground for the fundamental contradictions to explode with even greater ferocity in the coming period, the US budget deficits and increased national debt have prolonged the boom.

Only the power of US capitalism and the reserves it had accumulated allowed it to fund these deficits. Its creditors bow to the power of the US economy and have so far continued to fund its deficits. The economic and political instability of the underdeveloped world also see capital flow into what is considered the politically safe US. However, as a result US capitalism has moved from being the No. 1 creditor nation in the world when Reagan took office to being the No. 1 debtor nation when he handed over to Bush. In 1981 the US was a net creditor of \$140.9 billion. By 1984 this was reduced to \$3.3 billion. By 1987 it had become a net debtor nation, owing \$378.3 billion more than it was owed. By 1988 this had increased to \$532.5 billion.

As this process was unfolding, the struggle over markets was intensifying between the various capitalist powers. With world trade growing at a much slower rate than in the 1950-73 upswing, competition increased between the capitalist powers.

High US interest rates were needed to attract foreign capital to fund the US budget deficit. These high interest rates kept the dollar high. It appreciated by 50% in the 3-4 years up to 1985. This, along with the crisis of productivity in the US economy, cut into the ability of US capitalism to compete with its rivals. In this situation US capitalism began to suffer serious set-backs.

The US trade and current account figures went into deficits along with the federal government's budget. The US current account deficit now appears to be leveling out for the present at between \$110 billion and \$130 billion per year. US manufacturing long led the world. Now the US has a deficit in trade of manufacturing goods which is hovering around \$120 billion per year.

US capitalism has been sinking deeper and deeper into debt in order to prolong the boom. Because of its power and size it has been able to sustain this for a period. But it is obvious that this cannot continue indefinitely. Its creditors will not indefinitely make loans to US capitalism if every year its government spends more than it receives and the economy as a whole imports more than it exports. Nevertheless, the build up in US debt provided a major boost to the world market and the boom.

The other major factor prolonging the boom has been the increased super-exploitation of the underdeveloped countries. It is estimated that every year a net transfer of \$75 billion takes place from the underdeveloped countries to the advanced industrial countries. This comes out of the increased attacks on the living standards of the masses in the former colonial countries. It takes the form of repayments of debts and worsening terms of trade, i.e. getting paid less for the mainly raw materials that they export as demand for these has tended to be slow, given the slower rate of growth of the world economy, and paying more for the mainly industrial products, given the rising price of these products which it imports from



*President Bush and British Prime Minister Margaret Thatcher at a NATO meeting in London*

the monopolies in the advanced industrial countries. In 1986 the price of oil fell substantially due to over-production. This fed into the world economy, adding impetus to the boom.

However, by 1987 tensions were reaching breaking point. While the fundamental contradictions of capitalism can be temporarily and partially overcome, eventually and inevitably they will surface. By early 1987 inflation was beginning to pick up again after its rate of increase had been cut from the highs of the late 1970s. Previous to this US capitalism had lowered interest rates and allowed the US dollar to decline against its rivals in an effort to cut imports and increase exports. This increased inflationary pressures in the US economy. The downward pressure on the dollar increased and threatened to lead to its collapse as foreign investors grew increasingly nervous over the US economy continuing year after year to pile up debt with apparently no end in sight. It was clear that one of the two main props that was prolonging the boom, the increasing US debt, was beginning to crack and threatening to splinter and collapse.

US capitalism increased interest rates to keep the dollar from plunging and to try to choke off rising inflation. Its rivals were forced to increase their interest rates also or short-term currency speculators would have abandoned their currencies and flocked to the US with its higher interest rates. This increase in interest rates threatened to cut into demand as higher rates make it more difficult for workers to buy houses and other goods which are bought on credit. Higher rates also make it more difficult for industry to fund new investment. Indebted corporations and countries also found their debt service bills increasing. Rising interest rates were clearly threatening to bring closer the end of the boom.

The end of the boom would have meant at least a reduction of the profits of the companies whose shares were being bought and sold on the stock markets. Given the indebtedness of many of these companies along with the indebtedness and fragility of many financial institutions and of the countries

of the former colonial world, the prospect of the boom's end held at least the possibility of much worse than just reduced profits. The possibility of economic catastrophe began to take shape in the thinking of capitalism internationally.

World-wide, capitalists began to pull out of the stock markets. In October 1987, in an unprecedented vote of no confidence in its own system and in a demonstration of the extreme instability and vulnerability of world capitalism, \$2 trillion was wiped off the value of shares on the world's stock markets.

*Business Week* responded to the crash in this way: "Those howls of pain in Wall Street are the sounds of the casino society undergoing shock treatment." Robert Dole, leader of the Republicans in the Senate, stated, "The whole world has changed in the last few days." *Business Week* again: "That rumble you hear is called recession. Even if the market recovers, confidence has been so damaged that a slump will be hard to avoid." The *New York Times* said, "If you could read some of the economic and political reports coming out of the embassies of Japan, West Germany, and the United Kingdom, you would realize that their private anxieties are much deeper than the polite expressions of sympathy coming out of their capitals." And Ross Perot, US corporate executive said the stock market crash was "a little earthquake that reminds us there is tremendous stress along the financial faultline of our country. It means we could have a big one that would bring our financial and economic house down."

These were some of the comments of the spokespersons of capitalism in the immediate aftermath of the crash. A new world recession, a slump, or even worse, a depression such as 1929-33 were all considered as possibilities by big business. At least a recession in the immediate period was expected. The forces of Marxism also felt that in the following 6, 12 or 18 months a recession was likely to begin.

To date this has not happened. The boom continues and now many of the spokespersons of capitalism seek to describe the 1987 crash as nothing of significance. "Just a correction, nothing serious" is the general refrain. While the world capitalist economy has continued to grow since the crash, it is entirely wrong to see the October 1987 collapse in share prices as an unimportant detail.

The 1987 stock market crash was a seismic tremor indicating the earthquake that is being prepared beneath the surface of the capitalist world. It reflected the unbearable strains building up as imbalances built between the capitalist powers, as the underdeveloped countries sank deeper and deeper into debt and as US corporations, consumers and the government stumbled under their debt loads. From a historical point of view, the 1987 crash will be seen as the first crack in the surface which would later widen into chasms into which the prolonged boom would fall and into which the debt-ridden and unbalanced capitalist economies would threaten to tumble.

The forces of genuine Marxism base their analysis of world capitalism on the fundamental contradictions of capitalism as explained by Marx. However they understand that these contradictions unfold dialectically, not mechanically. While capitalism cannot eradicate or overcome its contradictions, these can be pushed below the surface of society at times, only to explode with even greater ferocity, given the accumulated built up pressures, at a later stage. Also, while

the forces of genuine Marxism understand that capitalism still fundamentally operates along the lines of the blind play of the productive forces, this does not mean that the actions of capitalist governments cannot have a temporary and partial effect on events.

Capitalism worldwide was terrified by the threat of an economic downturn following the stock market crash. The top seven capitalist countries which meet regularly under the title of the G-7, the USA, Japan, West Germany, France, Britain, Canada and Italy shrank in horror from this prospect.

Bankruptcies of corporations and banks, cancellation of debt by the underdeveloped countries, a massive new impulse given to the colonial revolution, increased class polarization in the advanced capitalist countries and the rise of mass left-reformist, centrist, and possibly even mass currents of genuine Marxism among the working class, filled capitalism's nightmares.

The rise of support for the populist and left candidates in the elections in Latin America speaking demagogically of doing something about these countries' debts, underlined their fears. This political development, along with the uprisings, mass movements and riots from Venezuela to Jordan, from Zambia to Pakistan, to South Korea further added to their fears. These developments showed that the other main prop which was prolonging the boom was also beginning to crack: the masses in the underdeveloped countries were increasingly rejecting the idea that they should starve to ensure continuing economic growth in the world economy and to avoid a crisis if debts were canceled.

## Worst Crisis Since 1930s

These well grounded fears of capitalism confirm the correctness of the general analysis of Marxism that world capitalism is in organic crisis. It is faced with the most serious economic crisis since the 1930s and the most powerful movement of the working class internationally in history. While these statements must be fully understood and kept continually in mind, especially when developing perspectives for the period ahead, it should also be understood that fears arising out of the extremely serious crisis of world capitalism moved the governments of the main capitalist countries to take measures which have prolonged the boom up to the present and could even prolong it for another one, two or even more years. Taking these measures will mean incurring enormous costs, economically and politically at a later stage. Nevertheless, the boom in the short-term has been prolonged. This has been affecting the consciousness of the working class and the objective conditions in which the forces of genuine Marxism exist.

The reaction of the central banks of the main capitalist countries after the crash was to throw money supply targets out of the window, open the vaults and pump up to 200 billion dollars into their economies. This increase in available capital reduced interest rates and gave a stimulus to growth. Along with this US capitalism put guns to the heads of its rivals and threatened them with what a collapse in the dollar would mean. Such a collapse was a serious risk at that time, given the continuing deficits, the accumulated debts of US

capitalism, the shattered confidence after the crash and the general lowering of interest rates.

If the US dollar had nose-dived, US capitalism would have had no choice but to increase interest rates sharply to stop foreign capital from abandoning the dollar and from refusing to continue to loan to allow the US government to fund its deficits. The result would have been that interest rates worldwide would have followed US interest rates up, demand would have been cut across, and a new economic downturn would have been on.

As this developed, protectionist pressures would have tended to get out of control, adding to the general downturn as world trade was cut across, and the possibility of a repeat of the 1930's could not have been ruled out. US capitalism's rivals gritted their teeth in the face of the power of the US market and the fear of a downturn and plowed up to \$150 billion into the world's currency markets to prop up the dollar.

These actions came on top of a period from 1986 on when money supply targets were being loosened and demand stimulated in several of the main capitalist countries. Pressure was also being put on Japanese capitalism to increase spending on the home market. And the 1986 fall in oil prices was still feeding through. As a result growth in 1988 speeded up relative to 1987.

Gross Domestic Product in the OECD economies rose by 3.9% in 1988, the second best annual growth rate since the present boom began in December 1982. World trade increased by 5% in 1986, 8.5% in 1989 and is estimated to grow by 6% in 1988. Confidence began to creep back into the board rooms. The world economy continued to go ahead. The stock market crash had not led to an immediate downturn.

However, not a single one of the basic contradictions which threatened a downturn in capitalism and led to the 1987 stock market crash have been resolved. In fact, these contradictions have been worsened. The *New York Times* (8/6/89), stated that since the October 1987 crash, "None of the flaws in the world's financial system have been corrected." And in its "Survey of the World Economy," the *Economist* explained, "In many ways the world is more vulnerable now than before." Stock markets are still totally out of line with economic reality. US capitalism is even deeper in debt. The same is the case with the underdeveloped countries. The US working class is also deeper in debt, as are US corporations. The ratio of US consumer debt to personal income, which was 6% in 1950, had increased to 18.5% by 1988.

While the massive monetary stimulus following the crash prevented an immediate downturn, even increasing the rate of growth somewhat in 1988, it also led to an acceleration of inflation. Increased money circulating in the economies as borrowing was made cheaper gave rise to increased demand. This increased the rate of utilization of capacity in industry. From around 80% in the advanced capitalist countries, this rose to approximately 84-85%.

For a sustained boom capitalism would have needed to pour massive profits into substantially increasing the productive forces: building new factories, plant and equipment. While capital investment did pick up in 1988 it went mainly to re-tooling and modernizing existing plant. Capital investment in the seven major capitalist countries rose by 7.8% in 1988 compared to 4.3% in 1987. But actual extension of

the productive forces took place only to a very limited degree. Some sectors working at full capacity built some new plants. In some other cases investment in new plants took place as various corporations fearing rising protectionism established productive capacity in their major foreign markets.

However, in the main, capitalism came up against the contradiction of the tendency of the rate of profit to fall and the tendency toward over-production/over-capacity. More could still be made by speculating on the stock markets, which began to recover as merger activity increased, with companies buying each other out and accumulating massive debts while doing so. The rise in the stock markets have been mainly due to this merger and acquisition activity, which produces no new wealth while increasing corporate debt. At the same time it was clear that the consumer, especially the US consumer, was nearly saturated with debt. The underdeveloped countries also were falling further into debt. State investment was sluggish at best as state spending was cut back to try to deal with budget deficits. Therefore sufficient areas for sufficiently profitable investment in the productive sectors of the economy were seen not to exist.

The result was that after a brief speed up in growth, and as capacity utilization increased to meet demand, when it came to deal seriously with developing the productive forces, capitalism, ruled by the law of profit, chose instead to speculate. Along with this it began to soak up the increased cash available in the markets by putting up prices. The result was that inflation came to replace recession as the main worry. To use the capitalist economists' short-hand, the economy was overheating.

Like a disoriented platoon caught in the open by enemy fire, running from one foxhole to another, capitalism, terrified now about inflation as opposed to recession, which was its main fear in the aftermath of the crash, moved to reverse itself. As 1988 drew to a close and 1989 began interest rates were pushed up again to reduce available credit, slow up the economy and try to choke off rising inflation. Prices in the first half of 1989 were rising at an annual rate of 5-6% in the US after rising at 4.4% in 1988, 4.4% in 1987 and 1.1% in 1986. In Britain prices were rising at an 8% annual rate. Prices in the OECD countries are expected to rise by 4.2% in 1989, up from 3.2% in 1988. With economic growth slowing, prices rising, interest rates rising, stock markets soaring, the symptoms of the period immediately preceding the 1987 crash were back.

In their desperate panic to avoid facing the insoluble contradictions of capitalism, all talk now in the capitalist economic journals and board rooms is of the possibility of a soft landing. That is, growth to continue at a relatively low rate, say 2%, inflation to settle down again and possibly be reduced a little, but no economic downturn with all its inherent threats to take place. Some of the more serious strategists of capitalism see that this is a pipe dream. A commentator in the *Wall Street Journal*, 6/5/89, commented, "Since World War II the US economy has never pulled off a soft landing at a time like this." The "time" it referred to was the present particular stage of the business cycle. The Economist Intelligence Unit's "World Outlook 1989," while considering a "soft landing" possible, warned that "financial shambles" was "also a possibility."

Toward the mid-point of 1989 monthly statistics were clearly showing that increased interest rates and tightening money supply in the US were weakening demand in the US economy. Exports were also slowing rapidly. Some small reduction in interest rates was made but this was done with a trembling hand as inflation was still accelerating relative to 1988. As the summer draws to a close conflicting signals are coming from the government's monthly statistics. However, overall it is clear that the US economy, which is still as big as the economies of its six closest rivals combined, is slowing down markedly. US Gross National Product grew by 3.4% in 1987; 3.9% in 1988. In the first two quarters of 1989 it grew at an annual rate of 3.1%. But this was distorted upward by the substantial increase in agricultural production relative to



**One of the battles between strikers and police in the 1934 Minneapolis general strike. Organized and led by socialists, the strikers used military tactics against strikebreakers and cops to win their struggle.**

agricultural production in 1988, when it was cut by the drought. Growth in GNP for 1989 overall is estimated to be 2.3% by the Economist Intelligence Unit.

US durable goods orders were down by \$10 billion in August 1989 compared to the end of 1988. Housing construction fell 5% in August. Nine auto plants are being idled with 24,000 workers being laid off due to weakening demand. This is in spite of increased discounts and incentives being offered to buyers. Plants are being closed by General Electric, Kodak, Borden, and a number of other companies. Corporate profits are also tumbling.

## Contradictions Intensify

A. Gary Shilling, president of A. Gary Shilling & Co., a Wall Street investment company, (*Wall Street Journal*, 7/7/89) said: "Since last summer consumer spending has been as weak as it has been in the 12 months preceding any recession in the past 40 years". A commentator in the *Wall Street Journal*, 4/24/89, stated, "A brief period of slow growth and high inflation is a normal way-station on the road to recession... many economists say that the next recession will be a hum-

ding." While the majority of big business economists have become more optimistic in the 3rd quarter of 1989 as the rate of slowdown in the US economy eased somewhat, nevertheless, the most likely perspective remains one of a slowing economy with rising inflation ("stagflation") and a downturn in the next one, two or three years.

It is indisputable that the boom will end. The working class continues to borrow more and more and sinks deeper and deeper into debt. The increase in exports from the US to its rivals is now leveling off as higher interest rates in the US and political instability in Japan and West Germany have pushed up the dollar. While West German and Japanese capitalism have recently increased their money supply, and therefore demand, these economies cannot by themselves sustain economic growth throughout the capitalist world. On top of this US capitalism's rivals will not buy more and more US exports when they are faced with increasing protectionist trends in the US. Anyway, the giant US economy cannot keep going forward on exports alone. Only 6-7% of GNP is exported. The home market of the US is crucial to the continuation of the US and world boom. Capital investment in the US is set to grow more slowly in 1989 than in 1988. US non-residential investment grew by 2.8% in 1987, 10.1% in 1988, and is forecast to rise by only 3.9% in 1989. This will add to the deflationary pressures.

While it is certain that the boom will eventually end it cannot be said with any precision when this will happen and what will be the nature of the downturn that will follow. Faced with undeniable evidence that a downturn is imminent, and contemplating the terrible wreckage that would likely result from a serious downturn, it is entirely possible, in fact probable, that US and world capitalism will throw their fears of inflation aside and pump liquidity (cash) into the world economy in an effort to keep the boom going. It is possible that US capitalism can blackmail its rivals once again to continue to prop up the dollar and keep extending credit for a time. The fear of the effect of a downturn on the debt-ridden world economy and the impetus that would be given to the unfolding process of world revolution can push aside fear of increased inflation and increased debt for a time.

Such action could prolong the boom to the end of 1989, through 1990, 1991, and even possibly beyond. Of course the longer the boom is prolonged the more the tensions arising out of the fundamental contradictions will be intensified. And added to the crisis of debt would be the crisis of runaway inflation. As inflation would undermine currencies and savage the living standards of the working class, pressure would build inevitably to raise interest rates again and tackle inflation. As this happened the boom would be undercut and the inevitable movement to economic downturn would begin to surface once more. A commentator in the *Wall Street Journal* (6/29/89), explained what US capitalism would consider when faced with clear evidence of imminent economic downturn: "It is technically possible, were the Fed to ease enough to kick the dollar into a tail-spin, thereby inducing foreign central banks to ease as well—for the economy's fall to be arrested somewhat close to zero growth. But ... this would re-accelerate inflation and lead to a larger recession later on."

At some stage the capitalist powers will be unable to contain the contradictions by jiggling with interest rates, money sup-



plies, and trying to hold up the dollar. At some stage US capitalism's rivals will demand clear proof that US deficits are going to end as this is the only way in which they can be sure that the US will pay its debts. The contradiction is that if the US ends its budget and trade deficits, this itself would push the world economy into a downturn. At some stage the underdeveloped countries will cancel their debts, and corporate failures and bankruptcies will erupt. At some point, most likely the next six, 12, or 24 months, but it could be later, the economic boom will end. Care must be taken as it could be prolonged even longer. Also, care must be taken as the downturn could have already begun. However, what is clear is that the present boom will eventually give way to a downturn.

This can be triggered by any number of events. Financial scandals or bankruptcy could envelop a major company, confidence in it could collapse, this could spread to others like wildfire and the stock markets could crash. A political crisis could also be the trigger for major economic shocks. The capitalist media will concentrate all its efforts to focus attention on the incidental trigger to hide the fundamental contradictions from the working class. However, it will be the insoluble inherent contradictions of capitalism as spelled out by Marx which will lie at the root of the crisis.

It is not clear when the boom will end. Neither is it clear what will be the nature of the downturn. It is likely at least to be as deep a recession as the 1982 recession. However, even this is not certain. There could be a small dip in production, a small recession, and this could so terrify capitalism that it could possibly throw resources and reserves into the market to such an extent as to boost the economy temporarily into another spurt of growth before it would collapse again into a deeper downturn.

It is more likely that the coming downturn will be at least the deepest recession since World War II, deeper than 1982. It is also possible that the downturn could take the form of a slump: a greater fall in production than the recession of 1982, possibly a fall of 4%-5% lasting over one or two years. Such a downturn would seriously pose the possibility of a major collapse in banking and industry at least in the US and also the cancellation if not in words, then in deeds, of the debt of the underdeveloped countries.

It is not entirely excluded that the downturn could turn into an outright depression such as 1929-1933, when real Gross National Product and real per capita GNP fell by more than 30% in the U.S. (Figure from the Economic Report of the President, January 1989).

However, this is unlikely in the coming downturn as the reserves capitalism has built up over the past 50 years will be thrown into the economies of the capitalist world. It is more likely that when the economic boom that will follow the next downturn itself gives way to another downturn that an outright depression could result. If not in that downturn, such a prospect is very likely in the five-, 10-, or 15-year period that now opens up.

As the crisis surfaces, what will be clearly shown is that the period of the 1950-1973 upswing is not only over but is not about to be repeated. What will become irrefutable will be that the curve of capitalist development is descending. The booms will be weaker and shorter. The resources do not exist to prolong another boom for seven years or more, nor will the balance

of forces in the underdeveloped world allow it. The recessions will be deeper, and with each cycle the world capitalist economy will be dragged further and further into crisis.

Growth in the OECD countries averaged 2.7% between 1974 and 1979 and world trade grew at an average rate of 4.6%. The equivalent figures for 1980-88 were 2.6% and 3.4%. At the end of 1988 unemployment stood at 10% in the countries of the OECD. In spite of the increased super-exploitation of the underdeveloped countries and the astronomical debt that has been taken on by US capitalism, in spite of the monetary stimulation and propping up of the dollar following the stock market crash, in spite of the nearly seven years of boom and the increased rate of growth in 1988, the average growth rates in the advanced capitalist countries of the OECD and the rate of growth in world trade were lower on average from 1980-88 than from 1974-1979.

The present stage of this boom can be compared to an old man falling through breaking ice into the sea. His own internal reserves may allow him briefly to raise his head above the freezing water, but the cost is great in terms of his own resources. Quickly the overall situation overwhelms him and the process of sinking reasserts itself. This seven-year boom does not mean that the curve of capitalist development is no longer descending. It has meant a slowing of the rate of descent but at great cost in terms of the resources and structures of world capitalism. When it ends the descending curve will be undeniable.

In the years ahead, New Deal policies will be dragged out of their mothballs and set to work again. The next downturn will probably be accompanied by the introduction of a new New Deal in the US and in many of the other advanced industrial countries. Increased state spending and public works schemes will be enacted again in an effort to bail out capitalism and blunt the rage of the working class in the face of the crisis.

But just as the New Deal policies of the 1930s did not solve the crisis then, they will not solve the crisis in the future. The economy of the US entered an even sharper fall in 1937-38, after the New Deal had been implemented.

It was the war and preparations for it which dragged the capitalist world out of the crisis of the 1930s. A world war now would be a nuclear war which could destroy human society. Such a war is ruled out for the next period. Only a series of major defeats of the working class and the coming to power of military dictatorships worldwide would put this on the agenda. The prospect for the world economy therefore is for a protracted period of crisis in which capitalism will seek to drive the working class and peasants in the underdeveloped countries into outright starvation, and the working class of the advanced industrial countries into poverty.

What flows from this economic perspective is the inevitability of the continuation of the unfolding wave of world revolution which will envelop all areas of the world without exception. In the process the working class will be driven to seek an alternative to capitalism. If the forces of genuine Marxism continue to defend and develop the general principles and method of Marxism and maintain their orientation to the working class, then the working class will be able to find the necessary perspectives and program with which it can end the decayed, crisis-ridden capitalist system and replace it and stalinism with a democratic world socialist federation.

## Some Special Features of U.S. Economy

The developing economic crisis of capitalism envelops the entire capitalist world. U.S. capitalism is no exception. In fact, as the dominant economic power and as the main center of capitalist reaction against the unfolding world revolution, U.S. capitalism will be convulsed more than any other nation. As it seeks to maintain its footing, it will try to unload its crisis onto the backs of its rivals.

It will do this mainly by seeking to force its rivals to buy more U.S. goods, while at the same time making it more difficult for imports to enter the U.S. market. In 1975, 8% of imports into the U.S. were in some way restricted. By 1980, this had increased to 12% and by 1986 to 22%. In the U.S., the number of countervailing duty cases increased from an annual average of 21 during the period of 1975-79, to an annual average exceeding 40 from 1980-86. In the European Common Market, the number of anti-dumping cases reported increased from 71 in 1971-79, to 280 in 1980-86. Along with these developments, currencies are manipulated in an effort to increase exports and decrease imports.

The recently passed US Trade Bill contains provisions for retaliation to be taken against countries which are considered to be engaged in unfair trading with the U.S. Clause 301 of this bill states that countries designated as unfair traders are to be given a limited time to make changes and, if these are not made in a way that is satisfactory to the U.S., retaliatory measures will be taken. Japan has already been named an unfair trader.

As the economic crisis worsens, such actions will increase and protectionism will explode. Productive capacity for autos in the U.S., now that Japanese plants are being added, and now that the American market is becoming saturated, will be able to produce 2.5 million more autos than the U.S. market can absorb by 1990. This estimate does not take into account the coming economic downturn. Up to one-third of auto-producing capacity is likely to be surplus in the next period, when economic downturn strikes. With foreign-produced autos now taking 30% of the American market, inevitably import barriers will go up. GM, Ford and Chrysler are already lobbying for more tariffs on vehicle imports. This is on top

of the so-called voluntary quotas that foreign car-producers are already forced by U.S. capitalism to observe.

U.S. capitalism will close its rivals out of the American market at some stage, or, as Trotsky put it, will put its rivals on rations. As it does so, its rivals will retaliate, closing U.S. goods out of their markets. Reagan was the most protectionist president since the 1930s. Such action and counter-action will deepen the world crisis and result in severe falls in production in the U.S. and internationally. 6-7% of U.S. GNP is exported. Though this is much less than its main rivals, a fall of this size in U.S. GNP would amount to a severe slump or even outright depression in the U.S. and internationally.

It has been raised in some circles that the increased integration of the world economy and the increased links between the major corporations will prevent protectionism developing. This is not the case. Crying out against protectionism and terrified of the effects of protectionism, the various capitalist classes nonetheless will be driven—they are already being driven—by the logic of their own system to barricade themselves behind their own national borders and cling to their own home markets.

The development toward trading blocs—the U.S. and Canada, Western Europe, Japan and the capitalist nations of southeast Asia—reflects the breaking down of the world trading agreements established by the General Agreements on Tariffs and Trade (GATT) in the post-war period. The present round of talks of GATT has become bogged down. As the crisis develops, these trading blocs will seek to keep out the goods of their rivals. At the same time, these trade blocs themselves will break up into warring nations. The much talked-about single European market of 1992 will become a European trade battleground. The U.S.-Canada Free Trade agreement will break down. Japan will close its markets to its rivals in southeast Asia. As Marx explained, capitalism cannot overcome the barriers of the nation state.

So, as the world crisis unfolds, it will be made worse by the rise of protectionism. The U.S. economy will not escape this development. The U.S. economic downturn will be worsened by this international process. Also worsening the

economic crisis in the U.S. will be the fragility of large sectors of the U.S. economy due to the increased indebtedness of these sectors.

The Savings & Loan crisis is one such example. The steps now being taken to deal with this crisis will cost up to \$300 billion over 30 years. 75% of this will be paid by U.S. taxpayers, the working and middle classes. The crisis was caused by rising interest rates (which were raised in the early 1980s to attract foreign capital and to prop up the dollar), deregulation (which allowed the S&Ls to speculate in real estate and elsewhere) and by outright theft by many of the owners. Congress and the Reagan and Bush administrations, representing the banks and the S&L owners, have preached about the culpability of the S&L owners, but then taxed the working class to bail out the S&Ls. It is estimated that the S&L package will run short of capital before or during the coming economic downturn. A further transfer of cash from the working class will then be necessary.

The settlement allows banks to buy S&Ls. It also ended the less restrictive capital requirements that the S&Ls previously had relative to the banks. This will increase the concentration of the financial institutions, remove more of the firewalls separating the financial sectors and prepare the ground for even more wide-spread financial crises in the future. Cancellation of debts to the banks by the underdeveloped countries will now also increasingly affect the S&Ls.

The banks themselves are showing more signs of weakness. In 1977, six U.S. banks went bust. In 1986, there were 145 failures. In 1988, the sixth year of the boom, 200 banks went broke. One recent study showed that 13 of the top 15 U.S. banks are in a vulnerable condition. There are also signs of fragility appearing in the insurance sector.

It is entirely possible that in the crises that lie ahead, even right-wing capitalist governments in the U.S. might be forced to nationalize at least parts of the financial system to avoid its collapse. In the case of the S&Ls, the bankrupt institutions have already been nationalized, while the profitable ones remain in private hands. It is a sign of the paralyzed state into which the labor leaders have been pushed by their pro-capitalist policies, that the nationalization of the bankrupt S&Ls was not used as an opportunity to expose the crisis of the private enterprise system and how the working class is always made to pay.

Not only is the financial sector vulnerable. The major corporations are also wallowing low in the water with their debt. In the 1950s and 1960s, corporate debt equaled 15% of pre-tax earnings. By the 1970s, this had gone up to 30%, and by 1988, 50%. Interest payments on corporate debt were 22.6% of available cash flow in the first quarter of 1989. This was as the boom was entering its seventh year. It was just below the previous peak of 22.7%, which was set in the third quarter of 1974, at the height of 1973-75 recession.

## Debt

The Brookings Institute was quoted in the *New York Times* (1/29/89) to the effect that in a downturn, even of a relative mild character like the 1973-75 recession, given the level of corporate debt, one in 10 U.S. corporations could go bust.

The *Wall Street Journal* (7/12/89) reminded its readers, "the U.S. has not had a recession since junk bonds became a popular form of financing during the early 1980s. Even a soft landing may jolt one of eight junk bonds." Since 1984, the value of junk bonds issued totals \$438 billion.

Consumer debt increased 9.9% between June 1988 and June 1989. By June 1989, it stood at \$697.54 billion (*Wall Street Journal*, 8/8/89). Mass bankruptcies of families will be on the cards in the future.

When all this private debt is added to government debt, the total outstanding debt in the U.S. in the third quarter of 1988 was \$10.9 trillion, almost equal to two years' gross national product.

These statistics show the degree to which the present boom has been based on increased debt. They also show the catastrophe the Reagan/Bush years have been for U.S. capitalism. The total debt now outstanding is equal to approximately two years of total production of goods and services for the U.S. economy. All consumption and investment would have to halt for two years to repay the total debt.

The yearly budget deficit, which is added onto the national debt, is part of this total debt. Faced with pressure from its creditors to lower the deficit, a massive swindle has been taking place. In order to try to prove that the deficit is going down, the government is borrowing "off-budget." That is, it sets up special fronts to borrow for specific purposes. The borrowing to bail out the S&Ls was off-budget. This borrowing does not show on the deficit figures, but the debt is still owed by the government. Such government-sponsored entities in 1970 owed nearly \$50 billion. By 1989, they owed close to \$700 billion.

On top of tricks such as this to hide real government debt, there are the outstanding bills now coming onto the government's desk for payment. These make nonsense of the claims that the budget deficit is being reduced. The *U.S. News and World Report* (3/20/89) stated, "The deception of the American people has got to stop. For four years, we have been assured that the budget deficit is declining substantially. This is wrong. The bottom line is this: The actual budget deficit in 1986 was \$283 billion, not the officially reported \$221.1 billion. In 1990 it could be as much as \$263 billion, not the Bush administration's estimate of \$91 billion.

"Why the differences? Because of the tricks played on the American public. The most important of these is that the unified budget we are presented with meets operating expenses by raiding a variety of funds held in trust. Some trust." It went on to explain how the social security fund was one of those being raided. This is the fund to finance future retirees, but it is now being used to make the budget look better.

Some unpaid bills now demanding government attention are: an estimated \$150 billion to clean up pollution at 16 nuclear weapon plants; \$200 billion to cover arms spending programs already begun but not funded; an estimated \$300 billion to \$1 trillion for repairs to bridges and interstate highways; \$20 billion for renovation of public housing; \$15 billion to purchase modern computer and phone systems for the federal bureaucracy; and \$25 billion to modernize the air traffic control system. This is a total of between \$710 billion and \$1.41 trillion.

An illustration of the blindness of U.S. capitalism and its

parasitic character is its refusal to invest in the country's infrastructure, its plants and equipment. This is being put off to an indefinite future. Only when collapse is imminent—as with the S&Ls, or with a collapsed bridge or highway—is action taken, and then it's a patching job carried out with borrowed money.

All problems are pushed off into the future, so that profits will continue growing in the present. One part of this tendency to live for today at the expense of tomorrow is the reduction in the U.S. average savings rate from 7.4% of all income in the period 1950-80, to 2.8% in the 1980s.

A report by a study group headed by Governor Thompson of Illinois gave this damning information: "Capital spending on public works dropped to less than 1.1% of the nation's total output of goods and services by 1985, from 2.3% in 1960. The U.S. ranked 55th in the world in capital investment in infrastructure."

One of the least unbalanced voices of U.S. capitalism, *BusinessWeek*, recently explained that public investment in the infrastructure, by lowering the costs of private business and thus raising its rate of return, actually stimulates four to seven times as much private investment. Between 1973 and 1985, Japan invested 5.1% of GDP in public facilities—its overall productivity growth was 3.3% per year. U.S. public investment over the same period averaged 0.3% per year and its productivity gains were 0.6%. Some estimates claim that \$3.3 trillion will have to be spent to repair the country's neglected infrastructure.

As the world market has grown more slowly, competition between the various capitalist powers has intensified. This general developing crisis of capitalism has already been explained. The special crisis of U.S. capitalism is that in this new, more cut-throat competitive climate, it has been losing out to its rivals. In 1969, U.S. manufacturers produced 82% of the nation's TVs, 88% of its cars and 90% of its machine tools. By 1988, they made hardly any TVs, had lost 50% of the domestic machine tool market, and lost 30% of the auto market. In 1980, U.S. capitalism had 85% of the world market share of semi-conductors. By 1989, this had dropped to 15%. According to the American Electronics Association, the U.S. market share of world electronics overall dropped from 50.4% in 1984 to 39.7% in 1987. Over the same period, Japan's share rose from 21.3% to 27.1%. Japan is ahead in research into super-conductivity, high definition television, and it is catching up in super-computers. Japan now controls half of the world computer chip market. The trade of the U.S. in manufacturing was \$15.5 billion in surplus in 1981, but by 1988 it was \$119.1 billion in deficit.

U.S. capitalism in its public utterances tries to say that import penetration of the U.S. economy has been rising because American wages are too high. In its more private journals, it admits otherwise. In an article in the *Wall Street Journal*, headed "Productivity Lag May Be Management's Fault," the author, Lindley H. Clark Jr., referred to a Brookings Institute study whose authors, he said, were "reluctant to sock it to management too hard." Yet, they stated that lagging productivity "in the technology area lies in the failure to take advantage of the opportunities and surmount the challenges that opportunities present." In another article, by the "Board of Contributors" to the *Wall Street Journal*

(1/16/89), the following was stated: "If trends of the 1980s for the big seven countries continue through the 1990s, Japan's per capita output will exceed that of the U.S. by nearly 40%. . . . If there is not improvement in our own performance, the malady under discussion in the 1990s will be the American disease." Later in the same article, it was explained, "during the 1980s all other economies in the industrial world delivered stronger gains in productivity than the U.S., except Greece and possibly Australia."

During 1960-87, productivity growth in U.S. manufacturing rose by 2.8% per year, while in Japan it rose by 7.7% per year. U.S. productivity overall grew at an annual rate of 3.3% between 1948 and 1966. It slowed to 2.1% between 1966 and 1973. Between 1973 and 1981 it dropped to 0.6%. There are conflicting reports in relation to whether U.S. capitalism has been pushed into second place by Japan in overall productivity. It seems likely that the U.S. is still slightly ahead, but there is no denying that all its main rivals' rates of growth in productivity have been much more rapid and in some sectors of production they have undoubtedly caught up.

The reason for this is not wages. Wages have been falling in real terms in the U.S. over the past 15 years, while those in some of its rivals have been increasing relative to U.S. wages, if changes in the exchange rates are taken into account. The reasons for the crisis of productivity and the loss of its markets to its rivals have been the refusal of U.S. capitalism to invest sufficiently in developing the productive forces and in the high proportion of investment, research and development which goes to the arms industry. In spite of cuts in wages and increased profits, this situation continues. Due to increased speed-ups on the job, changed work rules and lay-offs, productivity in recent years has been growing by 1% per year. In spite of the attacks on the working class, this is still nowhere near the rate of growth of the immediate post war decades.

## Investment

Real per capita fixed investment in the U.S. in 1988 was lower than in 1979. Japanese corporations, which conduct two-thirds of Japan's research, are now increasing their research spending at three times the U.S. rate. It is not only the overall figure for investment that matters, but it's where that investment goes. Since 1981, U.S. federal spending for civilian research and development (R&D) has dropped 27% in real terms compared to a 78% real rise in R&D in the military sector.

In the previous 15 years, R&D was split about equally between civilian and military purposes. Specifically, 69% of federal R&D is now devoted to defense. The corresponding figure for Japan is only 4.5% and for West Germany 12.5%, according to the National Service Foundation. And while the U.S. spends 6% of GNP on the military, Japan spends 1%.

A look at the figures for real gross non-residential fixed capital stock per worker shows what has been happening and how the U.S. is being caught up by its rivals. For the purposes of this table, the U.S.100 and figures for West Germany have been adapted for territorial change.

**Real Gross Non-Residential Fixed Capital Stock  
per Worker**

	Japan	W.Germany	Britain	France	Italy	Canada
1913	9.0	60.0	60.8	49.3	24.0	N/A
1973	46.9	88.4	58.6	78.2	55.6	98.4
1984	90.0	111.0	65.0	101.0	63.1*	104.8*

\*1978 figures.

Sources of table: "Capital stock per worker": A. Maddison, *Phases of Capitalist Development* and "Growth and Slowdown in Advanced Economics," *Journal of Economic Literature*. (June 1987)

Since 1984, the last date for which this table gives figures, Japan in particular has made more progress relative to the U.S.

The reason for the crisis of the trade deficit is that U.S. capitalism has not been providing the working class with sufficient supplies of new, modern machinery. A worker with a spade can never out-dig a worker on a mechanical digger. No matter how much he or she is paid, or how much harder he or she works, the worker with the more advanced equipment will produce greater results.

The labor leaders have refused to act on this reality. Instead, they accept cuts in wages and jobs for their members at the request of the employers. The increased profits that result are squandered on speculation and acquisitions. This is clearly seen to be the case when the auto and steel industry are considered.

Membership of the United Auto Workers union went from 1.5 million to 1.1 million over the past 10 years. Workers in the U.S. steel industry were reduced from 435,000 in the late 1970s to 170,000 in 1988. Membership in the United Steelworkers of America fell from 1.2 million in 1979 to 700,000 in 1983. Wage and benefit cuts were made and work rules changed to increase the intensity of labor in the plants. What has been the result?

The big three auto companies made \$52 billion in profits between 1982 and 1988. They did not use these super-profits to modernize their plants and drive their rivals out of the U.S. market. They spent them on acquisitions and setting up new companies in other sectors. GM bought Hughes and Electronic Data Services and expanded its financial services department. Chrysler bought Gulfstream Aerospace. Ford has expanded its financial services unit and built up a cash hoard of \$9 billion. All three of them have bought into their Japanese rival companies at the same time.

In steel, the average cost for one ton of steel in the U.S. fell from \$650 to \$460, as jobs were slashed and wages and benefits cut. Yet, in 1987, R&D in the U.S. steel industry was still only 0.51% of total sales. This left it in 9th place internationally in terms of research and development. Japan, which spent 1.5%, was in first place.

The 5th U.S. steel maker, Armco, sold 40% of its steel making facility to the Japanese Kawasaki Steel Corporation. Armco's chairman explained that this would allow his company to compress a seven-year capital spending program into four years. "The Japanese," he said, "bring a technological

excellence to the table that attracted us."

The parasitical nature of U.S. capitalism is exposed by these events. It pockets the profits, cuts workers' living standards to increase these profits, but refuses to plow them back into productive investment and take the economy forward. In the case of Armco steel, the parasitic capitalists who own it shattered the lives of workers, who were forced to take cuts in living standards and/or find other jobs. Then they sold 40% of the company to a Japanese firm to acquire new technology, because this was more profitable than developing their own.

Another sign of the crisis of U.S. capitalism is its increasing shift of investment toward the service sector at the expense of manufacturing. An economy increasingly dominated by the service sector is an economy moving into unsustainable imbalance. Manufacturing and agriculture are the bases of real wealth in society. A healthy service sector cannot exist if it is being developed at the expense of the real wealth-producing sectors.

Agriculture continues to be in crisis. Its debt burden persists and it is heavily dependent on government subsidies. In 1987 government subsidies supplied about half of all farm income. Two-thirds of this went to the richest 314,000 farmers, who had annual sales per farmer exceeding \$100,000. The total budget of the U.S. Department of Agriculture in 1989 will be \$52 billion. The coming economic downturn will expose the contradictions in the agricultural sector. The weak agricultural sector is also particularly vulnerable to droughts and other unfavorable climate conditions, something which will be increasingly experienced as the destruction of the earth's environment changes the climate.

U.S. capitalism remains and will remain the dominant capitalist power, but its strength relative to its rivals has been reduced. As the crisis unfolds, U.S. capitalism will close its rivals out of its market and will, in turn, be closed out of its rivals' markets. Massive economic downturns will follow. These will be accompanied by increased divisions and conflicts between the capitalist powers and increased class polarization in all capitalist countries, including the U.S. An unprecedented, drawn-out period of economic and political crisis lies ahead for US capitalism.

The U.S. economy will be convulsed in this crisis. Its internal crisis will render it more vulnerable to the blows of the world crisis. The *New York Times*' editorial (1/10/89) showed the anxiety that lurks in the mind of U.S. capitalism. "20 years ago, America's economy was the envy of friends and enemies, an engine of progress leading the world in virtually every branch of technology and generating the world's highest living standard. Today, it is a panting giant, increasingly on the defensive in global competition for markets and economic influence."

Looking to the future, with trepidation, the *Wall Street Journal* (4/17/89) said: "The U.S. may be about as well prepared for the next recession as Exxon was for the Valdez oil spill." David Stockman, former Budget Director in the first Reagan/Bush government, speaks of the "truly disastrous, dramatic international shocks" to come. The future that the U.S. and world working class must prepare itself for is one of economic crisis, shocks and convulsions such as have not been experienced in the decades since World War II.

## The Political Crisis of U.S. Capitalism

United States capitalism faces the worst crisis in its history. Political weakness and rapidly intensifying political contradictions aggravate its situation. The disgust and cynicism felt toward capitalism's two parties, the Republicans and the Democrats, is so great that only 49% of the electorate voted in the November 1988 elections. This was the lowest turnout since 1924. It would have been the lowest in history if not for the increased registration of the black voters in the South. And it would have been lower still if the labor leadership did not pressurize the union activists against their better instincts to turn out for the Democrats. Bush, like Reagan before him, was elected with only 27% of the votes of Americans of voting age.

Sixty percent (60%) of those polled during the November 1988 election campaign said they would have preferred another candidate to the two they were offered. The same percentage said they also believed that, with the exception of detente with the Soviet Union, the policies of the government should change. In particular, they said more should be spent on social services, on attacking poverty, and on improving education and health. The *New York Times* (11/6/88) described the mood at the election as "a sense of disappointment and discontent verging on disgust."

The lack of enthusiasm for its two parties is not the only political weakness of US capitalism. Both parties are riven with divisions, which are certain to deepen in the period ahead. In spite of superficial appearances to the contrary, the Republican Party is likely to suffer more in the near future.

U.S. capitalism, like its counterparts abroad, prefers to control society by means of bourgeois democracy, which is the least expensive and most flexible form of rule for capitalism. The wealth of U.S. capitalism, the refusal of the labor leaders to take independent political action and the lack of a mass Marxist party have allowed U.S. capitalism a prolonged period of relatively stable bourgeois democracy.

This form of rule, while preferred, is not without contra-

dictions. While the numerically tiny capitalist class can put up the finances and provide the media to build and support its parties, it cannot by itself vote its representatives into power. It has to whip up support among sections of the middle classes and the working class. It also has to use its political parties to entrap and direct into safe channels any movements which may pose a threat to it. This creates contradictions, tensions and conflicting class pressures within the capitalist parties themselves.

The two most serious internal challenges to U.S. capitalism in this century were the union movement to organize unorganized sections of the working class in the 1930s and the black revolt of the 1950s and 1960s. Republican President Herbert Hoover was in power when the 1929-33 depression struck. As a result of the depression, he was swept from power and replaced with Democrat Franklin D. Roosevelt in the 1932 elections. Facing economic collapse and a rising and increasingly radicalized working class, the more strategically farsighted sections of U.S. capitalism realized that certain refinements of the old methods were necessary. Through Roosevelt and the Democrats, the New Deal was initiated. That helped capitalism back to its feet, set up public work schemes and aimed some conciliatory noises at the working class.

On occasion, the Roosevelt administration spoke of the right of workers to organize and included a vague statement to this effect in legislation. But these minor concessions were accompanied with repression. The National Guard was used against labor more times under F.D. Roosevelt than under any other president. The first engagement of U.S. troops in the 1940s was against union members in California, not against Japanese or German troops. Workers were murdered on picket lines from coast to coast.

The labor leaders, terrified by the radicalized, fighting working class movement beneath them, seized on Roosevelt's minor concessions and insisted that he was a "friend to labor." They were supported by the then-powerful Communist Party. In

the late 1930s, the CP had 100,000 members and controlled 40% of the industrial unions organized under the banner of the Congress of Industrial Organizations. With the help of these labor leaders, U.S. capitalism was able to prevent the development of a mass, independent party of the working class. The American working class was kept within the boundaries of capitalist politics. Capitalism reached out and established links between the labor leaders and the Democratic Party leadership. At elections labor activists were exhorted by their leaders to turn out and work for the Democratic Party.

In the 1950s the black revolt exploded. Republican Eisenhower was in the White House. The initial response of U.S. capitalism and both its parties was to use the state apparatus to put down the black revolt. However, as the 1950s gave way to the 1960s, it became clear that the streets could not be cleared in this way. The heroism of the black working class and youth propelled the movement forward. As Kennedy, the Democrat, replaced Eisenhower, U.S. capitalism became convinced that some concessions had to be made. Once again the Democrats happened to be in the White House when concessions were forced out of U.S. capitalism.

The Voting Rights Act and Civil Rights Act were passed and the social programs of the so-called Great Society of Johnson were put in place. As Roosevelt had done with the labor leaders in the 1930s, Kennedy and Johnson, using the bait of concessions, reached out to entrap black leaders inside the capitalist boundaries of the Democratic Party. Those leaders who would not be so contained were murdered or repressed. A new, black petit-bourgeois and bourgeois leadership developed. These elements saw the Democratic Party as the instrument through which their interests could be represented. The Democratic Party, which had been the party of the former slave owners and which contained the most racist and anti-labor capitalist representatives from the South, was now presented as a friend to blacks as well as a friend to labor.

It was accidental, speaking historically, that the Democrats and not the Republicans became the party portrayed as the friend of labor and the friend of blacks. It was just that they



*Harlem union members take to the streets to demand jobs and health care.*

happened to be in power at these times when the class balance of forces changed and U.S. capitalism was forced to make concessions. After all, the Republicans led the union forces in the Civil War, which ended slavery. The Democrats sought to prop up slavery. And it was the Republican-dominated Supreme Court in the 1960s which ruled against the most overtly racist laws and enraged the most racist elements in the South, organized mainly in the Democratic Party.

U.S. capitalism, with the help of the reformist labor leaders and the black petit-bourgeois and bourgeois leaders, managed through a combination of repression and concession and the use of one of their two parties to ride out the challenge of the working class offensive of the 1930s and the black revolt of the 1950s and 1960s. It succeeded in keeping its ownership and control of the economy and in preventing the formation of a mass, working class-based political party to challenge its monopoly over U.S. politics, which it exercises through the Republicans and Democrats.

It did, however, have to pay a price for its victories. One of its parties, the Democratic Party, became the target of the demands of the labor leaders and black petit-bourgeois and bourgeois leaders. In this way the pressures of the working class and the black masses would at times curtail the room for maneuver and flexibility of the Democratic Party. This is not to say that the interests of the working class or especially oppressed racial minorities can ever be represented by the Democrats. It is to say that the Democratic party, while it is and will remain a tool, of U.S. capitalism, has certain particular secondary features different from the Republicans. These flow from the division of labor between the two capitalist parties and the particular type of dirty work the Democrats did for U.S. capitalism in the past. These secondary characteristics in no way mean that the Democratic party is not a capitalist and racist party. A commentator in the *Wall Street Journal* made this clear when he stated: "The Democrats rely heavily on Wall Street for fund raising. Investment bankers are incredibly important to the Democrats." Or as Henry Ford II put it: "We must support the Democrats so we can continue to live like Republicans."

It was the Democrats who started the present attacks on labor, deregulation and tax cuts. Carter pushed through the concessions at Chrysler, which started the concession period in industry. He cut the taxes of the rich and he began deregulation in the airlines and other sectors.

## Division of Labor

As the world economic crisis developed in the 1970s, U.S. capitalism moved to attack the living standards, conditions and rights of the working class, in order to boost its profits. Moving onto the offensive, it selected the tool from its toolbox best suited to the task at hand. The Democratic Party is better suited to trap a rising movement of the working class and racially oppressed minorities within capitalist policies. It is better suited to divert the working class from independent political action. But the Republican Party, unencumbered with having to tie labor and the racial minorities to capitalism, was the party best suited in the late '70s for the offensive against labor that capitalism was then launching.

Given the division of labor that exists between the



*New York demonstration against racism*

Democrats and the Republicans, capitalism made its choice as the 1970s came to a close: Carter and the Democrats should go, the Republicans should be put in the White House.

The Republicans could not campaign openly on the program of capitalism, which is to reduce the living standards of the working class and make the rich richer. It could not parade as the friend of labor and the racial minorities, either. At least, when the Democrats did so, they could point to the concessions made when they had the White House. It should be noted that many increases in social spending took place under Nixon, as well as under Johnson and Kennedy. The Republicans in the late '70s needed to find some other way to build a base and get elected.

So capitalism used the developing crisis of its own system, blaming it on the Democrats. Reagan claimed that a vote for him was a vote to go back to the "good old days," the years of the post-war upswing. He offered to cut taxes and demagogically campaigned against the influence of Washington on people's lives. However, more than votes were needed. Foot-soldiers to campaign and work for the victory of the Republicans were necessary. These were found in the forces of the evangelical right.

An estimated 50 million Americans consider themselves to be "born-again Christians." These are mainly lower middle-class, small-town Americans and sections of the less politically aware working class, afflicted by the developing crisis of capitalism and given no way out by the labor leaders. They look to the literal writings in the Bible for a world view, a system of values and a way to survive the crisis of decaying U.S. capitalism.

Mobilized and exploited by the tele-evangelical industry, they seek certainty and a point of reference by campaigning against abortion rights. Led by the so-called "Moral Majority" under its leader, Jerry Falwell, the forces of the fundamentalist movement also attacked the threat of atheistic "communist aggression," the affirmative action programs and the separation of church and state.

Backed by finance capital and the military industrial complex, and mobilizing the foot-soldiers of the evangelical Christian movement, the Reagan/Bush campaign was able

to tap discontent among sufficient sectors of the working class and middle classes to enable them to win the 1980, 1984 and 1988 elections.

However, the forces of the evangelical right brought certain baggage with them into the Republican Party. They demanded the appointment of a judiciary more in tune with their demands. The result of this has been attacks on affirmative action, abortion rights, the separation of church and state and democratic rights.

Certain of the specific objectives of the evangelical right met the objectives of U.S. capitalism. The fears they stirred up about "communist aggression" justified more military spending. Attacks against affirmative action coincided with big business demands for less regulation of the economy.

However, the interests of U.S. capitalism now increasingly conflict with the evangelical right. Detente and arms reduction have replaced Reagan's "evil empire" stance. Attacks on abortion rights are now fueling a backlash which threatens the political base of all anti-abortion candidates, who are predominantly—though by no means exclusively—Republicans. They threaten a serious split in the base of the Republican party. A mass movement on abortion would not end there, but would raise all the other issues affecting working class women, such as wages, benefits and child care. A victorious movement around this question would also raise the morale and militancy of the working class on other issues.

Affirmative action has assisted a small section of mainly middle-class blacks. It has provided a camouflage behind which capitalism has reduced the living standards of the black masses in general. However, attacks on affirmative action are seen as giving the green light to increased racist attacks. The more far-sighted representatives of big business are now questioning the value of attacking affirmative action. They fear that such attacks are threatening to detonate a new mass movement of the racially oppressed minorities. Such a mass movement would enormously complicate U.S. foreign policy. It would seriously weaken U.S. armed forces, over 20% of whom are black. It would lead to increased struggles of the working class in general.

Even *Wall Street Journal* editorials, reflecting the views of the profit-crazed finance capitalists, are suggesting that the Supreme Court should give more thought to economic issues rather than to abortion and affirmative action. The contradictions in the alliance, which have resulted in the election of Republican presidents since 1980, are intensifying and threaten to blow the alliance apart.

The evangelical wing of the Republicans is now in conflict with the Party's more urban-based yuppie wing, which has been feeding off the financial speculation of the past years. This yuppie wing opposes any attack on abortion, while supporting the Republicans' economic policies.

When the economic boom comes to an end, or before, the conflicting class forces inside the Republican Party will be driven in opposite directions. As economic issues force themselves to the fore, many of the evangelical supporters will find themselves on the picket line or the unemployment line. They will blame the policies of the Republicans for this. As an indication of the contradictions in the Republican party's base and how this base will be shattered by sharpening class divisions, a striking Bell worker on the picket line in the



summer of 1989 carried a picket sign which said "CWA strike" on one side and "Jesus is the Lord" on the other!

The developing economic crisis is sharpening the class polarization in society. For as long as the boom has lasted, the Republican party has been able to ride out this process and hold its uneasy alliance together. When the boom ends, and possibly before this, it will face a momentous crisis, as the various class pressures explode in its base.

The evangelical right is already in decline. The so-called "moral majority" organization was dismantled in August 1989. Its income fell from \$11.1 million in 1984 to less than \$3 million in 1988. It is splitting into fragments with sections moving in the direction of confrontation on the streets and individual terrorism in the fight against abortion rights.

The economic crisis and increased class polarization will most likely strike the Republican Party sooner than the Democratic Party. As the party in the White House, the Republicans will bear the blame for the crisis. The Democrats will not escape the effects of these processes either. However, the Democratic Party is likely to experience a dramatic success at the polls first, before its base too will be pulled apart by economic crisis and class polarization.

If, as is most likely, the boom ends before 1992, a powerful mood for change will erupt among the working and middle classes. The labor leaders will be terrified by this mood and will step up their efforts to direct the demands of the working class to the Democrats. Because of this, it is likely that the Democrats will hold both houses in Congress and win the presidency in 1992.

As the economic crisis develops, the Democratic Party will begin to tone down their more right-wing rhetoric. They will speak of the need for more attention to be given to the infrastructure and, therefore, more state investment.

New Deal policies will be taken from the shelf and dusted off. In the face of class polarization and rising anger, the party's leadership, even including the extreme right-wing elements such as Sam Nunn and the Democratic Leadership Council, will remember that the Democrats are the "friends of labor" and the party of the New Deal. The need for the government to have an "industrial policy" will also be discovered as the economic downturn gives rise to closures and bankruptcies and as big business pleads with the government to help it deal with its debt.

Cuomo, governor of New York State—who has carried out Reaganite policies of tax cuts for the rich, reductions in social services and increased spending on police and prisons—likes to masquerade as a friend of labor. He refused to run in 1988 because, like Iaccoca, head of Chrysler and another talked-about potential candidate of the party in 1988, he felt that whoever was elected president in 1988 would be saddled with blame for the economic mess. Cuomo is now stepping up his calls for more efforts to improve health care and housing and to tackle the drug crisis. He speaks of more taxes and points to the low rates of tax on the rich. Perhaps as an indication of what is to come, he said: "If you say you are going to tax 12% of the people, the other 88% will be with you."

The game the Democrats play to present themselves as friends of labor and the poor, and to keep the working class tied to capitalist policies, is not difficult to identify. When



*Two prominent black politicians, Ron Brown and David Dinkins, both leading figures of the big-business Democratic Party*

the Republicans want to increase defense spending by \$20 billion a year, the Democrats oppose this and suggest \$19.5 billion instead. When the Republicans want to cut social spending by 10%, the Democrats oppose this and instead they call for a 9.5% cut. They don't oppose filling the bank accounts of the corporations. They don't oppose cutting social spending. The Democrats are loyal servants of the employers. It's just those fractions of percentage points that they quibble about, because without them the reality would be clear: Republicans and Democrats both represent the interests of U.S. capitalism.

As the Democrats' prospect of winning in 1992 becomes more clear, the tendency will be for the contradictions within the party to be temporarily papered over. Big business will keep tight control of the party, while tolerating the demagoguery of Cuomo and others. The labor leaders will demand that union activists and the working class put aside any doubts and just get out and vote to defeat Bush and the Republicans. The Jesse Jackson wing will find that much of Jackson's rhetoric will be stolen by other party leaders. The tendency will be for him and his supporters in the Rainbow Coalition and the rest of the black petit-bourgeois and bourgeois to merge with the party in the struggle for a share of the spoils in a new Democratic administration.

The prospect of winning the presidency will also cut across the recent leakage of some locally-based Democrats to the Republicans. Another factor which prevents this leakage from becoming significant is the power of the Democratic machine in the states, which gives it control over the majority of Congressional seats and state capitals.

However, the greater the success of the Democrats in papering over the contradictions and in winning the presidency, the quicker these contradictions will explode inside the party when it gains power. A Democratic presidency, probably either in 1992—or in 1996 if the boom managed,

against the odds, to last until 1992—would be facing the most severe economic crisis since the 1930s.

As a party of capitalism, the Democratic Party, when it gains power, will continue to reflect the interests of capitalism. It will preside over the worst attack on working class living standards in the post-war period. It will preside over a massive increase in poverty among all working class people, with the racially oppressed minorities suffering even more. Its electoral base and its organizational base will be torn apart as class contradictions explode. As it shatters, the demand for a labor party will begin to take root among broader layers of the working class.

The process of the 1930s, when economic crisis gave rise over a period to a wave of unionization and out of this an increased demand for a labor party, would begin to take shape again. The economic upswing of the late 1930s, which was based on the war and which was then followed by the post war upswing, cut across the rising militancy and radicalization of the working class. It gave the labor leaders a base on which to stand to beat off the demand for a labor party. However, the economic crisis that is developing and which will worsen drastically in the years ahead will not be cut across by war. Any world war now would be a nuclear war.

The Democrats will be in power, therefore, with an insoluble economic crisis, with increasing class polarization and rising class consciousness. This will further polarize the contradictory class forces reflected within the Democratic Party, undermine the party's base, and open the way for the development of a labor party. Such a development would be led by union activists and by the union movement, but it would draw behind it the working class as a whole, the youth, racial minorities and sections of the middle classes.

## Corruption

On top of its extreme economic crisis, U.S. capitalism will find its monopoly over political life ended and its own political organizations convulsed in crisis. The likely tendency would then be for big business to push together its political forces, the Republicans and the Democrats, as it did in the past, when it ran fusion candidates against labor candidates in the earlier decades of this century. It is also possible that events could develop in such a way as to see US capitalism put all its resources behind one of its parties.

A factor in the crisis of both parties of capitalism is the extent to which their representatives are bought by the corporations and the corruption that flows from this. Democrat James Wright, speaker of the House of Representatives, was forced to resign over his lobbying for the S&L industry. A member of the House, Jim Leach, Republican from Iowa, was quoted in the *Wall Street Journal* (1/27/89) as saying "Congress was bought lock, stock and barrel by the S&L industry. It is clear Congress responded by giving them everything they wanted."

On top of this, there is the scandal of top Republicans receiving up to \$300,000 for a couple of phone calls to the Housing and Urban Development agency to secure loans for the fraudulent construction schemes of their friends. Billions of dollars were milked from HUD while the number of



*Neil Bush, son of President George Bush, one of those involved in the plundering of the S&L industry*

homeless increased daily in the streets of the nation's cities and in rural America. At every level, U.S. capitalism and its political representatives are up to their necks in corruption.

U.S. capitalism, therefore, faces the worst economic crisis in its history from a position of political weakness. Only the post-war economic upswing and the refusal of the labor leaders to build a labor party have allowed capitalism the relative political stability of the past. The economic crisis and rising class polarization will open up the contradictions in the capitalist parties and prepare the ground for the working class to build its own political voice.

The increasing class polarization was pointed to recently by Tom Foley, leader of the Democrats in the House of Representatives. He spoke of the "alienation and separation of economic classes in this century." The *Wall Street Journal* also worries about the developing class polarization. Speaking on the prospects for the Bush administration in the issue of 1/5/89, it commented: "Our commitment to the basic values we proclaim is called daily into question by the looming specter of a class-ridden society."

To US capitalism's economic crisis will be added the political crisis. This in turn will cause deeper economic problems: political instability will undermine the confidence of world capitalism in the U.S. and increase concern over U.S. capitalism's ability to repay its debts. Therefore, the dollar will tend to collapse.

As the crisis unfolds, divisions among the ruling class itself will increase. Already, divisions exist over how to deal with Central America, the changes in the stalinist world, and the economic and social crisis in the U.S. A sharp debate continues over the power of the presidency relative to Congress. The decisive elements of finance capital and the "military-industrial complex" want to increase the power of the executive. This is because Congress more than the executive tends to reflect the pressures of the working class for reduced arms spending and an end to the speculative binge.

More than 98% of the members of Congress are re-elected. This is a source of weakness and crisis for U.S. capitalism, as the semi-permanent political caste that develops tends to become a little less sensitive to capitalism's every demand,

and struggles to defend its own privileges and the powers of Congress against the executive. Congress also tends to reflect more the conflicting pressures of the various sections of US capitalism as opposed to the executive, which tends to represent finance capital and the military-industrial complex. The calls for increased protectionism which come mainly from the industrial capitalist sectors find more of an echo in Congress.

Some of the more far-sighted sections of capitalism itself, remembering the crisis of Watergate and Nixon's bonapartist tendencies, are not totally opposed to Congress retaining much of its power, with which it can add some balance to the decisions of the executive branch.

Increased divisions within capitalism, increased crisis of its political parties and a powerful movement for change among the working class, will be the main features of the coming period. This mood for change that is developing will undermine the Republicans and elect the Democrats, only to undermine the Democrats in turn, and open the way for a labor party. The crisis and weakness of U.S. capitalism and the power of the U.S. working class mean that the balance of forces in society will tend even more to the side of the working class in the years ahead.

However, U.S. capitalism will not roll over and die. It will fight back. As a warning of what can develop over the longer term, the election of Ku Klux Klan member Duke to the Louisiana state legislature should be noted. Not that capitalism is taking the road of open racist reaction at this time. It will seek to use the Democrats to head off the working class movement in the future. It will seek to push together the Democrats and the Republicans to head off the building of a labor party. It will seek to win over and rest upon the leaders of the labor party when it is established. But at some stage, probably when faced with the development of mass socialist and Marxist currents in the working class organizations, it will turn to open racist reaction.

The Duke election is a warning of the kinds of tools and ideas it will use. Duke campaigned against high taxes, "hand-outs to welfare recipients", whom he portrayed as black, and called for an end to affirmative action, which he said denied whites equal rights. The echo he received is not unrelated to the fact that the state of Louisiana has 10% unemployment, the highest rate in the nation. Duke will probably be absorbed into the mainstream political forces of capitalism, as was former Ku Klux Klan member Robert Byrd, who went on to become the Democratic leader in the Senate.

Economically and politically, U.S. capitalism is in crisis. In its weakened state, it faces a world balance of forces more unfavorable than at any time in its history. This is not to say it is helpless. It still is and will remain the most powerful capitalist country. The size of its home market and its ability to close its rivals out of its home market are sources of strength in dealing with other capitalist powers. It has built great economic reserves in the past 80 years. In spite of it having becoming the number-one debtor nation, it still has reserves in hand.

U.S. capitalism will use all its accumulated power and wealth to cling to its dominant world position. However, as it fights to do so it will propel forward the class divisions at home

and abroad, weakening its allies and driving the working class in the U.S. and throughout the capitalist world in the direction of revolutionary conclusions. Trotsky explained that while U.S. capitalism remains strong, its contradictions are even stronger. It is in this light that the U.S. working class must clarify its policies and strategy for the coming struggles.

Commentators of big business are increasingly speaking of the political crisis they see developing as the economic crisis forces US capitalism to reduce the living standards of the working class. The big-business magazine *The Atlantic Monthly Review* put it this way: "We must put a large question mark over the capacity of our political system to deal with the nation's economy." The Brookings Institute said: "voter apathy, weak national parties, charges of special interest, manipulation, make the country ripe for a re-grouping of the electoral system."

A commentator in the *Wall Street Journal* spoke recently of the economic crisis in the US and the need for a major reduction in working class living standards in order to provide the resources to deal with the accumulated debt and to increase investment in the crumbling infrastructure and aging industrial plant. It said: "This shift will mean a decline in living standards for future generations, a legacy no previous generation has passed on since the Civil War. The disappointment and potential disruption that could ensue could be a major challenge to our society."

Criticizing the refusal of the big business political parties and media to explain the seriousness of the economic crisis to the US masses, this strategist of US capitalism went on: "To ignore the crisis and to offer only placebos is to hasten an ungovernable tomorrow. Unless there is a sustained and honest public discussion about the dimensions of the crisis, there will be no constituency to deal with this. That means the nation will simply wait for disaster, which will then produce its own mandate." Supporting this general theme, the *Financial Times* of London (1/3/89) explained: "Put simply, there is no constituency for introducing the harsh measures it will take to put the US economy back on track."

What all these commentators of capitalism are saying is that US capitalism can no longer afford to maintain the level of living standards of the US working class, and that when it moves decisively to cut these living standards to what the capitalist economy can afford, it will be confronted by the high expectations and power of the working class. In the course of the battles that will ensue, its ability to keep the working class supporting the big business parties will be ended. US capitalism will be faced with political crisis on top of economic crisis. The working class will move away from the capitalist political parties and create its own independent political organization and voice.

As the crisis develops in American society, capitalism's monopoly of political power will be challenged. Over the next 10 to 15 years, this monopoly will be ended as the working class breaks from the capitalist parties and politics and builds its own political party. This development will have repercussions on the class struggle in every corner of the planet. It will push the balance of forces more in favor of the working class internationally and against the forces of capitalism and stalinism. It will propel the world revolution to new heights.

## The Bush Administration

In spite of its talk about a "kinder, gentler America," the Bush administration is carrying on with the same policies that the Reagan administration pursued. These are to make the rich richer and the working class poorer. This is being done by reducing taxation on the rich (Bush is pushing ahead to reduce capital gains taxes even further), by cutting the wages and benefits of the working class, by keeping the minimum wage below the poverty level, reducing it in real terms, by increasing the intensity of labor in the workplaces, and by hamstringing the unions as they seek to defend living standards or organize new members.

Bush has given his full backing to efforts to bust the unions at Eastern Airlines and Pittston Coal. Social services are also being reduced. Richard Darman, Bush's budget director, has announced that all government departments are to prepare to cut spending by 5% in the 1990 fiscal year.

In an effort to divert attention from this reality, Bush has attempted to whip up chauvinism over the issue of the Supreme Court decision that burning the flag is a legitimate form of protest and, therefore, protected by the Constitution. Abortion rights are also being thrown into the fray in an effort to distract attention from the attack on living standards, even though this is a very explosive issue which is likely to blow up in the hands of the Bush government. Bush has also seized on the issue of drugs, which opinion polls in the U.S. show as being at the top of the list of concerns.

While following in Reagan's footsteps of under-funding drug programs, he has increased the volume of his rhetoric on this issue. The war on drugs is to be stepped up, he claims. Basing himself on wide-spread concern over drugs, Bush is taking the opportunity to try to push through more and more repressive legislation, ostensibly aimed at drug dealers, but which will be used against the labor movement. He is also testing the waters to see if the drugs issue could be used as a cover to accustom the working class to the idea of directly engaging U.S. troops in military operations in Latin America.

His "war against drugs" will fail. The drug epidemic is rooted in the economic and social crisis of U.S. capitalism and the failure of the labor leaders to show a way out. While it will be reduced in scale when the working class and youth move

into the mass struggles that lie ahead, the drug crisis in the U.S. will only be eradicated on the basis of the socialist transformation of society. However, Bush is likely to succeed in using his "war on drugs" to strengthen the police, build more prisons and pass more repressive laws.

The drug crisis is not only rooted in capitalism's inability to produce well-paid jobs for U.S. youth or its inability to overcome the savage alienation of U.S. life. It is also rooted in the failure of capitalism and landlordism to develop the former colonial countries and in the unloading of U.S. capitalism's crisis onto the rest of the capitalist world.

The cocaine trade brings \$60 billion a year to Peru, Bolivia and Colombia together. If it were to end, what would happen to these economies on a capitalist basis? How would they be able to make payments on their debts to U.S. banks? In Colombia, \$150 per acre per year can be made from growing corn, but \$5,000-\$10,000 per acre per year can be made from growing coca, the raw material for cocaine.

U.S. capitalism sabotaged an agreement on coffee trade recently. This action cost Colombia, a grower of coffee, between \$400 million and \$500 million a year. U.S. protectionist measures cost Colombia's sugar-producing sector up to \$100 million a year. Bush's war on drugs looks very sickly when seen against these realities. The drug epidemic in the U.S. and abroad can never be wiped out as long as capitalism and landlordism remain.

The prospects for the Bush government are for it to be a weak and crisis-ridden administration. If the refusal of the labor leaders to take independent political action is excluded, the main reason Bush and the Republicans won the 1988 presidential election was the continuation of the economic boom. As this boom comes to an end and the full magnitude of the economic crisis becomes clear, the Bush administration will be allocated the full blame. Bush's years as Reagan's unquestioning aide will be remembered. The Republican administrations will be blamed for the crisis.

The other factor that assisted the victory of Bush in 1988 was the shift of Reagan from his cold-war stance and arms build up to detente and arms reduction talks. This remains the only aspect of Republican policy that retains majority

support in opinion polls. While it is extremely unlikely—though not totally excluded—that the economy can keep growing throughout the next three years of Bush's presidency, if such a development were to take place, the administration would retain a certain base. Yet, even in this case, the particular nature of this boom would still tend to undermine his regime.

Large sections of the working class would continue to suffer falling living standards as they have so far during the boom. The profits of the rich would be contrasted in the minds of workers to their own falling standards. Even those workers whose income increased would experience speed-ups and more pressure on the job. The general crisis in society would continue to bombard them and their families from all sides.

The drugs, crime and despair would still dog the heels of their youth. The crisis of health and social benefits, lack of child-care and declining standards of education would worsen their quality of life. Increasing pollution, the destruction of the planet and its atmosphere, and the inability of capitalism and stalinism to make any serious progress on reducing nuclear arsenals would pile up in the consciousness of the working class and youth and would tend to undermine the base of the Bush regime.

As this process develops, the particular personal and political characteristics of the Bush administration will become objects of ridicule and hatred in the eyes of the working class. Bush won the election on the basis of the boom and because of the lack of alternative offered by the inept Dukakis' campaign. He is not seen to have had any clear program or to have received any clear mandate. Republican strategist Kenn Phillips stated in the *New York Times* (11/6/88): "George Bush's lack of a mandate is an enormous problem and he will probably be in the White House when the chickens finally come home to roost and the economy falters."

Bush seeks to portray himself as the great American sportsman and friend to all. He gushes optimism at all times as if he belonged to a New Age sect, which believes that if you think hard enough that something good will happen, it will.

When faced with problems to which he feels he must respond more directly, he makes grandiose, empty declarations. He announces he will put Americans on Mars. He declares a war on drugs. He calls a summit on education. Meanwhile, his cabinet is cutting spending and explaining that his declarations cannot be afforded. One commentator in the U.S. media has described the method of Bush as being one of "unfunded rhetoric".

It's like a petty crook who dances in front of a crowd while his accomplices pick the audience's pockets. Such a performance cannot be repeated indefinitely. At some stage the audience will realize what is happening and cut short the dancer's performance. Bush's actions will come to be seen as the desperate efforts of a president who refuses to face up to the problems of society because he is incapable of solving them.

His vice-president's action of buying his way out of service in the Vietnam War will be remembered, too. Quayle combines the arrogance and ignorance that epitomizes the pampered children of the U.S. bourgeoisie. He has recently been heard to compare himself to Napoleon! He is like a rat, picking its way over broken glass in a dirty alley, imagining itself to be Katarina Witt at the Winter Olympics.

There are many explosive issues waiting to blast the

foundations of the Bush government. The mounting rage of the racially oppressed minorities threatens to erupt into a mass movement, reminiscent of the 1950s and 1960s. And the Supreme Court's ruling on abortion, which allows the states to take action to all but outlaw it, can provoke a mass movement with few precedents in U.S. history.

Unable to solve the problems of society and linked directly to the Reagan administration, the Bush regime's base of support will erode. It is most likely that it will be swept from power and replaced by a Democratic administration in the 1992 elections. The Republican leadership will seek to prevent this by whipping up chauvinism and nationalism. It is also possible that direct military intervention in Central America or elsewhere could take place and give a certain temporary base to such sentiments and the government. However, the economy is likely to be decisive. Given that it is unlikely that this boom can be kept going for another three years, probably the Bush/Quayle regime will come to an end in 1992.

Both houses of Congress are in the hands of the Democrats. Ferocious efforts were recently begun by sections of the Republicans to end this control. They are backed by such voices as the *Wall Street Journal*, the unapologetic voice of finance capital, which wants to remove any restraints on the Republican administration that it supports so enthusiastically. It seems unlikely that the Democratic control of Congress will be overcome in the 1990 or 1992 elections. The election rate for incumbent members of Congress who run for re-election is 98%. The financial support of big business tends to flow to incumbents. The difference between Republican and Democrat is even harder to see at state and local level.

The Republican party is wracked with contradictions and divisions. These will be deepened as the abortion issue gains impetus. Recent efforts by the extreme right of the Republican party in Congress, around Gingrich, and backed by the party's national chairman Lee Atwater, to make corruption a major issue and go after all Democratic Congress members, have been toned down by the other wings of the party. There are too many skeletons in the Republican party's own closets. The issue of corruption would be a double-edged sword.

It is a measure of the degeneration of U.S. capitalism and its representatives that Lee Atwater is chairman of the Republican Party. He boasts that while in college he raised money by organizing the showing of hard-core pornographic movies.

Efforts to win the black vote from the Democrats will fail. Atwater was recently forced to resign from the board of predominantly black Howard University. His racist tactics in winning votes for the Republicans were too well known. On top of that, the Republican assault on affirmative action has antagonized the mainly middle-class elements who control the black political machines, which are now part of the Democratic Party machine.

As the economic crisis develops and as the Bush administration gets the blame, this will tend to spill over onto the Republican Party as a whole and weaken it in its effort to win a majority in Congress. Most likely, the Democrats will retain control of Congress and win the Presidency as well in 1992, as the economic downturn develops, as the demand for change gains strength and with the labor leaders refusing to build a labor party.

## Labor's Power and the Crisis of Leadership

As the post war upswing of 1950-73 came to an end with the 1973-75 recession, a number of U.S. employers' organizations merged to form the self-styled Business Roundtable. This body was dominated by the chief executive officers of the major industrial, financial and commercial corporations. Its purpose, as described by the Building Trades' department of the American Federation of Labor/Congress of Industrial Organizations (AFL-CIO), was to "organize the business community around a common anti-labor strategy".

Representing US capitalism, the Business Roundtable was clear in its objective. The working class must be made to pay the cost of the economic crisis that was now unfolding. Its program was concise. Labor law was to be changed to facilitate the cutting of living standards. The Davis-Bacon Act was to be repealed. The National Labor Relations Board (NLRB) and the courts were to be made more favorable to the employers. Industry was to be de-regulated to enable working conditions to be worsened and the biggest corporations to increase further their monopoly positions. Government spending was to be reduced. Cuts in social spending would make available cheaper and more plentiful supplies of labor, and the general cut in government spending would reduce the cost of capital to the corporations as government demands on it would be reduced. The tax system was to be changed so that capital would pay less and labor would pay more.

Democratic Party President Carter met with business leaders in 1977 when he came to office and stated: "Anything that reasonably encroaches on your effectiveness, I hope you'll let my cabinet or myself know; I'll do the best I can to correct it. . . . If you let me have those recommendations, I'll do the best I can to comply with your request". As the *New York Times* (1/29/89) commented "Washington's solicitude to Wall St. should never be underestimated."

The "recommendations" of the business leaders Carter met with were the demands of the Business Roundtable. Carter complied with these recommendations. It is nauseating now to see Carter travelling around with his little set of carpentry

tools helping charity organizations build a house here or there for the homeless. When he was president he did not use his power to solve the crisis. His friends in the "business community" would not have liked such measures, so they were "impractical".

Carter blocked labor's efforts to stop the dual-gate strike-breaking policy in construction. He used the Taft-Hartley Act against the 1978 miners' strike. He cut taxes on capital, deregulated the airline industry and set in motion deregulation in transport and other sectors. He set up the "Management Strike Contingency Force," which prepared the plan that Reagan later used to break PATCO in 1981. When Reagan came to the Presidency in 1981, he continued the program of US capitalism as planned by the Roundtable and begun by Carter.

With successive White House occupants catering to its every need, US capitalism went on the offensive. Wages were foremost among the objectives of the employers attack. The minimum wage was frozen at the 1981 level of \$3.35 per hour. By 1989, its real value had fallen by 36%. It now needs an immediate increase to \$4.56 per hour to be equal to the 1981 level in real terms. In 1958, the minimum wage was equal to 58% of the average wage, in 1981, 46% and in 1987, 37%.

It was not only the minimum wage that fell. Wages in general were reduced. Between 1973 and 1985, real weekly earnings fell by 14.4%. And between 1978 and 1988 real wages fell by 11.7%. Real average weekly pay was \$214.91 in 1979 and \$191.38 in 1989. In 1977 61% of major contracts included cost of living adjustments. By 1989 this was down to 40%.

Another aspect of the attack on wages has been the increase in the proportion of pay which takes the form of bonuses, lump sums or merit pay. In 1983, 10% of contracts had some pay in the form of bonuses or merit pay. By 1987, the figure was 40%, and in 1988, 42%, according to the Labor Department.

A similar proportion, around 40%, of major contracts now also contain lump sum payments instead of all or part of base wage increases. These developments are cutting the basic

wage in real terms and preparing the ground for a major onslaught against wages when the economy goes into a downturn and profits fall.

Between 1978 and 1988, a period including six years of the present boom, the number of Americans in poverty rose by 11.5 million to a total of 34.5 million people or 15% of the population. The so-called middle income strata fell from 55% of the population to 42% (AFL-CIO figures).

The members of the Business Roundtable looked out for themselves and their class while they were cutting workers' incomes. Chief Executive pay rose from 41 times that of a factory worker in 1961 to 93 times by 1988. The proportion of unearned income rose from 10.9% to 16.3% of total income between 1973 and 1985. And between 1979 and 1987 the poorest 20% of the population lost 8% of their purchasing power while the purchasing power of the top 20% rose by 16% (AFL-CIO figures).

The table below shows the decline in the wages of US production workers in US dollars compared with workers in the other main industrial countries. The decline that is evident takes into account the fall of the dollar between 1985 and 1989, which itself is an attack on workers' living standards as it increases prices and cuts the purchasing power of US workers, especially in relation to imports. As wages fell in dollar terms relative to its rivals, US capitalism continued to pile up current and trade deficits. If high wages were the cause of deficits, these deficits should have been falling dramatically over these four years.

#### Average Wages of Production Workers (In U.S. Dollars)

Country	1985	1988
US	12.96	13.62
Japan	6.47	13.80
W. Germany	9.56	20.19
Italy	7.40	14.77
France	7.52	14.03
Britain	6.19	11.06

The attack on wages has been accompanied by the destruction of master agreements and pattern bargaining. From auto to trucking, to meatpacking, to telecommunications, these have been gutted. Employers now insist more and more on company-by-company bargaining. In many cases plant-by-plant bargaining within the same company is demanded. In construction, contractors are even demanding individual project agreements.

The argument of the employers is that the company must be able to compete against non-union companies, foreign imports or even other plants in the same company. The effect of this is that, while the employers' offensive is coordinated and centralized, the resistance of the workers is weakened, as they are broken up into smaller and smaller units, rather than fighting back united.

The assault on wages goes hand in hand with the assault



150,000-strong demonstration during the general strike in Puerto Rico on March 28, 1990. It was called to oppose the threatened privatization of the nationalize telephone system.

on benefits. Health plans have increased deductibles and more and more of their costs have to be paid by workers. Pension funds are being raided or not funded.

It is sometimes asserted by the hired spokespersons of capitalism that while wages and benefits are being cut, tax cuts have more than made up the difference. This is not the case. In 1980, "tax freedom day" was May 1st. This is the day of the year until which workers must work in order to pay all their taxes. In 1988, "tax freedom day" was May 5th. Reagan's tax cuts were mainly for the rich. Wages and benefits have been cut and workers are also paying more taxes.

The offensive against wages and benefits is accompanied by a sustained campaign to break up the patterns of work rules that have been established by union struggles over decades. The objective is simple: wipe out work rules and get one worker to do more than one job. Wipe out work rules and get all workers to work faster—more work for less pay from fewer workers is the aim. One management consultant articulated US capitalism's current demands from its management staffs. "Creative aggression," he termed it. In other words, managements' job is continuously to attack the working class by thinking up new ways to increase its workload, and reduce its wages and benefits.

This speed-up in the plants is accompanied by a decline in safety controls, as government regulations in this field have all but disappeared. The workplace illness and injury rate rose from 7.9 percent in 1987 to 8.3% in 1989. (Bureau of Labor Statistics.) The *Wall Street Journal* reported on 6/16/89 that "Safety and labor officials tie this increase to the effects of merger mania and competition. They contest that workers are becoming victims of smaller work crews, overtime and faster assembly lines. . . . Today's business buzzword for competing successfully is speed." The Executive Director of

the National Safe Workplace Institute (NSWI) in Chicago put it this way: "When hundreds of millions of dollars spent managing a company, including safety and health, now goes to bond-holders, something has to give." U.S. workers are being killed yearly by the lack of safety in the workplaces of American capitalism in numbers equal to the annual American death rate in the Vietnam War. The Occupational Safety and Health Act was enacted 18 years ago. Since then 200,000 workers have died from on-the-job injuries. (J.A. Kinney, Exec. Director, NSWI)

The living standards of the working class are also being cut through unemployment, part-time work and overtime. When demand increases, instead of hiring new workers, employers tend to force workers to work overtime. This cuts the employers' costs, since they avoid paying benefits and pensions for new workers. It is also easier to cut overtime when demand weakens than to lay-off workers.

The official figures show unemployment around 5%, or about 6 million workers. AFL-CIO figures show that 855,000 workers have given up looking for work and don't appear on any register. This is an underestimate, since millions of workers, especially in inner city areas, are not counted on any census.

Almost 120 million workers are now in the paid U.S. workforce. 19 million of these are in part-time jobs. 5.1 million of them are involuntarily part-time, that is they want more work. The real number of unemployed and underemployed is, therefore, 12 million (not 6 million) and around 10% (not 5%). This is after almost seven years of boom. Only 32% of unemployed workers get unemployment compensation (1988 figure), while in 1975 the equivalent figure was 76%.

Part-time workers save the employers vast sums on benefits and pensions. 80% of part-timers are excluded from pension plans. 70% have no health coverage. More than half of those who work 20 hours a week or less have no benefits of any kind.

It is sometimes claimed that cuts in wages and benefits have been compensated for by job security. A survey was done of 1060 contracts signed in 1988. Only 75 of them had any job security clauses, and these were mainly to ease the blow of being laid off. The United Auto Workers (UAW) leadership makes great play of its job security clauses in return for wage cuts and the "jointness" program. In the 1982 recession, 300,000 auto workers were laid off. In 1988, the GM Fiero plant, which had been held up as a showcase of jointness, was closed without the UAW getting advance notice. All three U.S. auto companies have been closing plants and laying off workers in the past months.

## Employers' Offensive

U.S. capitalism has accompanied its offensive with schemes to involve workers in assisting with the speed-up. The so-called jointness programs in auto are one example of this. These set up teams of workers and management, the task of which is to seek the best way to extract more labor for less wages, from fewer workers. The idea is to give workers the illusion that they are involved in decisions of the production process, and at the same time to undermine union structures

in the plants. Problems are to be solved by informal talks with the "brother" or "sister" from management on the workteam, rather than through union representation and grievance procedures. Of course, all decisions on investment and company strategy—such as which plants to close, when to close them, what dividends are to be paid and the salaries of the chief executive officers—are still made behind the closed doors of management. Even in cases of companies needing to attack their workers' living standards so severely that they need union representatives on boards of directors as camouflage, these representatives are out-voted and powerless.

These "jointness" programs, along with merit pay and bonus systems, represent attempts by management to convince workers that the attack on labor is really the beginning of a new world of harmony and shared profits in the workplace. These tactics of management divide worker against worker, as plants compete against other plants to see which has the best profits and which can make the best case to be kept open. Merit pay and bonus systems have a similar effect, because they pull workers into the net of bickering over who should get bonuses and who should not.

Employee Stock Ownership Programs (ESOPs), in which 10 million workers are now involved to some degree or another, are also used by the employers to try to convince workers that the interests of owners and workers are the same. In fact, a company gets tax breaks when it sets up an ESOP, so its profits increase. Many corporations set up ESOPs because they hope that by placing some of their shares in their own workers' hands they will be kept out of the reach of hostile raiders trying to gain control of the company. These various schemes, "jointness" programs, merit and bonus pay and ESOPs represent an illusory carrot which is accompanied with the stick to cut workers' living standards.

The big business media is full of reports of street crime, muggings and robberies. As bad as these are, they are petty compared to the mugging of the working class and the crimes of capitalism in the workplace. The same tactics are used. Terror is common to both. In the case of the mugger, the



*Members of the Teamsters union on strike to defend their wages and benefits*





**Under the mass pressure of workers, President Roosevelt signs the Relief of Unemployment Bill in 1933.**

wallet or purse must be handed over or death or injury will be inflicted on the victim. In the case of the employer, wages, benefits and safety must be reduced or plants will be closed, jobs lost and families thrown into poverty. And just as the mugger mixes threats with promises, so does management. The robber threatens with death while promises that if the victim cooperates, he or she will remain alive and be able to go home. Management threatens with joblessness and promises that if wages and benefits are cut, if workers reduce their life expectancy by working harder in less safe conditions, then they will still be able to go home with a wage (albeit somewhat slimmer than before) and avoid unemployment and homelessness.

In order to make this threat effective the employers' media is constantly reminding all workers who have jobs how bad it is to be homeless and how lucky they are to have a job. A little concession here and there is not too much to give. If everyone is reasonable things will be fine. After all, they could be out of work and homeless.

The power of this threat is not to be underestimated. Even after over six and a half years of boom and with unemployment officially at 5%, 65% of hourly workers do not feel secure in their jobs. And 75% of women in the US feel that homelessness is a real threat in their lifetime. The homeless in the streets are used as part of the employers' overall strategy of forcing workers to make concessions.

Naturally, the working class looks to defend itself against the offensive of big business. One way it has sought to do so is by use of the courts and the legal system. The strategy of big business has taken this into account. It controls the two parties that dominate the country's legislatures and courts. Its accomplices make the laws and issue the rulings and judgments. They are part of the offensive against labor.

The existing laws and the occupants of the legislatures and the courts, while committed to capitalism, were not unaffected by the post war upswing. They also retained traces left over from the 1930s' working class offensive, the black revolt and strike waves of the post war period, when US capitalism was forced to—and could afford to—adopt a more conciliatory

stance in relation to the working class. The Business Roundtable's objective has been to bring these bodies and laws into line with the new requirements of capital.

It has not been difficult for their accomplices and representatives to be re-oriented. After all, the Senate is populated with millionaires and along with the House of Representatives, gets elected with the help of the finances and media of the corporations. A recent study of 935 members of the federal judiciary showed that all but 15 had outside income and 176 were millionaires. This did not take into account their houses and non-investment property.

Trotsky described capitalism's monopoly of political power in the US in this way: "Congress is a docile or disgruntled chorus for the President, who is himself the creature of the electoral machine which is in its turn the political apparatus of the trusts (corporations)."

All the anti-union laws such as Taft-Hartley have remained on the statute books. To these have been added the Racketeering and Corrupt Organizations (RICO) legislation. But the main assault on the legal front has come by the employers pushing the existing agencies from the Supreme Court down to step up their attacks on labor.

The Supreme Court and the National Labor Relations Board have responded to big business demands. Between these and the court system as a whole they have issued ruling after ruling attacking workers' rights and organizations. They have ruled that employers do not have to fire scabs to take back workers after a strike, that corporations do not have to give unions information on their non-union subsidiaries, do not have to negotiate with unions before they sell off or close part of their operations, that union members can withhold that portion of their union dues which is not directly involved in contract negotiations and administration, that workers can be fired for what they may say while they are on strike, that private employers can withhold information from unions about their anti-union activities and that employers can test job applicants for drugs without consulting with the unions.

These are not all the recent anti-labor rulings, but they give an indication of how the legislatures, courts and judges are playing their parts in the employers' offensive against labor. So is the Labor Department. It recently ruled that homework is once again allowed in women's apparel and other sectors with a combined workforce of 500,000.

Even in cases in which the Supreme Court has upheld some labor rights, such as secondary picketing in the airlines and railways, federal judges have been found to issue rulings to the opposite. This is what happened in the Eastern Airlines strike. Even the *Wall Street Journal* noted that that federal judge's ruling, which banned secondary picketing of the railways in the Eastern strike, was against the ruling of the Supreme Court.

A study of NLRB rulings shows how responsive this body has become to the new demands of the employers. Reagan appointed new personnel to run the NLRB when he took office. Since then, the NLRB has ruled against management 55% of the time in unfair labor practice charges. The two previous NLRBs ruled against management 86% and 85% of the time.

In representation cases arising out of union organizing drives, the two previous boards sided with management 36%



*Members of the United Mine Workers of America occupy the Pittston plant in West Virginia during their strike.*

and 44% of the time. The present one sided with management 75% of the time. Along with these attacks, just about every strike is hit with an injunction limiting the numbers on, and location of, the picket line. When union members do not comply they are arrested. When unions do not comply, they are fined. . . .

Over 3,000 union members have been arrested in the Pittston miners' strike. The United Mine Workers' union has been fined over \$20 million. The employers' accomplices in the legislatures and courts are holding the working class down while the bosses go through its pockets.

Efforts to hamstring and weaken existing unions go hand in hand with campaigns of terror, conspiracy and slander to prevent unorganized workers from organizing in unions. 75% of major corporations now hire union-busting companies. A study of 125 of the Fortune 500 companies showed 57% hire private detective agencies to spy on their workers. Workers who seek to organize are fired in greater numbers than at any time in the post-war period.

In 1960, 280,140 workers voted in union representation elections. In that year employers were found to have violated the law by firing 3,110 workers for union activity. This is a ratio of approximately 1 in 100. In 1987, 83,691 workers voted in union elections while employers were found to have illegally fired 16,973 workers for union activity. This is 1 in 5. This represents a substantial increase in bosses' terrorism in the workplaces.

## **Terrorism of Employers**

Every worker knows how common it is in non-union workplaces to hear this word of advice from the workers to the new employee: "Don't talk union or you'll find yourself

out of here fast." The "right" to organize can only be won if workers are prepared to risk losing their jobs. In more and more union workplaces, shop steward positions, which in many cases during the post-war upswing led to being offered promotions, now mean the quickest ways to the dirtiest jobs or to be fired. Given the lack of support from the labor leaders for the shop steward structure, many of the most militant workers are now reluctant to take these positions.

To this terrorism is added the campaign of slander against unions. Mafia and labor unions are seldom mentioned separately in the employers' media. Never mind that the Mafia is a business and employers' organization based on profit. Never mind that corporations are more consistently involved in crime than are unions. The media of the employers use this tactic to scare people away from unions.

A study by a former attorney general found that less than 1% of union locals and elections were in any way influenced by criminal gangs or activities. A *Fortune* magazine study showed 11% of the top corporations were consistently involved in criminal activities.

The legal assault against the Teamsters union was carried out in order to drive home this connection between the Mafia and labor in workers' minds and also to set a precedent for the state to put representatives into unions to oversee and veto certain union activities. On March 13, 1989, a deal between the state and the Teamsters was announced. On March 18, Attorney General Dick Thornburg announced he was abolishing all 24 regional crime strike forces that had been set up supposedly to go after the Mafia. Had the Mafia been busted? Of course not. The Teamsters and all labor had been slandered and a precedent had been set of the state putting in people to oversee the workings of unions. There was no longer any need for the camouflage of the strike forces. The job was done. After all, the Mafia is no threat to US capitalism.

It is a part of US capitalism. It's better to have Mafia influence in the unions than that of socialists or militants.

The employers are attacking the unions in other ways. They are out-sourcing work from union plants to non-union. This decreases the proportion of production carried on in union workplaces and reduces wage and benefit costs. Wages and benefits are on average 37% higher for union workers than non-union.

In 1980, 23% of the workforce was organized in unions. By 1989 this was reduced to 17%. Given the difference in pay and benefits between union and non-union jobs, this represents a huge increase in profits for the employers.

The other major change in big business' attitude to the unions is that increasingly employers are not sitting out a strike and waiting for it to end, but are consciously preparing and attempting to bust strikes. A higher proportion of workers is being categorized as management in order to be used as a strike-breaking force. When the Communications Workers of America (CWA) members at the Bell companies went on strike in 1989, the number of so-called managers was equal to one-third of the total strikers. Strike-breakers are also being organized and bused in under police protection to take the jobs of strikers.

The end of the post-war upswing saw management move from a position of compromise to preparations for the offensive against labor that is now going on. The working class is to be made to pay for the crisis and its organizations

and rights are to be undermined so that its resistance can be overcome. This what is now going on in the US. Labor is presently in a different environment from the 1950-73 period of the post-war upswing.

It is generally thought that the concessions period began with the Chrysler crisis of 1979-80. But the first major concession contract came with the threatened bankruptcy of New York City in the mid- 1970s. Wall Street, the bankers, real estate speculators, landlords and employers had plundered the city to such an extent that it was threatened with bankruptcy. It was bailed out by cutting services to the working class, cutting jobs of city workers and by the city unions putting up their pension funds as collateral for more loans from the same predators who had bankrupted the city in the first place. One result of the bail-out has been that the poverty rate in the city has gone from 17% in 1977 to 25% by 1988.

This concessionary deal was followed by the Chrysler deal. A company driven to bankruptcy by its management and owners was bailed out with the taxes of the working and middle classes. About 50,000 Chrysler workers were fired. After Chrysler came concessionary contracts in the rest of auto. From there they spread to steel, rubber, chemicals, meat packing and transport. Now every employer in the country demands contracts with wages below the rate of inflation and cuts in benefits. Even super-rich corporations which are not threatened with competition from imports or non-union competitors, such as Harvard University, demand real declines



*ILGWU members and other workers demonstrate in solidarity with the striking machinists at Eastern Airlines.*

in living standards from workers.

Big business, organized in the Business Roundtable, began its assault on labor in the construction industries. 80% of construction was union in the early '70s. Now only between 20% and 30% is union. Wages and benefits have fallen accordingly. From there it went into manufacturing and spread into transport, telecommunications and throughout the economy. As the working class was thrown onto the defensive, every employer has stepped up demands for concessions.

This is not to say that every section of the working class suffered falls in living standards over the years of the boom which began in December, 1982. Sections of the working class in certain areas have had some small real increases in living standards or their income has remained stagnant, even though this has tended to come at the cost of increased workloads and worsened safety conditions.

The attack on working class living standards has been stepped up since the stock market crash of October, 1987. This seismic tremor further concentrated the minds of US capitalism on the fragility of the economy and the boom, and the need to intensify their efforts to put the cost of the crisis on the back of the working class.

Major contracts signed in 1988 had first year increases of only 3.5% when wage increases and lump sums were both taken into account. The equivalent figure for the first quarter of 1989 was at 3.2%. The increases were getting smaller, yet world capitalism's response to the crash had resulted in inflation in the US being 4.4% in 1988 and even higher (rising at an annual rate of between 5 and 6%) in the first half of 1989. Real wages are now falling faster than they were before the stock market crash.

The attack on benefits has also been stepped up. Some of the major strikes of 1989, such as the miners and telephone workers, have been over cuts in health benefits. Some of the major industrial corporations, led by auto, are now talking about national health insurance. This would transfer the cost of health plans from the corporations to the taxpayers. This would take place at a time when these corporations and the rich pay less taxes and the working class more. At the same time, the corporate vultures in the health industry would retain ownership of the health industry and continue to make their profits.

This idea of national health insurance is not the same as a national health service, in which the health industry, the hospitals and local clinics are nationalized and centralized in a unified system based on need and not profit. The proposed national health insurance idea keeps health care based on profit but financed by the working and middle classes, not by the employers.

Since the stock market crash the savings and loan crisis has broken out. The bail-out puts over \$200 billion of the \$300 billion needed cost onto the taxpayers' backs over the next 30 years. Similar crises are now emerging in other government agencies, such as the Federal Housing Authority. The cost of the bail-out of this body is not yet clear. But it, too, is being charged to the working class.

Concern has also increased over the mounting indebtedness of the underdeveloped countries, or, to be more accurate, over the prospect of US banks not getting their money back. The Brady Plan, aimed at dealing with this problem, is to

take more from the working class in the advanced capitalist countries, especially the US, to guarantee the banks' debts, or at least a portion of them. This is not going to help workers in the indebted countries. They must eat even less and die younger to keep the banks' profits rising. The increased commitment of workers' taxes is to shore up the banks.

The *New York Times* recently spelled out the objectives of US capitalism as it steps up the offensive against labor: "American manufacturers are talking openly about a new wage goal. They want to greatly narrow the gap between what they pay their factory workers and the earnings of workers in South Korea, Brazil and a handful of other third world countries" (Quoted in UAW magazine *Solidarity*, August 1989). This is the thinking that lies behind the offensive of US capitalism against the working class. This is the challenge facing the labor movement.

## Working-Class Opposition

This onslaught of big business has not gone unanswered by the working class. Time after time since it began, workers have taken action to defend their living standards. New York City was faced with the threat of a general strike when it threatened mass lay-offs in the mid-70s. The magnificent strike of the miners in 1978, which won support throughout all of labor, was the miners' answer to the mine owners attacks. After PATCO (Professional Air Traffic Controllers Organization) was smashed in the early 1980s, up to half a million workers marched in Solidarity Day in Washington. As the economy came out of the 1982 recession, a wave of strikes took place in 1983.

Telecommunications, airline and Greyhound bus workers took action. The Greyhound strike evoked widespread solidarity in the labor movement, with labor councils in some cities calling mass actions in its support. In 1985-86 the number of the workers taking strike action increased once again. And as the boom has stretched on, with unemployment remaining low and profits piling up, 1989 has seen a powerful strike movement. In one week in August 1989, 300,000 workers were on strike. The heroic actions of the miners and Eastern Airline workers who have remained solid and united on strike for more than 6 months has demonstrated that workers are prepared to fight back against the bosses' offensive.<sup>5</sup>

Another factor in the increased strike movement in 1989 was that after the re-election of the Republicans in 1988 to the White House, there was a tendency among organized workers to conclude that there was no way out now on the political front. Therefore, there was a turn toward industrial action.

The strike movement of 1989 has seen workers from most sectors of the economy taking part. Telecommunications workers, hospital workers, airline workers, miners, manufacturing workers, shop workers, railway workers, wood workers, teachers and hotel workers have been on the picket lines. Women workers and men workers, young and old, skilled and unskilled, low-paid and high-paid, white collar and blue collar have been represented in the fight against the employers offensive.

The Eastern Airlines strike shows the unity that is possible

between different layers of workers. Machinists, flight attendants, baggage handlers, cleaners and pilots have walked the picket line together. Some of the pilots on strike are millionaires. Some of the flight attendants have ended up in low-paid jobs. The machinists are among the most skilled workers, yet unity has been forged in the strike.

This labor opposition to the worsening conditions of life has been accompanied by tremendous movements in other areas. Demonstrations of hundreds of thousands have taken place against nuclear arms (in the early '80s), the threat to abortion rights, the failure of the health care system to take care of those suffering from AIDS, homelessness, drugs and the crisis in education. School and college students' strikes have taken place. One of the most powerful movements of the students and one of the few struggles that achieved victory in 1989 was the occupation of the campuses of the City University of New York and a march on City Hall and Wall Street. This forced Governor Cuomo to veto the threatened tuition increases which had provoked the students' actions.

A new development in the 1989 strike movement has been the re-appearance of so-called wildcat strikes. These have taken place in the mines, where 40,000 miners walked out in solidarity with the Pittston strike, and in the rail, trucking, hotel and health sectors. These strikes reflect the increasing anger and frustration felt by union members as the employers offensive continues, even while the economy keeps growing and profits keep increasing.

However, in spite of the willingness of the working class to fight back against the attacks of the employers, the labor movement has been thrown into the defensive over the past fifteen years. Living standards and rights have been reduced, the number of organized workers has declined and the number of strikes has declined. In 1988, the lowest number of strikes took place since records were first kept in 1947.

The decline in the number of strikes does not mean that the working class is not willing to fight to defend its living standards. However, when it is faced with a leadership which has no program or strategy to ensure that strikes are successful, there is a tendency toward caution. A feeling develops of "what is the point of striking when the leadership will not mobilize the necessary forces to win a victory." Instead, it allows strikes to drag on until the workers reach a point where they will accept whatever is offered.

The strike movements referred to earlier, in 1981, 1983, 1985-86, and in 1989 erupted as workers reached points at which they said, "enough is enough." These movements represented heroic efforts by the working class, in spite of the policies of their leadership, to throw back the offensive of the employers. However, in spite of these struggles, big business presses on with its attacks and in general continues to win concessions from the working class.

Most of the strikes that have been held have ended with concessions been made by the workers. Wage increases, where they are won, are usually below the rate of inflation. Even after nearly seven years of boom, many of those workers mainly in the manufacturing sector, who were forced to make the biggest concessions in the 1980-83 period have still not won back what they lost. Where wage rates have gone up to the previous level, the workforce remains much smaller and the speed up on the job continues.

The reason for the labor movement being thrown onto the defensive can not be found in the balance of forces between the classes in society. The working class is potentially the most powerful force in society. Even with only 17% organized the trade union movement can bring US capitalism to a halt. Neither manufacturing, services, agriculture nor government could be run without the agreement of the trade unions. All opinion polls show a majority of Americans favor trade unions and think they help workers. The unorganized could be won to the side of labor and organized into the unions on the basis that union wages and benefits are on average 37% higher than non-union.

The explanation for labor being on the defensive and the successes of the employers attacks so far is to be found in the role played by the leadership of the organizations of the working class, the trade unions. In every strike, in every struggle, the refusal of the labor leaders to mobilize the power of labor and challenge the employers lies at the heart of the set backs. In every strike workers find themselves having to fight the employers, their courts and police, and on top of this the obstacle of their own leadership. The Eastern Airlines' strike confirms this as does the miners' strike at Pittston.

The machinists' union at Eastern, after making many concessions, after trying co-operation with the owners, including putting union representatives on the board of the company, concluded that the aim of management was to bust the union. Strike action was then called. The AFL-CIO leadership verbally supported this decision.

In the lead up to the strike, union leader after union leader said this strike was a make or break struggle for labor. It would have to be won. It could not be another PATCO, they said. Support would be given, they insisted. The strike began and the pilots and flight attendants refused to cross picket lines. The strike was solid. The workers were united. Their willingness to strike and sacrifice could not be doubted. More than six months later they would still be on the line.

What did the union leadership do to win this "make or break" strike? Lane Kirkland, head of the AFL-CIO, pledged all "legal resources" in support. A federal judge in New Jersey ruled that the Supreme Court was wrong and the airline and rail workers could not put on secondary pickets. The labor leaders meekly accepted this and no attempt was made to spread the strike. Management has therefore been able to begin building up a scab workforce and at the same time getting permission from its friendly judges to sell off parts of the airline. It is moving toward its objective of becoming a smaller, non-union airline.

Not only were the labor leaders not prepared to challenge the New Jersey judge's ruling and spread the strike, but even perfectly legal measures to support it were not taken. No mass organizing drive was launched to organize mainly non-union Continental Airlines, which is owned by Texas Air, the same company which owns Eastern. It was allowed to continue to fly unhindered. At one point, without preparation, a strike of the flight attendants was called at Continental. Because of the lack of preparation or any clear strategy, only a few workers responded. These workers were abandoned to their fate and victimized by management.

No attempt was made to get organized workers to refuse to deliver oil, mail, electricity and other supplies to Eastern

and Continental. No attempt was made to link the Eastern struggle to the eight other contracts coming up in the airline industry and take united action for good contracts and union representation for all airline workers.

The result is that in spite of the promises of the trade union leaders, Eastern workers have been left to stand alone. This is not because other workers did not support them, but because the union leaders refused to organize and mobilize this support.

## Labor Leaders' Refusal to Fight Back

In giving verbal support to the Eastern strikers, the AFL-CIO leaders, supported by the union leaders of the striking workers, made Lorenzo, head of Texas Air, the target of the struggle. This was to make clear to capitalism as a whole that support for the Eastern strike was not opposition to concessions on wages and benefits, nor was it opposition to the employers in general or to capitalism. It was just that Lorenzo was a "bad" boss. The union leaders appealed to the rest of the employers to support the struggle to get Lorenzo out and made clear that hundreds of millions of dollars in concessions would be agreed to by the workers.

Kirkland epitomizes the union leadership and its refusal to mobilize workers to fight the employers. At a news conference on February 20, 1989, he was asked by a reporter: "Are you prepared to call a nation-wide airline strike and use the full weight of the AFL-CIO to reverse the concessions and union busting" at Eastern. His reply: "Can we have a serious question?" On another occasion he was asked if there would be a secondary boycott of the airline industry and subsidiary firms. Kirkland replied: "We are seeking the maximum degree of support that is legally possible." To the question if workers should strike in support of the Eastern strike he replied: "The decision to cross a picket line is of course a decision rooted in the conscience of every trade union member".

At another press conference, on February 22, 1989, Kirkland was asked by a reporter: "What is the potential of the Eastern strike if it deals the labor movement another setback, if the machinists strike and Lorenzo breaks the strike?" Kirkland's reply: "If my grandmother had wheels, she'd be a trolley. We'll see."

In spite of elements of idiocy, the comments of Kirkland give an idea of the overall approach of the union leadership. It is prepared to leave strikes dragging on in isolation and let workers lose their jobs and in many cases lose their homes rather than mobilize the power of labor and challenge the bosses' laws.

Their obsessive adherence to the laws of capitalism makes them unique. No other force in the country obeys the law. Corporations change it by bribing legislators and even then they break it if it stands in the way of their interests. The White House ignores it if it stands in the way of its policies. The Iran-Contra affair is only one example. Wall Street is a den of law breaking and swindle. Only the labor leaders adhere to the employers' laws.

The labor leaders refuse to consider that capitalism is a system of crisis. They refuse to face up to the fact that the years of the post war upswing and rising living standards



*AFL-CIO head Lane Kirkland, socializing with President Bush and Polish Solidarity leader Lech Walesa*

were an aberration, that this upswing is now over, that US capitalism is in a new period and that US capitalism now, as dictated by the laws of profit, has no choice but to attack the living standards and rights of the working class. They refuse to see that US capitalism has a unified and conscious strategy to attack the working class and due to the economic crisis it is bound to this strategy.

It is the labor leaders' refusal to see this that leads them to being what Engels called "pacific worshipers of legality at any price". The employers will change the laws in whatever way necessary to try to insure that the working class can not prevent them from reducing workers' living standards. Labor can not win by confining itself to the rulings of the bosses' courts and laws. The only picketing legally allowed is to be that which is ineffective. The only actions that are to be allowed are those that don't stop production. The only rights workers are to be allowed are those that don't stop the bosses' attacks.

The mine workers' strike at Pittston also shows the refusal of the labor leaders to mobilize the working class. Reflecting the union leaders' tendency to rhetoric which is unbacked by effective action, the workers on strike have been issued battle fatigues to wear while on strike. This is a "war," the union leaders claim. But what are the tactics of the union leaders for those miners dressed as soldiers in this war? Peaceful civil disobedience! In this particular case the union leaders tolerate the strikers breaking the law but in such a way as

to confirm the general point that the union leaders are not prepared to organize effective action and mobilize the working class and challenge the employers' offensive.

Union leaders tolerate the striking miners sitting down on the roads leading to the mines. When the police arrest them, they are to go peacefully into the wagons and let themselves be taken to jail. Meanwhile, scabs are being brought in to work in the mine. In September, frustrated by this ineffective approach, the striking miners occupied the mine. Thousands of other trade union members surrounded it to protect the occupation and prevent the police from going in. As soon as this happened the union leaders concentrated all their efforts on talking the strikers into giving up their occupation. As soon as the struggle reached a point where it had the possibility of mobilizing the working class in a mass challenge to the employers, their laws and police, the union leaders undermined the workers' struggle.

To cover up their strategy from the eyes of their members, union leaders arranged to go on a peaceful civil disobedience sit-down and get arrested. Kirkland was one of those who did this. Instead of staying out of jail and calling the AFL-CIO into special emergency session, mobilizing the power of the working class to support all workers on strike and put forward a program and strategy to reverse the concessions of the past years, Kirkland gets himself arrested for an hour and then portrays this as serious support for the strike.

Arranging to get arrested is a way for labor leaders to appear to be giving support to struggles. In fact, it is a cover for their lack of real support. No serious general seeking to defeat an enemy army would arrange to get arrested by the enemy. The workers' preparedness to get arrested shows their courage and willingness to fight. But labor leaders arranging to get themselves arrested, given that they control the resources of the labor movement, shows that they are not prepared to mobilize these resources. They are not prepared to fight.

To the union leaders, anything, even a short arrest, is preferable to mobilizing the power of labor to challenge the attacks of capitalism, its laws and its control over society. Big business, through its media and education system, seeks to de-politicize the working class, to convince it that the class struggle does not exist, and get it to view everything in individual and personal terms. There is a tendency therefore to see the role of the labor leaders as reflecting personal weakness and to think that everything would be fine if only a "good man" or a "good woman" were in the leadership. While not taking a stand on the personal qualities of Kirkland and the labor leaders, it must be noted that the failure of the labor leadership to lead a fightback against the employers' offensive is not a personal question. It flows from their view of society.

During the great labor offensive of 1877 to 1886, the trade union movement established a foothold in US society. Its main base was made up of the craft or skilled workers' unions. The *Wall Street Journal* in its special centennial edition described the background in which the AFL found itself: "Over the years 1865 to 1890 the robber barons (major US monopolies) tamed the continent, established the US as the world's greatest industrial power and sponsored political corruption unmatched before or since." The leaders of the AFL had to decide what their attitude was to be to this rising

giant of US capitalism.

When it was hit by the slump of 1893, which left half the AFL membership unemployed, the leaders of the mainly craft-based AFL made a decision the effect of which is still felt, and which has had a major influence on US and world events throughout the 20th century. The *Wall Street Journal* in its centennial edition carried a list of events of the past 100 years entitled "Events that helped shape the country". For the year 1894, its entry was: "The AFL led by Samuel Gompers votes against adopting socialist reform programs... Gompers believes that US labor should work with capitalism, not against it, and that the AFL's proper concerns are wages and hours and better working conditions."

## Watchdog of Capitalism

This philosophy of US labor under Gompers, whom Trotsky called a "watchdog of capitalism", has remained the dominant philosophy of US labor to this day. It is this which explains the present refusal of the labor leaders to challenge US capitalism's demands for concessions.

As the 20th century began, the AFL saw its role as being to keep the unorganized workers from organizing and to keep industrial unions from developing. With unionization confined mainly to skilled workers and with the union leaders supporting US capitalism, they figured that in this way more crumbs could be won from the employers' table for the AFL's members.

Knowingly or unknowingly, the AFL leaders were basing themselves on Lassalle's iron law of wages which Marx and Engels had refuted decades earlier. This incorrectly stated that the amount available for wages was fixed in capitalist society so any increase in wages would automatically be canceled out by inflation. Marx and Engels showed that working class struggles could increase wages at the expense of profits, that the amount available for wages was not fixed but could be increased at the expense of profits or decreased to the advantage of profits.

The AFL leaders concluded that if the unorganized got organized and won higher wages, there would be less for their members. How wrong they were is shown by the fact that the incomes of skilled workers rose most after unskilled workers were organized in the 1930s and 1940s, as the strength of the working class as a whole increased at the expense of the employers.

The view of the AFL leaders was that capitalism was the only possible system. This has remained the view of the AFL-CIO leaders to this day. The logic of this position gives the explanation for the crisis of the union leadership. If capitalism is the only system, it only stands to reason that when capitalism goes into crisis, as at present, it is the AFL-CIO's job to help it out. If the profits of union companies are hurting relative to non-union, the unions must make concessions. If the profits of union companies are hurting relative to foreign rivals, then concessions must be made. This is the way the labor leaders see it, this is where they inevitably end up because they believe there is no alternative to capitalism, that the working class cannot create a socialist society. The labor leaders are trapped by their acceptance of the logic of the



**Health workers on the march demanding a decent contract**

profit system into accepting the demands of capitalism.

The AFL leadership managed to prevent the unskilled from organizing until the 1930s. The economic crisis that developed then was so severe that the working class overcame the barrier of its own leadership. Industrial unions were formed under the Congress of Industrial Organizations, headed by miners' leader John L. Lewis, who had broken from the AFL. In a mass movement of plant occupations, the working class went on the offensive. Union membership increased explosively. Union membership had been 4 million members in 1920, but fell to 2.6 million by 1933. After the general strikes in Minneapolis and San Francisco and the mass strike in Toledo in 1934, union membership rose to 3.7 million by 1935. After the plant occupations of 1936-37, it rose to 8.3 million by 1938 and to 14.6 million in 1946. When the AFL and the CIO united in 1955, membership was 17 million.

While the policy of keeping the unorganized and unskilled from organizing had been broken, the policy of believing that there was no alternative to capitalism remained. With the mass radicalization and direct involvement of millions of workers in the 1930s, the CIO had taken a half step in the direction of speaking of irreconcilable differences between the classes. However, its unification with the AFL in 1955 was on the basis of the acceptance of the philosophy of Gompers. As Meaney, the new leader of the AFL-CIO, said in 1955, without contradiction from the CIO leaders: "We believe in the American profit system".

During the years of the post war upswing and the crushing dominance of US imperialism over its rivals, the super-profits of the employers made it possible for the membership of the AFL-CIO to win dramatic increases in living standards by waves of strike action. The capitalist system at that time could afford to concede some improvements to the working class.

The situation today is totally different.

US and world capitalism is in crisis. US imperialism no longer has the overwhelming dominance of the world market it had in the 1950s and '60s. The post war upswing and the sustained increases in living standards of that period are over. The *Wall Street Journal*, again in its centennial edition, argued: "It is clear that the golden years of 1946-73, in which America enjoyed a dominant economic position, were an anomaly. In the past decade and a half, the economic ability to provide greater returns to every working American—the ultimate measure of productivity has faltered. And there are some trends, such as the rapid build up in America's foreign debt, that portend even more trouble for the future."

The labor leaders believe that there is no alternative to capitalism. Now that capitalism is in crisis and can no longer afford sustained increases in working class living standards, the labor leaders are in crisis. As Trotsky explained, the crisis of capitalism is the crisis of reformism. This is especially the case for an openly pro-capitalist labor leadership like that in the US.

When an owner of a company comes to the labor leaders and says more profits can be made in Arizona than Michigan, or in Mexico than the US, or more profits can be made by selling off the firm and speculating on Wall Street, the labor leaders have two alternatives. They can reject the employers' right to make decisions based on profit. This would lead very quickly to the working class challenging the employers' right to ownership. This could rapidly develop into a challenge to capitalism as a whole. Or the labor leaders can do as they have been doing since the end of the post war upswing. They assure the employers that they understand the problem and they will help. They accept cuts in workers' living standards to help the employers compete.

When the employer gets one cut, more cuts are demanded. If it were up to the labor leaders alone there would be no end to the concessions as there would be no end to the employers' demands. Business Week recently quoted a steel executive: "I don't think you can get enough money out of the wage cuts in the long term to save the industry". A Ford management spokesperson said: "We could cut labor costs in half and still be uncompetitive."

The pro-capitalist philosophy of the labor leaders paralyzes them in the face of capitalism's offensive. Bieber, head of the United Auto Workers, has said he can deal with any company except one that is not making a profit. In 1980, President McBride of the United Steel Workers of America said when facing demands by the steel industry owners for cuts in jobs and plant closures due to lagging profits: "How can we force a company under our present government and free enterprise system to stay in business when they don't want to?"

The labor leaders are going now to extraordinary lengths to help the employers out of their profit crisis. One local, IBEW 595 in Oakland, California, even went to the extent of assessing its members 3% of gross pay to subsidize wage cuts for unionized employers. Once the premise of the unconditional right of owners to own industry and the sacred right of profit is accepted, it becomes impossible to refuse wage cuts when the economy goes into crisis.

Trotsky, in *The Living Thoughts of Karl Marx*, described



it this way: "Trade unions begin to look like the man who hangs on desperately to the handrail while going down in a rapidly descending escalator." The labor leaders' pro-capitalist approach is what leads them to the present situation in which they embrace "jointness" programs and sacrifice labor conditions and rights to help make companies more profitable. It leads them to attempt to buy out companies, such as the attempt by the Air Line Pilots Association to buy United Airlines. It leads them to hire Wall Street consulting firms to help them buy shares.

The head of the research department of the United Steel Workers put it this way in 1986: "If anyone is going to stabilize this industry (steel) and make something out of it, its going to be the Union." This could be the starting point to real progress if the conclusion was then drawn to nationalize the steel industry under workers' control and management. This is the only way union members could run the industry. Instead, the labor leaders approach is to leave companies in private hands but help the owners run them.

One recent case saw the unions raising funds to buy the majority of shares in one company but then taking only a minority of seats on the board. It would never do to ask for a majority as maybe then they might be accused of being socialists, since this would allow the unions to have decision-making power. The labor leaders in the US react to being accused of being socialist like the vampires in the movies react when a cross is held up in front of them.

The policy of accepting cuts in workers' living standards is continuously disrupted by its own contradictions. The rank and file of the unions do not appreciate having to take cuts in living standards. They seek to fight. This puts pressure on the labor leaders from below. The employers are not content with a small cut here or there. The more they get the more they want. They begin to question the need to accept unions at all.

Under pressure from their own members, the labor leaders therefore combine their cooperation with continual pleading with the employers to be reasonable. They plead with them not to ask too much, as union members would not accept this. They plead with the employers to see reason and go back to the good old days of compromise of the 1950s and 1960s. The union leaders do not understand that the economic crisis makes this impossible.

## Pursuit of Compromise

This pursuit of compromise dominates the labor leaders' strategy. When the resistance of union members forces the union leaders to sanction strike action, they seek to prevent the strike from achieving victory as this would be against their policy of coming to a working arrangement with the employers on the basis of "acceptable" concessions. To mobilize the full power of labor in mass actions to win victory for the Eastern workers, the miners or any other strikers would be to undermine their search for compromise and their goal of cooperation with the capitalists in making US capitalism work.

Even on occasion where in spite of themselves real victories are at hand, the leaders seek to prevent them from taking

place. The AFL-CIO boycott of Coors beer was having a powerful effect. It was called to oppose Coors' illegal tactics in opposing a union drive there. The AFL-CIO called it off when it became effective. They were proving their "good faith," their willingness to compromise. Coors management naturally stepped up its anti-union campaign and the organizing drive was defeated.

The same sabotaging role was played in the Eastern strike. When the striking pilots at Eastern went to their union executive and asked for a national strike of the entire pilots union to support the Eastern battle, Kirkland suddenly found it a priority to go to the pilots' executive meeting and argue against a national strike. What a victory, he would have been thinking: "I stopped the national strike. Now having proved that I am a reasonable man and prepared to compromise, the employers will see sense and ask for smaller concessions that are acceptable to union members." Instead, the employers felt more confident than ever, given that Eastern management was winning. They continued to back Eastern and at the same time stepped up plans to attack workers' living standards even more severely.

The union leaders' determination not to sanction wider industrial action in support of workers on strike leads them into almost unbelievable positions. When the Bell Telephone workers were on strike, union leaders called on telephone users to use non-union competitors of Bell. This was not linked to any campaign to organize the workers in these companies.

They have also adopted the idea of the boycott of goods of companies that they consider anti-union or which are engaged in lock-outs or strikes with unions. This leads to them asking travelers not to fly Trans World Airlines while union members are keeping it in the air.

Boycotts of companies can be helpful secondary forms of struggle. But they will not be supported if at the same time the unions' members are still working in these companies and no effort is made to strike them. Boycotts in the hands of the union leaders at present are being used to cover up their refusal to take effective strike action. Union leaders try to appear militant by giving out a few flyers to ask customers not to patronize a particular company. But at the same time they use their positions to stop these companies from being struck.

The leaders' pro-capitalist philosophy and the concessions that flow from this paralyzes the unions' organizing drives. The UAW attempt to organize Nissan was defeated because Nissan workers saw the lay offs, speed-ups and wage cuts the UAW had accepted at Ford, GM and Chrysler. Nissan had up to then carried out a no lay-offs policy and was paying only slightly lower wages than the Big 3. Two-thirds of Nissan workers could see no benefit in unionizing, given the leaders' concession policies.

The union leaders' policy also leads workers to doubt the value of maintaining existing unions. A worker at a Cyprus Minerals mine in Miami, Arizona, where the workers had voted to decertify the union, explained the reason he'd voted for decertification: "You get tired of the union making promises and promises and we never get anything."

The union leaders' acceptance of capitalism, denial of the class nature of society and their search for cooperation with the employers, evokes opposition from the union membership.

This throws the union leadership into crisis. It results in these leaders tending to view the unions as businesses and to seek to reduce democratic rights and rank and file involvement in the unions.

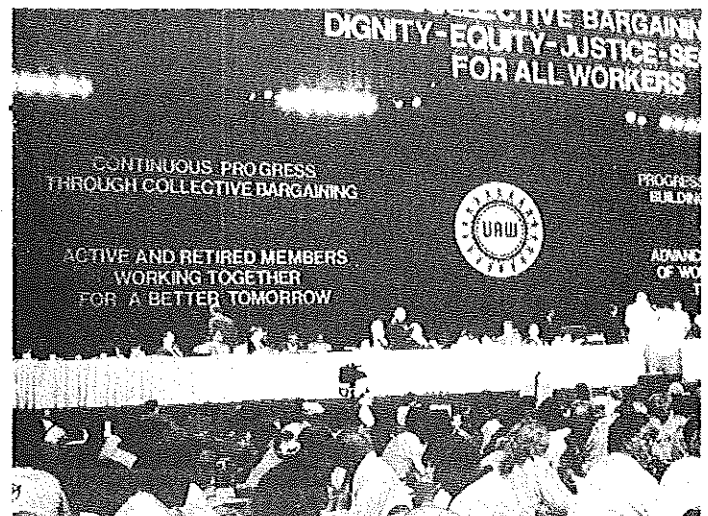
John L. Lewis stated: "Trade unionism is a phenomenon of capitalism quite similar to the corporation. One is essentially a pooling of labor for the purpose of common action in production and rules. The other is a pooling of capital for exactly the same purpose. The economic aims of both are identical—gain." Lewis leaves out the crucial detail that employers can only achieve their aims by cutting workers' living standards, while the aim of workers is to increase their living standards. The "identical aims" spoken of by Lewis means irreconcilable struggle between the classes.

Teamster president Dave Beck said in the 1950s: "Unions are big business. Why should truck drivers and bottle washers be allowed to make big decisions affecting union policy? Would any corporation allow it?" This view of the unions as businesses, and along with it the attempt to curtail democratic rights of union members, flows from the union leaders' view of capitalism as being the only possible system, and the need, as they see it, to keep workers under control and get them to accept the needs of capitalism. William Sidell, former president of the Carpenters Union, once wrote that the union should be run like a big business corporation, with the policies set at the top and the orders handed down to the members.

This explains the union leaders' unease whenever a powerful shop steward movement threatens to develop. The shop steward structure is closer to the rank and file and reflects much more its interests and demands. It tends to get in the way of compromises between the union leaders and the employers. The great offensive of labor in the 1930s resulted in a powerful shop steward movement developing, especially in auto. Initially there was one shop steward for every member of management. By the mid-1940s this ratio had been dramatically reduced, with one shop steward facing several supervisors. The tendency is at present for union leaders to sacrifice the shop steward movement, or prevent its development, as part of their efforts to come to a compromise with the employers on the basis of "acceptable" levels of concessions.

At every opportunity the labor leaders seek to prove their loyalty to capitalism. On every occasion they meet with government representatives, they insist that the interests of the unions and the government are the same. Labor leaders openly cooperate through such bodies as the National Endowment for Democracy and the American Institute for Free Labor Development in pushing through pro-US capitalist policies in the labor movement internationally. They sit on these bodies with the heads of US corporations such as ITT, Exxon and IBM, the very same corporations that are attacking labor in the US.

Elizabeth Dole, former Reagan cabinet member, who pushed through deregulation in transport and who presently is Labor Secretary in the Bush administration, attended an AFL-CIO function in February 1989. This is the person who is leading the attack on labor on behalf of big business at cabinet level. Kirkland prostrated himself before her with these words: "I have a high regard for Secretary Dole. I count her as a personal friend." He said after her speech: "A



*United Auto Workers conference*

considerable atmosphere of niceness has been created. Her motives are sound, her objectives laudable." Dole responded to him: "We are partners." Kirkland, who counts also as "friends" Alan Greenspan, head of the Federal Reserve Board, and extreme right wing journalist George Will, is described in the big business press as an "intellectual".

These "friendships" and plaudits in the bosses' press are to insure that he does not stray from the path of concessions and pro-capitalist philosophy. Meanwhile, the employers seek to extract every concession they can, defeat every organizing drive and decertify any union they can. Kirkland's talk of "common aims" and of "friendship" are to no avail.

While this general analysis applies to the union leadership as a whole, not all unions or union leaders are identical. The mass involvement of the auto workers in building the UAW in the 1930s resulted in that union tending to have more democratic traditions than other unions. The UAW leadership, reflecting this past, has tended to speak in a more militant tone than many other union leaders. The UAW pulled out of the AFL-CIO when Meany was leader of that body.

As the employers went onto the offensive against the unions in the mid-1970s, the UAW leaders initially responded with verbal statements of some militancy. UAW leader Frazer stated in 1978: "I believe leaders of the business community, with few exceptions, have chosen to wage a one-sided class war in this country." In 1979, the UAW formed what it called the "Progressive Alliance" to "organize inside and outside the political parties". Frazer stated that the "Republican Party remains controlled by, and the Democratic Party is heavily influenced by business interests".

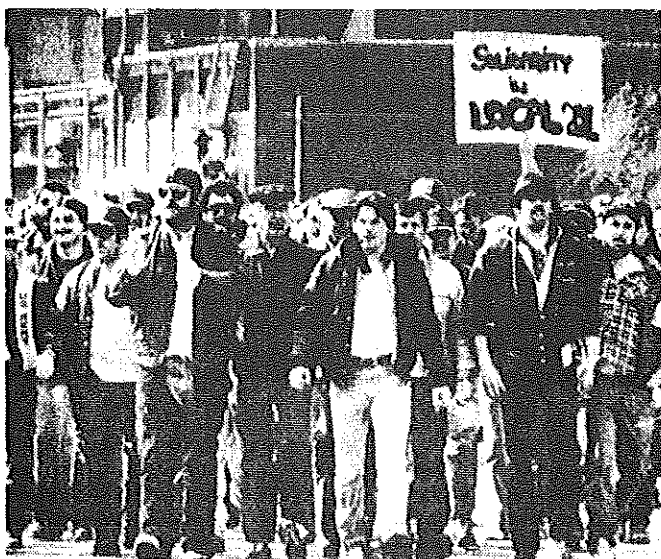
The UAW leaders were then confronted with the Chrysler crisis. They had two choices. One was to go along with the demand for concessions in order to get government aid and new bank loans. The other was to reject the demands of capitalism, call for the nationalization of Chrysler under democratic workers control and management, and mobilize the UAW and the working class as a whole to support this struggle. This would have involved an outright conflict with the employers and with the Democratic Party, as this party would have totally opposed such an approach. It would have

pushed the UAW in the direction of a labor party.

The UAW leaders capitulated to the demands of capitalism. They accepted wage and job cuts. They abandoned the Progressive Alliance and "class war". They supported the Democrats in elections. They accepted concessions in auto and now are leading the union down the path of collaboration on the shop floor. Talk of class war in 1978 was replaced in 1980 by this statement from UAW vice president Dan Ephlin: "We know how to strike, how to fight, how to bargain. We don't have to prove these things as much any more. What we have to prove is that we can solve problems."

While some difference exists between the union leaders over how enthusiastically they support capitalism, when faced with crisis, the less right wing union leaders also capitulate to the demands of the employers. The reason is that they as much as the more right wing leaders believe that there is no alternative to capitalism. They believe that to mobilize the working class would therefore lead to chaos, as the workers, feeling their power, would demand changes for the better in their lives. If there is no alternative to capitalism, chaos would result. In the end the workers would have to go back and accept the capitalists' demands for concessions. Along with this, mobilizing the working class would entail the mass involvement of the membership, increased democracy in the unions, and therefore increased pressure on the union leaders' control of the movement.

By looking at the attitude of the union leaders over the past 15 years of concessions, it could be imagined that all that lies ahead are more setbacks for labor. This would be a totally incorrect view. It would leave out entirely the independent movement of the working class that is being prepared beneath the surface of society by the employers' offensive. Engels, writing about the US labor movement, explained that "every further step must be forced on it by a setback". This remains true today. The reasons for this are the false policies of the labor leadership. They do not explain the crisis of capitalism. Instead of keeping labor at a state of readiness to defend itself and fight to end capitalism, they lull it to sleep with illusions of compromise and common



*Electrical workers (IUE) walk off the job to prevent attempts by General Electric to bust their union.*

interests between capital and labor. As a result, the offensives of the employers inevitably catch the working class unprepared. Setbacks are then experienced. But out of these the movement rouses itself, draws conclusions and goes onto the offensive. Given the overall balance of forces in society over the past century, the movement tends to gain new ground.

## Set-Backs and Offensives

This historical perspective allows the forces of Marxism to keep their bearings in the present period. However, a historical perspective is like any other phenomenon: it can be used in a positive or in a negative way. Kirkland has recently resorted to a historical justification for his inactivity. Labor went through difficult periods before, he explains, and it has always recovered. But Kirkland is using a historical view here not to learn the lessons and take forward the struggle of labor, but to justify his own refusal to lead an offensive against the employers. He is hiding behind the historical process, using it to explain his passivity. As the leader of the AFL-CIO, his task is to lead the fightback and not to justify the set backs.

Every great offensive of the US working class (1877 to 1886, mid-1890s to early 1900s, 1919, 1934-47) was forced by a set back. This was due to the labor leaders' capitulation to the employers' offensives and demands. However, as the attacks of the employers increased, the working class drew the conclusion that something would have to be done. At a certain stage, it could no longer afford to take more concessions. It found itself with its back to the wall. It gathered its resources, overcame the obstacle of its own leadership and drove the employers back in magnificent offensives. This is what is being prepared in the US at the present time.

The Teamsters' rejoining the AFL-CIO along with some rail unions, the International Longshore Workers' Union (ILWU), and now the United Mine Workers' request to rejoin show that the union movement is being pushed together by the employers offensive. This is another sign of the movement preparing itself to struggle.

The signs of the rising anger and desire to fight back are many. When Jesse Jackson ran for the presidential nomination of the big business Democratic Party, he began to criticize the policies of Reagan as resulting in the rich getting richer and the poor poorer. He won 7 million votes, winning primaries from Maine to Alaska, Alabama to Michigan. In the November elections, voters voted to cut insurance premiums by 20% in California, to increase the minimum wage in Washington state, and to maintain the prevailing wage laws in Massachusetts. In the last weeks of the campaign, when Dukakis began to repeat some of Jackson's rhetoric about the rich and the poor, his support began to increase. The mood to fight back is clearly rising in society.

The strike wave of 1989 is another sign of this. Workers are saying that they have had enough. After nearly 7 years of boom and rising profits, they are still facing cuts. They are increasingly determined to act to halt the bosses' offensive. The 1989 strike movement, when half a million workers have taken action, confirms that the US working class will not accept the drastic cuts in living standards which capitalism

has in mind for it.

An idea of the severity of the attacks that are coming can be gained by examining the amount of debt that US capitalism has piled up over the past years. By accumulating debt it has postponed the worst attacks for a time. But the longer these are postponed the more severe they will eventually be. The *New York Times* (9/18/89) conducted a series of interviews on the current account deficit. In these, a member of the Sloan School of Management of MIT had this to say: "Between 1982 and now we have consumed \$800 billion in products we have not yet paid for and did not produce. In addition, stock dividends that come from owning companies like Firestone and RJR Nabisco now go to Japan and to Europe. In the future, the standard of living will be lower than it would have been had we not been living beyond our means."

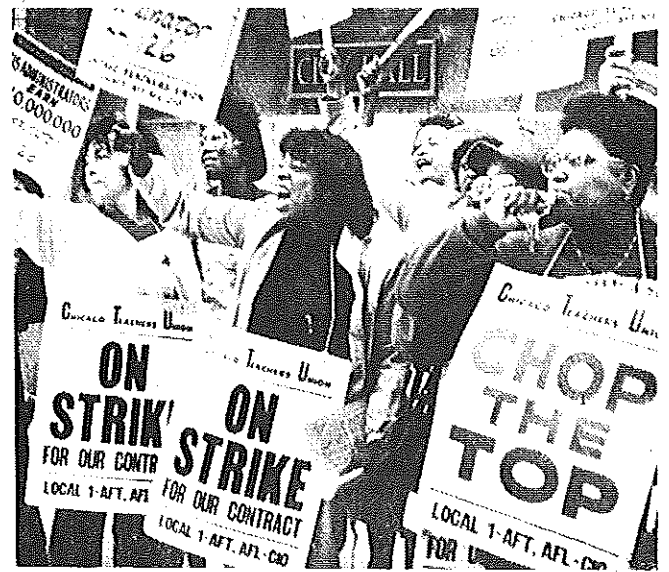
The *Atlantic Monthly*, in an article on the crisis of the US economy, had this to say: "In every previous decade the US consumed slightly less than 90% of production. Since 1980, it has consumed 325%. The extra 235% being reflected in unprecedented per worker debt and decline in per worker investment." This article also pointed to what it claimed is "\$10 trillion in unfunded liabilities in Social Security, medicare, federal pensions, etc."

As its creditors dry up, US capitalism will seek to deal with its unprecedented debt by an onslaught on living standards. Pat Choate, vice president for policy analysis at TRW Inc. put a figure on the cut in living standards US capitalism has in mind for the working class: "Altogether to get back on track, consumption will have to come down by as much as 10% a year for each American family for decades to come." Cuts of living standards of these magnitudes compare only to the attacks on living standards between 1929-33 when wages were cut by up to 50% and unemployment rose from 3.2% in 1929 to 24.9% in 1933.

US labor, as it has done in the past, will put up the most determined resistance to such attacks. In the course of its struggles it will extend and develop its organizations. It will push its leadership to take action. In the movement that lies ahead it will break with the capitalist politicians and build a labor party. The US working class will not give up what it has won in struggle without the most fierce resistance. However, the timing and the tempo of this coming labor offensive is not clear. There are a number of possibilities.

The policies of the labor leaders have resulted in most of the strikes in 1989 ending with wage settlements below the cost of living and concessions on benefits and work rules. Unless the rank and file of the unions at Eastern and Pittston can take these strikes into their own hands and break with the policies of the leaders, the most likely outcome of these strikes will be defeat. The result of this can be a tailing off in strikes as 1989 ends.

This perspective has to be conditional. The stored up anger beneath the surface can erupt, lead to a widespread movement of support and inspire the working class movement as a whole to move onto the offensive. However, the failure of the labor leaders has prevented major victories in the 1989 strike movement so far. The mood of the working class has not been changed into one in which it could see a series of major victories and could then see its chance, receive a boost to



*Teachers have been on the picket lines to defend wages and conditions.*

its confidence and as a result move onto a generalized offensive.

The present policy of the labor leaders is that when they are forced to sanction strike action the workers who strike are left isolated. In many recent cases, as the employers have taken a more hard-line position, workers have been left out on strike for months. The leaders then negotiate a concession deal, sometimes worse than, or maybe just a fraction better than, the original, rejected offer. The leaders advocate a return to work on this basis.

In such a situation, it is entirely possible that a bitter, angry mood can temporarily develop among some sections of workers against unions. For a time de-certifications could even increase. This would not be an even process. At the same time other sections of unorganized workers would be moving into the unions.

Not all strikes ended in set-backs in 1989. The Los Angeles teachers' strike, involving 20,000 teachers, won increases above the inflation rate and some decision-making powers in the running of the schools. College students in New York, by occupying campuses, marching on Wall Street and City Hall and uniting with workers in the colleges, also won. Hospital workers in New York City won increases above the cost of living. These struggles were in education and health, areas in which the employers feel weak, given the popular belief that successive governments and big business have run these sectors into the ground, that major improvements must now be made, and that workers in these sectors must be given decent pay. Teachers and nursing staff are also in short supply.

The militant tactics of the students in New York, the occupations in particular, threatened to spread to other students and workers. Governor Cuomo said he had to settle the occupations or everyone else with a grievance would try to settle it the same way.

The employers conceded in these struggles in order to come back at a later stage. Their retreat showed they realize the potential for a generalized offensive of the working class. It showed that the employers are capable of flexibility. Temporary and partial retreats are possible in the course of their overall offensive. It also showed that victories can be

won by labor and youth even in this period of crisis. What the crisis means is not that workers cannot win victories but that gains can not be permanently guaranteed unless the struggle is extended to one of ending capitalism and establishing a socialist society.

The tempo of the struggle of the working class will be greatly affected by how long the boom lasts. If it continues throughout 1990, it is possible there will be an even greater strike movement than in 1989. With unemployment remaining low and the economy growing, workers would be even more determined to get their share. The auto contracts are up in 1990. The failure of the UAW leadership to organize Nissan has resulted in Ford, GM and Chrysler now saying that even more concessions are needed, as with Nissan still unorganized they are at an even greater competitive disadvantage. The UAW leadership, in order to calm the rising criticism of the "jointness" program, had to make verbal concessions at the 1989 conference.

To get the support of the delegates, who still support the "jointness" policy for the time being but have increasing doubts about it, Beiber said the jointness policy was abused: "The power of persuasion would be ended and replaced with the persuasion of power". The UAW leaders will be under great pressure, given these statements and their defeat at Nissan, to gain improvements in the 1990 contracts. Union members are aware that the Big Three made \$52 billion in profits from 1982 to 1988. If the boom continues and unemployment stays low, there are likely to be battles in auto.

Internationally, there have begun to emerge rank and file opposition movements in the absence of leadership from the official trade union leaders. In Italy, unofficial committees of workers sprang up in the factories and organized a series of strikes. These were called COBAS. In the London Underground rail system a committee of workers came into existence. Its membership was not known even to most railway workers, yet through publishing leaflets and getting them distributed, it was able to call a series of strikes.

Developing opposition to the union leaders' policies, like all processes, will be uneven and complex. Union leaders still retain a powerful base within the working class. The post war upswing allowed for a dramatic increase in the living standards of US workers. This created illusions among workers in US capitalism. The increase in living standards also has resulted in illusions in the methods of the union leaders, as it was under their leadership that this increase was won.

Workers will not turn away from their union leaders and reject their policies easily. Again and again the working class will turn to their unions to seek a way out. As they do so they will learn by experience the inadequacy of the leaders' pro-capitalist policies. This will be a drawn out and complex process. In the course of it the labor leaders will draw on the credit they have built up over the decades of the post war upswing.

## Effects of the End of Boom

This process will be uneven in another sense. As some of the more advanced workers see through the leaders' policies and start moving to revolutionary conclusions, other sections



*Job security will be at the forefront of workers' minds when the boom ends.*

of the working class will be joining unions for the first time. Initially this section will have enormous illusions in the labor leadership. This will especially be the case given that sections of that leadership will be pushed to a more militant position by events. A similar process to that seen in the case of John L. Lewis will envelop many union leaders in the future.

Another feature of the developing consciousness of the US working class which will insure that the process will be very rich and contradictory will be regional differences. Different economic conditions can exist for a time in different regions of the country. Different moods can exist for a time in different sections of the working class movement. This does not negate the general processes that are unfolding but rather ensures that these will be uneven and complex.

The increasing problem of federal, state and city deficits will be a source of struggles as cuts in jobs and services are threatened. In Elizabeth, New Jersey, police and firefighters threatened with lay-offs struck and blockaded the town center. They threatened with guns trucks attempting to break through, and they surrounded the mayor's house. State troopers had to be called in to protect the mayor. Battles of this kind will tend to increase and could turn the movement around.

However, if the boom ends in the early part of 1990, in fact, whenever the boom ends, the tendency will be for its end temporarily to cut across the strike movement. As unemployment rises from 5% to 10% and more, workers still at work, given the role of the union leaders, will tend to become cautious about taking strike action, out of fear of losing their jobs. If the economic downturn takes the form of a very deep slump or a depression, the working class could be stunned for a period.

In such a situation, it could take the beginnings of a new economic boom or boomlet to revive the confidence and combativity of workers still at work. The 1929-33 depression stunned the working class, and it only began to move into action in 1933-34, as signs of an upturn began in the economy. The 1973-75 recession cut across the strike movement of the late '60s and early '70s. It took the boom of 1983, following the recession of 1982, to spark a new strike movement.

Any decline in struggles resulting from the economic

downturn would not be likely to last more than 1 to 2 years or so and would give way to a new and more determined wave of struggles. Any such decline in struggles would only be partial. Less experienced sections of the working class, not thinking through the issues so thoroughly, would be more inclined to jump into struggle. Youth and racially oppressed minorities would be likely to fight, given the nightmare conditions the downturn would bring to them. The unemployed would be likely to take action. Other struggles on such issues as abortion rights, the environment, education and housing would be likely to continue and even intensify.

There could be a period of confusion as the better organized workers still in jobs could be holding back, while other sections of the working class, youth, the unemployed, and sections of the racially oppressed minorities could be moving into action. This could open up some temporary tensions and divisions among the working class, which would then give way to much stronger unity as the heavy battalions of the working class begin to move into action as the economy picks up.

The end of a boom does not automatically bring a downturn in struggles. If an economic downturn was preceded by a massive offensive of labor, during which labor began to draw revolutionary conclusions, then an economic downturn could pour fuel on workers' struggles, raising them to even greater heights. However, it is unlikely, given the labor leadership in the US at present, that such a situation can develop before the boom ends.

However, while the ending of the boom is likely to cut across industrial struggles for a time, it will at the same time have a powerful effect on the political consciousness of workers. The hope that many workers cling to that perhaps everything will work out somehow, and the feeling that they have no need to take political action or even concern themselves with trying to figure out an alternative, will be undermined. The search for some way out of the crisis will lead to a weakening of the present skepticism that fundamental political and economic change is possible.

This development can initially drive some of the more advanced workers to see more clearly the need to work to build a labor party. In this situation, the call from the forces of genuine Marxism for such a party can gain a much increased response. However, the role of the labor leaders will be to direct the mood of opposition to the Republicans in the direction of the Democrats in 1992.

The powerful sentiment to get the Republicans out will probably subsume the mood of the more advanced workers for a labor party as 1992 draws closer. But this would be only temporary. With the election of the Democrats against a background of economic crisis, the mood for a labor party would emerge much stronger at a later stage. In those circumstances, that new movement toward a labor party would be the beginning of a process which would be carried through to a successful conclusion in the following period.

While such a longer term view of the developing consciousness of the working class is essential, the set backs that the movement has experienced over the past 10 years must not blind the forces of genuine Marxism to changes in the consciousness of US workers that have already taken place and which are going on every day. Trotsky spoke of the

"molecular processes" which take place in consciousness.

The attacks on workers' living standards are taking place along with the exploding crises of drugs, crime and corruption. The lives of working class families are becoming almost unbearable at the same time as the greed of the rich is flaunted in their faces at very turn. The planet is being destroyed while the corporations and their politicians and media which are responsible for this submerge of the working class in a tidal wave of lies in an effort to deny responsibility.

Every month when the rent or mortgage comes due, it is a crisis. Every day when the children come home safe it is a relief for another few hours. Every shift at work becomes more unbearable with management harassment stepped up in the drive for speed.

Then the family car breaks down and the savings for vacation are wiped out. Then someone in the family becomes ill and the rest of the savings are wiped out because the employer just cut the health benefits. And every day the pent up rage eats into the mothers and fathers of working class youth as they have to watch them go out into the world with only dead-end, poverty-wage jobs to look forward to.

Every day, US capitalism is eating at the nervous system of the [working class. Every day, anger, discontent and bitterness are building in the consciousness of the working class. With every further blow US capitalism stokes these fires and prepares the ground for the great class explosions that lie ahead. Every strike that ends with a set back or defeat increases the anger of the working class and brings closer the day when it will leap onto the offensive and drive US capitalism onto the defensive. The forces of genuine Marxism must recognize these molecular processes which are taking place in the consciousness of the working class.

## Opposition in Unions

The tendency of the working class to resist both the bosses' demands for and the union leaders' acceptance of concessions, is putting increased pressure on the union leaders, straining their concessionary strategy. The "New Directions" movement



*Clerical workers celebrate union victory at Harvard.*

in the UAW is a sign of rising opposition. In the Teamsters, the opposition grouping, "Teamsters for a Democratic Union" is gaining strength. In the United Food and Commercial Workers Union (UFCW), a former leader of the union, Lewie Anderson, was fired from his position in the leadership of the meatpacking division because he opposed the continuing, deep concessions the union leadership was agreeing to. There have been divisions within the Communications Workers of America (CWA) over the Bell contracts, with some regions rejecting settlements agreed to by the negotiators.

In the AFL-CIO leadership itself, the beginnings of divisions can be observed. Increased criticism of Kirkland is being whispered: by such figures as Bahr, head of the CWA. The AFL-CIO announced a "Jobs With Justice" campaign, supposedly to mobilize workers to assist others in struggle. This was given no funds or resources. Kirkland pushed the media campaign called "Union Yes" instead. This emphasized that unions help workers take home "more than a paycheck." The emphasis was on "pride, hope and dignity". By confining the campaign to the media and by de-emphasizing wages, it fit into the leadership's concessionary strategy. It is a sign of the crisis of the leadership of the AFL-CIO that its paper, the *AFL-CIO News*, has been reduced from a weekly to a bi-weekly. This is at a time of increased attacks on labor, when it should be going daily.

As the employers' demands for concessions are confronted by the membership of the unions, divisions within the leadership will tend to increase. A powerful opposition to the concessions strategy will build. At some stage sections of the union leadership will seek to put themselves at the head of this fightback. A process similar to that which took place when J.L. Lewis moved to lead the CIO in the 1930s will develop.

Such leaders, when they move, will evoke tremendous support among the working class, just as Lewis did. Some of these leaders, by putting their resources into organizing the unorganized, will play a very important role in strengthening the movement up to a point. But lacking any theoretical base and seeking no alternative to capitalism, in the last analysis they will, like Lewis did, stand as an obstacle to the working class breaking with capitalism, which is the only way its living standards, organizations and rights can be secured.

Through a process of increased struggles with the employers and increased struggles within the unions, splits at the tops of the unions will increase and a more fighting leadership will emerge. The movement as a whole will go from the defensive onto the offensive. The present, extreme right wing leadership will tend to be replaced by a more combative leadership of a reformist character.

Care must be taken in the approach to this new leadership. While representing a step forward, it will continue to operate within the confines of capitalism. Therefore, it will end up putting limits on workers' struggles. Tucker, one of the leaders of the UAW opposition "New Directions", was until recently an accepted part of the union leadership. Under pressure from below, he now leads this movement. However, he does not call for a break from capitalism or the ending of the private ownership of the auto industry. He says: "There are real differences between labor and management. This does not

mean confrontation and constant adversarialism. It means cooperation is an option when the parties are willing to make it work both ways." His program is for wage raises, not lump sums, a shorter work week, a reduction in overtime, the end of out-sourcing, COLAs on pensions, portable pensions and seniority to be respected. These are all laudable demands. But Tucker, like the wing of the union leadership he fights, accepts the right of the owners of the auto industry to continue to own it. He does not see that capitalism is in crisis and that from its point of view cannot afford these demands over a sustained period. Fraser made some militant statements in 1979, but capitulated when faced with the Chrysler crisis.

Some of these emerging leaders, such as Dennis Rivera, new head of I199 in New York, seek to meet the crisis in another way: "I want people to believe that the union can meet every need from cradle to grave. We can build housing for ourselves and deal with every social need." But union members' problems cannot be solved unless the economic crisis is tackled. This means united action of the working class as a whole, both industrially and politically, to challenge capitalist ownership of the economy and to replace the parties and governments of capitalism with those of the working class. Action to deal with these problems cannot be successful if it is confined within one union. The working class as a whole must act politically to end capitalism.

The contradictions that are intensifying and the rising pressures from the working class to fight back are also reflected in increased talk recently of the need for a one-day general strike. The New Jersey Industrial Union Council, the Lorain County Labor Council in Ohio, Jan Pierce, a leader of the CWA, and George Leitz, leader of the Transport Workers Union (TWU), have been among the voices in the movement to raise this demand. It shows the direction that the struggle will take at a certain stage in the years ahead. Without a labor party, the working class can move in this direction more quickly than if they could see an immediate political way forward. It is unlikely that sufficient pressure will build from below to force such a step on the union leadership in the immediate period ahead, but the fact that the issue has been raised is an indication of the rising anger and desire to struggle that is developing. City and country-wide partial and general strikes are entirely possible in the next period as the crises of state and city budgets worsens. The partial general strikes and general strikes that have taken place in Canada and western Europe recently will be repeated in the USA.

Engels spoke of the approach of the reformist labor leaders as being characterized by "the neglect of the great fundamental considerations for the sake of momentary interests of the day, the chase after momentary successes and this race after them without account of the alternative results, the sacrifice of the future for the present...". Adolph Strasser, a union leader and supporter of Gompers, stated: "We have no ultimate ends. We are going from day to day. We are fighting only for immediate objectives. We are practical men." This continues to be the policy of the union leaders to this day.

This policy has resulted in the working class in the wealthiest country in the world having no national health care system, less vacation time and worse working conditions than is the case in any other advanced capitalist country. It has resulted in the work week not being reduced during the years of the

post war upswing. The work week remains at 40 hours, to which it was reduced in the 1930s from 50 hours in the 1920s and 60 hours at the turn of the century. It has held back the working class from making much greater gains in the post war upswing and now holds them back from fighting to protect the gains that were won. The great, explosive movements of the working class in the period ahead, combined with the supply of a theoretical understanding and explanation of events by the forces of genuine Marxism, will overcome the primitive method of pragmatism with which the labor leaders operate.

Trotsky spoke of the US as a country of "material wealth and ideological poverty." He also forecast that the US working class would leap out of its ideological poverty with enormous speed at a certain stage.

Flowing from their acceptance of capitalism as the only system, the labor leaders not only hold back the industrial struggles of the working class, but severely curtail its political development also. The labor leaders' refusal to break from capitalist policies in the shape of the Democratic Party and build a labor party means that the working class is continually offered a choice of capitalist or capitalist alternatives. It means that when US capitalism experiences political crises and splits, the working class can not take advantage of these and pursue its own interests. An examination of the statements of the labor leaders in response to some of the crises of recent years makes this clear.

The Iran-Contra scandal severely weakened the Reagan administration. For a short time it was especially vulnerable. Did the AFL-CIO leaders mobilize the working class to bring down that vicious, anti-union administration and in the process build a labor party? Did they expose how the Reagan administration had been running a secret operation behind the backs of the working class and society as a whole, breaking laws at will? Did they explain that North had drawn up contingency plans to suspend democratic rights in the US to prevent opposition if war in Central America began? Did they expose the involvement of the contras and therefore the Reagan administration in the smuggling of cocaine into the US? The AFL-CIO statement on Iran-Contra said only that Reagan by his action "weakened the confidence of the American people in his office, his administration and their government."

It should have been the objective of labor to weaken confidence in the Reagan government which was attacking it. The labor leadership instead were lamenting how the capitalist government no longer had the confidence of the working class. This response of the AFL-CIO is similar to a foot soldier helping a member of the enemy's cavalry back into the saddle after he had slipped off.

After the stock market crash of October 1987, the AFL-CIO issued a 250-word statement. It did not launch a campaign to expose capitalism, explain how fragile and parasitic it now was, and explain the need for socialism. Instead, it said, "America needs to get its economic house in order." It called for import controls and for the government "to seek ways to deal with the shortfall in revenues as a means of reducing the federal budget deficit." In other words, taxes should be raised.

When the S&Ls failed, the AFL-CIO leaders did not explain

the corrupt nature of capitalism, nor how S&L profits continued to go into private hands while only the losses were being nationalized, and paid for by the working and middle classes through their taxes. Instead, the AFL-CIO said: "We call upon the administration and Congress to prosecute the swindlers, raise the funds needed for the rescue in a fair manner, re-establish appropriate regulations and return the S&Ls to the basic mission of support for house mortgages."

## Labor Party

The relative political stability of US capitalism, its ability to stand against the colonial revolution and to attack its own working class, are due primarily to the refusal of the labor leaders either to lead an industrial struggle against big business or to establish a party of the working class that would provide an alternative to the Republicans, the Democrats and capitalism. Every time US capitalism stumbles, the AFL-CIO leaders hold back the working class so that the Democrats and/or the Republicans can prop it up. The worker who took a pay cut in a plant in Michigan, the peasant who died at the hands of the Contras in Nicaragua, the worker who lost her apartment and now lives in the streets in New York, all suffer because of the policies of US capitalism carried out by the Democrats and Republicans. The labor leaders' refusal to provide an alternative in the form of a labor party fighting on socialist policies allows big business to continue attacking working people throughout the world.

Trotsky, in his book "*Where is Britain Going?*" spoke of the relative political stability in Britain in the last decades of the last century and the early period of this century. He wrote: "The internal stability of the capitalist system (in Britain) was to a great extent determined by the division of labor and responsibility between the Conservatives and the Liberals." This same factor is at work in the US today.

The extent of the resources the labor leaders make available to the Democrats was estimated in the *Wall Street Journal* (7/13/89). It put these at \$33.5 million given directly to federal candidates in the November 1988, elections and between \$100 million and \$350 million given through postage, voting registration drives and bringing out the vote in the areas. These resources alone would lay the basis for a major political campaign for a labor party. Linked to a program to solve the problems of the working class, it would transform US political life.

At every great industrial offensive of the working class in US history, the tendency toward independent political action by the working class was evident. Labor parties were formed in 1886. Labor parties and the Socialist Party were formed and won support from the late 1890s to the early 1900s, and again in 1920. In 1937, 21% of Americans wanted a labor party to be formed by the trade unions. A regional labor party was formed in the New York area at that time.

In the explosive struggles that lie ahead on the industrial front, this tendency will once again come to the fore. In the next ten to twenty years, this tendency will for the first time be carried through to a conclusion. The US working class will form its own party.

This tendency was cut across in the past by new periods



of economic upswing, by US capitalism's dominant world position, the super-profits it reaped from this, and by the ability of layers of workers to move to the West and the South to seek a way out. These factors no longer apply. A new era of economic growth such as the post war upswing does not lie ahead. Only the war allowed capitalism to pull out of the 1930s crisis. The great industrial movements that lie ahead will produce a movement similar to that which built the CIO in the '30s. This time, tens of millions of unorganized workers will be swept into the unions. It will radicalize the working class and will lead to labor breaking from the capitalist Democratic Party and setting up its own political party.

A comparison can be made between the position of US capitalism today and British capitalism at the beginning of the century. During the previous century, British capitalism's position of world dominance allowed it to reap super-profits and from these to give enough concessions to the more skilled and better organized British workers to be able to keep them tied to the capitalist parties. As Trotsky put it: "A nation rapidly growing rich has sufficient reserves for conciliation between hostile classes and parties."

But as the present century unfolded and US capitalism rose to world dominance, British capitalism began to lose control over its markets and colonies. Its super-profits were eaten into. In its new situation it was no longer "rapidly growing rich" and so it was forced to confront its own working class more sharply. The result was the breaking of the British working class from the capitalist parties and the building of the Labor Party.

US capitalism today, while remaining the most powerful capitalist country, is nevertheless losing ground to its rivals. Now it too is no longer "rapidly growing rich". It is faced with a severe world economic crisis. It has piled up unprecedented debts. It has no choice but to step up attacks on its own working class. As this process unfolds, it will drive the working class away from the capitalist parties and give it no choice but to build its own political party.

Qualitative leaps forward in working class consciousness will accompany these developments. This will result in an end to the relative political stability of US capitalism and will shift the balance of forces sharply in favor of the working class. And it will inspire the process of the world revolution to new heights.

This process will be extended over 10 to 20 years. It is not ruled out that other parties could be formed in the coming period, given that the labor leadership will not back the development of a labor party for as long as they can resist the pressure from below. Into the vacuum could come small protest parties, mainly of a middle class character. The environmental crisis could give a "green" party a certain base for a time. The National Association of Women has talked of the need for a new party to fight for abortion rights and general improvements in living standards. Ralph Nader, the consumer rights activist, has called for a new party. It could not be ruled out that Jesse Jackson or some other black leader could move in that direction.

Such parties, because of their middle class character, would be unable to build any substantial, permanent base as society polarized between the major classes. They would be continually bribed and drawn into the orbit of the capitalist parties. While



**Tony Mazzocchi, leader of Oil, Chemical and Atomic Workers International Union, who campaigns for a Labor Party**

they could attract numbers of mainly middle class elements and youth at times (the forces of genuine Marxism would not ignore them as areas for work), such parties would not provide an alternative for the working class, nor can they prevent the development of a party of the working class which will be organized through the trade union movement.

The movement toward a Labor Party will be an uneven process. Sections of the most advanced workers will be moving from support for the Democrats to build a labor party while at the same time many of the less advanced sections will be only awakening to political action and will be moving to support the Democrats. However, the severity of the crisis will inevitably lead to a decisive shift of the working class to its own party.

An indication of the tendency toward a labor party that will surface in the future can be seen in the call for a labor party now being made by Tony Mazzocchi, secretary treasurer of the Oil, Chemical & Atomic Workers Union (OCAW). In a poll of his members which he conducted, 60% of these highly paid, skilled, mostly white, male workers favored a labor party. This does not represent the beginnings of a movement that will grow into a labor party in the immediate period. The rising anger will most likely be diverted by the labor leaders into support for the Democrats in 1992. After that, the real movement toward a labor party will begin to develop.

The transformation of the US working class that lies ahead will have world-wide implications. As it breaks with capitalism, as it rises to its feet, transforms and extends the unions and builds its own political party, as it becomes conscious of its own class interests, separate and opposed to those of the US capitalist class, the US working class will confront the most powerful capitalist class in the world. Trotsky put it this way: "The breaking out of class struggle in the US will be the snapping of the mainstay of the world bourgeoisie." With a Marxist perspective and program, the US working class can replace capitalism with a healthy workers democracy, and in doing so pull the trapdoor on capitalism and stalinism throughout the world.

## Racism

As the crisis of capitalism becomes deeper, the especially oppressed racial minorities in the U.S. will feel its effects most sharply. It is a crushing indictment of capitalism that in the most powerful and wealthy capitalist country—and despite the economic upswing of the post-war decades—racism remains an integral part of American society and that racial minorities live under conditions of mass poverty and oppression. This reality confirms the analysis of genuine Marxism that on the basis of capitalism, racism cannot be eradicated. As Malcolm X explained: "You cannot have capitalism without racism."

The majority of native Americans live in poverty. Forced to survive without work, driven into ghettos and reservations, victims of police harassment when they venture out of these, in they are to all intent and purpose excluded from U.S. society. They are the victims of apartheid of the U.S. variety.

Asian-Americans remain second-class citizens. The majority of them work in low-paid sweatshops in the service sector. Their poverty rate can be estimated by considering that in the New York metropolitan area 30% of Asians live in poverty. For the U.S. as a whole, the percentage of the population who live in poverty is 14%.

Latin-Americans also suffer racial harassment and discrimination. In the decade of the 1980s (including the seven years of economic boom), their poverty rate has gone up from between 20% and 21% to 30%. Whether they work in the cities or in the farms of rural America, they are used as cheap labor by the employers.

Black Americans continue to feel the weight of racist U.S. capitalism upon their backs. The poverty rate among adult blacks is 33% and among black children it is 43%. In 1988, the unemployment rate was 5.4%. For blacks it was 11.8%. The rage that rises up in all black Americans and all racial minorities against their conditions is met with the repression of the racist police force and legal system.

The National Academy of Sciences did a study recently on the conditions of black Americans. Cornell University sociologist Robin M. Williams headed a committee that drew up this study. This is what he had to say about its findings:

"If these statistics of blacks' conditions characterized the entire country, we'd regard it as a catastrophe on the level of the great depression." This applies to the working class of all the racially oppressed minorities: they are living permanently in the conditions of economic depression.

In fact, it is worse than that. On top of this economic oppression, they face racial barriers at every turn. While they are living in conditions similar to severe economic crisis, the economy in general is experiencing a boom. This sharpened contradiction adds to the pressures on their lives.

As U.S. capitalism cuts spending on social services, health, housing and education, the racial minorities suffer most. Cuts in wages and benefits and the real value of the minimum wage affect all workers, but the working class of the racial minorities take the worst blows, since they are more concentrated in low-paid jobs. As U.S. capitalism engages in its policy of "divide and rule" to try to divert the attention of the working class and weaken its resistance, the racial minorities suffer more, since they are the target of increased racist attacks.

Throughout the former colonial countries, the working class and youth are rising up against capitalism and stalinism. As these battles erupt from South Korea to Palestine, South Africa, El Salvador, Mexico and Haiti, the racial minorities in the U.S. are further inspired to take up their own struggle against capitalism and racism. This combination of worsening conditions and inspiration from the world revolution has prepared an explosive mix that will detonate at the heart of American capitalism in the period ahead.

This explosion will not be prevented by increased police oppression. Nor will it be prevented by the tidal wave of drugs which U.S. capitalism allows to flood into the ghettos. The struggles that lie ahead are signalled by the outbreaks of riots and uprisings that are sporadically erupting in the cities. They are indicated by the marches and demonstrations against racist killings by police and racist groups.

The only way the struggle against racism in the U.S. can be successful is to end capitalism and lay the basis for a socialist society. The only way this can be done is to unite the working

class as a whole in the struggle against capitalism, integrating the struggle against racism into the struggle against capitalism.

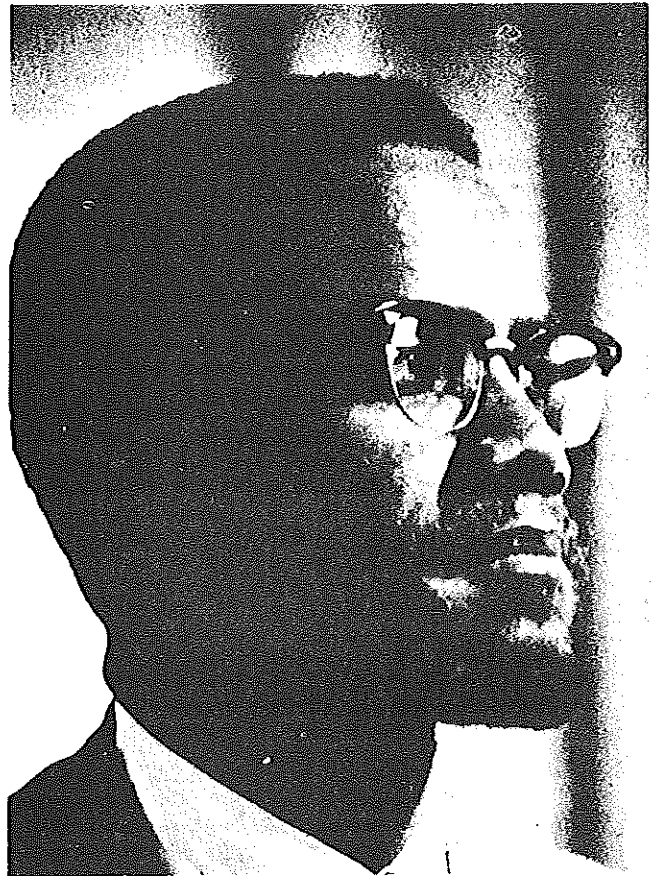
Capitalism desperately tries to deny that racism is the product of the divide-and-rule policies of the ruling classes throughout the class-based period of history. The *Wall Street Journal* tries to cover the tracks of the class it represents by claiming "racism is anything but a uniquely American disease. It is a primitive human sentiment." American big business tries to pose as an opponent of this "sentiment" and claims it is making progress against it. Instead, it perpetuates racism at every turn.

Racism today flows from the ruling class, which, throughout its reign has divided race against race, nationality against nationality, religion against religion. The ruling class is a minority of the population and can only stay in power if the majority is divided amongst itself. Capitalism causes racism. Unfortunately, sections of the middle class of the racial minorities have accepted the big-business idea that racism is not caused by the ruling class, but is a "primitive human sentiment." Consequently, they do not fight racism. Instead, they raise demands for special treatment for themselves as individuals. Not understanding or experiencing the unity that is built as the working class moves into struggle, these elements despair about ever ending racism.

As with the struggle of the working class as a whole, it is the responsibility of the labor leaders to lead the fight against racism. While the labor leaders speak against racism, they refuse to mobilize the working class in struggle against it. If they did rouse a mass struggle, it would inevitably come up against U.S. capitalism. This would radicalize the working class and would threaten the labor leaders' pro-capitalist policies and strategy. It is the pro-capitalist position of the labor leaders that prevents them from leading the struggle against racism—in the same way that it prevents them from leading a struggle of the working class against the concessions and attacks now emanating from big business.

In spite of this, black workers and youth tend to look to the workers' organizations, the trade unions, and to working-class unity for a way out. A higher proportion of blacks are in unions than any other racial sector. Blacks make up 12% of the population, yet 20% of union members in manufacturing are black and 50% of the newly-organized in the service sector are from the racial minorities. The gap between the earnings of white Americans and the earnings of the racial minorities is smallest in the most unionized sectors of the economy, and the gap is widest in the least unionized sectors.

As the struggle of the working class unfolds, as workers move into action as a class, unity will be forged in struggle. The struggle against racism will be seen as in the interest of all workers. They will see that the deeper the racist divisions, the weaker the unions and the worse off all workers are. It is on this common class interest that the foundations for a successful struggle against racism will be built. However, because of the policies of the labor leaders, this will be a complex and contradictory process, during which there will be defeats, set-backs and lulls in the workers' struggles. At such times, sections of the racial minorities will tend to look elsewhere for a way out. The longer the working-class movement is held back, the more this tendency will find expression.



*"You can't have capitalism without racism."*

—Malcolm X

The black revolt of the 1950s and 1960s was cut across in the early 1970s. The labor leaders, when looked to for support, directed this struggle toward the Democratic Party, a party of pro-capitalist and racist policies. In doing so, they cut off the road to a united working-class movement against racism and against the oppression of all workers. Capitalism made some concessions on voting rights and civil rights in the South. It moved toward affirmative action and the quota system. These "concessions", were coupled with brutal repression. Many black leaders, such as Malcolm X, Martin Luther King and many Black Panthers' leaders, were murdered. Any leader that went beyond the confines of U.S. capitalism's policies and its Democratic Party was either repressed or murdered. The black revolt was transferred from a mass movement in the streets to the courts, judges and lawyers of capitalism. Naturally, the gains made in the revolt tended to be undermined.

The gains that blacks made were achieved in the 1950s and 1960s. The increased social services which helped all workers, the decline of the gap between the income of blacks and whites, and desegregation, were won by the mass movement in the streets. But as soon as the struggle was confined to the courts and reduced to the demand for affirmative action, the conditions of black workers and other racial minorities' workers began to be eroded again.

The Urban League issued a research paper on August 8, 1989, which established an index corresponding to racial parity. This was based on wages, housing, poverty rate,

educational and other opportunities. In this index, 100 equals parity. In 1967, conditions of blacks equaled 51; by 1988 they had fallen to 47. The gains peaked in 1970. Since then, conditions of blacks, relative to the population as a whole, have worsened.

This trend continues to the present time. The gap between life expectancy of whites and blacks increased from 5.6 years in 1984 to 6.2 in 1987. A white child born in 1987 could expect to live 75.6 years; a black child 69.4 years.

Affirmative action policies have not prevented this deterioration. In fact, they have played a role in allowing it to happen. As *BusinessWeek* commented, "Affirmative action helped fuel the growth of a black middle-class." Affirmative action has been very beneficial for sections of the black middle class and the black capitalists. However, behind this screen—which U.S. capitalism holds up to "prove" it is not racist and that things are improving for the racial minorities—the conditions of the black working class have been turned into a nightmare of poverty, violence and repression.

### Rise of Black Middle and Upper Class

Just as the labor leaders refuse to lead a mobilization of the working class against capitalism, the strengthened black middle class and black capitalists also hold down the rising struggle of blacks. These layers have done well in the post-war boom, and they have done well with affirmative action. They have moved into mayors' offices and into legislatures by tailoring their policies to the demands of big business, as articulated by the Democratic Party machine.

A mass movement of the black working class and youth would demand wage increases, jobs and better benefits as part of the struggle against racism. Such a movement would not stop at the barriers set by the Democratic Party and big business. Cozy relations, which these black middle-class and capitalist elements have spent years building up, would be torn apart by the transfer of the struggle once again back into the streets.

The role of these black middle-class elements—sections of whom preach full integration into U.S. capitalism while other sections preach black nationalism—is best expressed in their response to the uprising in South Africa. Initially, they moved to lead solidarity actions with that movement. However, the more direct contact they made with the South African movement, the more uncomfortable they became. The black revolt in South Africa is being conducted through mass mobilizations, union organization in the workplaces, general strikes, township organization and rent strikes. It links apartheid and capitalism and fights for a socialist society. The South African movement consciously and determinedly seeks to unite blacks, colored, Asians and whites against apartheid. In the U.S., both sections in the black middle class feel distinctly at odds with what must be described as the most advanced proletariat in the world today, that is, the black South African working class.

A young black man was recently murdered by a racist gang

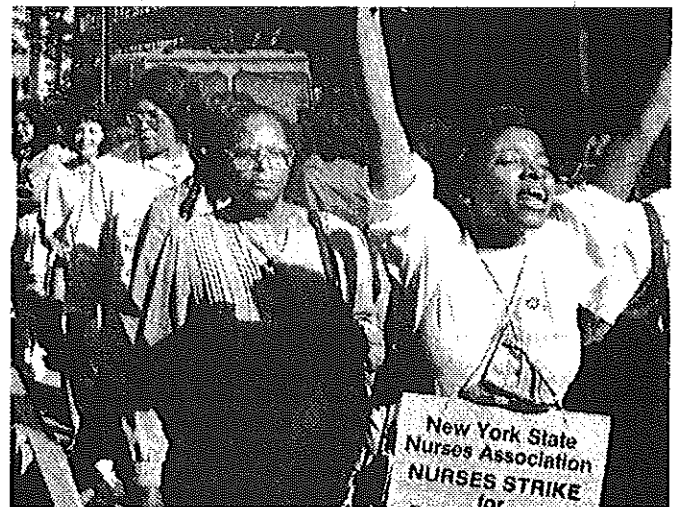
in Bensonhurst, Brooklyn, New York. At the same time, black mayoral candidate David Dinkins was seeking election. The black middle class and capitalists, who supported Dinkins, refused to lead any mass protest. The spontaneous movement was cut short. Any mobilization and mass movement would have tended to bring Dinkins into conflict with the capitalist class in the city, its media, and the Democratic Party. The struggle against this racist killing had to be sacrificed to the struggle to elect the city's first black mayor. American capitalism has given a few crumbs to the black middle class and capitalists to tie them to capitalism and, in turn, leans upon them for support to keep the black revolt at bay.

In 1970, there were 1,472 black elected officials. By 1985, there were 5,654. Yet, the conditions of the black masses deteriorated over this period. What matters is not the color of the skin of a politician, but the class the politician represents and what his or her program is.

Jesse Jackson's campaign for the Democratic nomination for President won seven million votes. Getting majorities in Alaska, Maine, and Michigan, it won the overwhelming majority of the black vote and 12% of the white vote in Democratic Party caucuses and primaries. His demagogic criticism of the rich and the Republicans tapped the rising anger of millions of working class Americans. His continual talk of unity and common suffering tapped the desire for working-class unity to solve the problems, that exists among most workers. The support he received showed the potential for a labor party.

However, his campaign was carefully organized not to challenge U.S. capitalism, not to challenge its Democratic Party and not to build a mass movement against racism and injustice. Jackson determinedly refused to speak of socialism. In this, he was well to the right of Martin Luther King, Jr., who, in the immediate period before he was murdered, began to talk of something being "wrong with capitalism" and the need to look toward "democratic socialism."

Jackson openly stated his support for American capitalism. In *BusinessWeek* (6/1/88) he was quoted as saying, "The long-term interest of American business and the American people



*New York nurses protesting inadequate conditions in the city's hospitals, as the drugs and AIDS crisis worsens.*

are mutual and inseparable." He praised Michael Milken, the Wall Street speculator who is now facing criminal charges. He said, Milken "has a genuine interest in making capital accessible to people with ideas."

Since his defeat in 1988, Jackson has moved further to the right. Away from the mass meetings and the picket lines of his campaign, away from the influence of the workers and youth who came out to hear him and vote for him, he articulates more openly his pro-capitalist policies. He represents more openly the black capitalists who back him and who in 1985 organized themselves into the Black Leadership Roundtable. He appeals more openly to U.S. capitalism as a whole to be allowed to represent them in the 1992 presidential election.

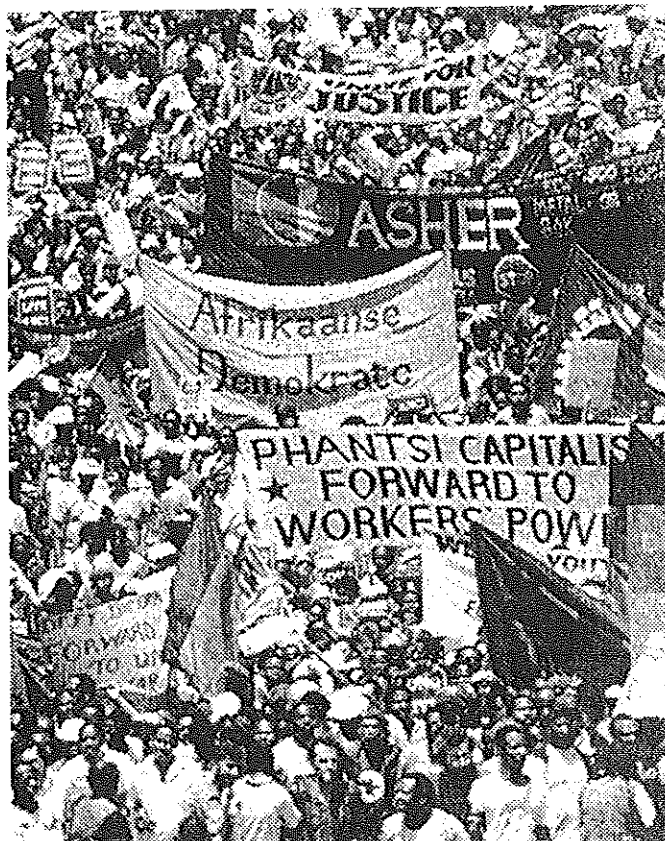
Many people from the especially oppressed racial minorities supported Jackson, not only because he criticized the rich, but because they saw him as breaking an other racial barrier by being taken seriously as a presidential contender. The forces of genuine Marxism must be sensitive to this sentiment, but it must not be allowed to obscure the reality that Jackson's policies and strategy are based upon the continuation of U.S. capitalism. His organizational base is in the main among the black capitalists and black middle class. Because of this, he provides no solution to the problems facing black Americans. Fundamentally, there is no difference between Jackson and the black mayors and elected officials who have made no challenge to U.S. capitalism and, consequently, are presiding over worsening conditions for the working class and youth of all the racial minorities and the working class as a whole.

Jackson refused to build an organization through which those who voted for him could conduct a struggle. His entire approach was to criticize the wealthy and call for justice in order to win votes, but not to put forward any policies which would threaten big business. If he had done so, he would have faced the full opposition of the Democratic Party leadership and big business which controls the Democratic Party.

When he went to Atlanta to the nominating convention, he spoke of "unity of the left wing and the right wing." He made clear that he was loyal to the big business Democratic Party. During his campaign, Jackson had talked about the "barracudas eating the little fish." At the Atlanta convention, he spoke about the need for unity between "hawk and dove." Jackson's talk of "unity" at this convention was aimed at U.S. capitalism. It was his way of saying that he had no intention of leading any movement against it.

The hopes of the millions of working-class Americans who had voted for Jackson had to be sacrificed so that he could prove to American capitalism and its Democratic Party that he was prepared to accept their rules and he should be seriously trusted to become the Democratic presidential candidate in 1992. Like the rest of the black middle class and capitalist leaders, Jackson also has been holding down the black masses in pursuit of a career as a representative of U.S. capitalism.

The lack of lead from the labor leaders, the barrier that the black middle class and capitalist leadership constitutes, the deteriorating conditions that the black working class and youth face under capitalism, and the inspiration of the world revolution are combining to create an explosive mix in black America and among all the racial minorities.



***Huge demonstrations of workers and youth forced the South African regime to release Nelson Mandela. The movement of the South African working class will have an effect on the U.S.***

The contradictions that are building are reflected in the leading role played by black workers on picket lines, the leading role played by black and minority youth in the student and youth movements, and in the rising anger that is building in the black ghettos. Sections of black youth, finding themselves in abject poverty and given no lead in fighting back, turn to the dead end of drugs, crime and violence in their despair. Hammered by the savage brutality of a decaying capitalist system and with no revolutionary alternative, some of the youth strike outward and/or inward in rages of destruction. The basis of the drug epidemic in black areas—which exists in epidemic proportions in all parts of American society—lies with the lack of decent jobs for youth. In 1969, 24.7% of black teenagers were unemployed. In the 1980s, the figure is 50%.

When the mass movement of the working class rises to confront U.S. capitalism, the youth of the racial minorities will find a perspective and a channel for their rage. The great traditions of struggle of black Americans and the U.S. working class, a program for jobs, decent wages and conditions, a transformed and extended union movement, and a mass labor party will then become available to the black youth and the working class in general. As this develops, the despair that afflicts many black youth in the ghettos of U.S. cities will be replaced by revolutionary ideas and action. The black working class and youth will play a leading role in the challenge of the working class to U.S. capitalism.

## Working Class Unity

This does not mean that the especially oppressed racial minorities have to sit and endure their oppression until the working class moves onto the offensive. A spontaneous movement of the racial minorities, can detonate the movement of the working class as a whole. A new black revolt like the 1950s and 1960s would transform the consciousness of black Americans. With a clear program and orientation to the working class as a whole, it could transform the balance of forces in the US.

The process of struggle of the working class as a whole will be protracted. It may be postponed for some time. Therefore, events among the racially oppressed minorities will be complex. The more the working class movement is frustrated by its own leadership and held in check, the more likely will become mass riots and uprisings among all racial minorities. Already in 1989, there have been riots in Florida, Georgia, New Jersey and Louisiana. Given the role of the labor leaders, it is practically certain that such events will increase.

As the working class movement suffers setbacks or is held back by its own leaders, separatist and black nationalist movements could get a base for a while among sections of the youth and the long-term unemployed. Such movements could be substantial in their effect. They could complicate the struggle to unite the working class against capitalism and racism.

These movements will tend to be undermined, however, as the working class movement goes on the offensive. Whenever the working class movement goes forward and the common issues of wages, jobs and housing come to the fore, then the ideas of racism and nationalism, which in the last analysis are the ideas of the ruling class, are pushed to the rear. All the major strikes of 1989 have seen the most solid unity of workers of all races on the picket lines. No strikes have been broken by racist division.

The other element that will tend to undermine the ideas of black nationalism and separatism will be the attitude of the black working class. Blacks who have regular jobs, especially those who are in unions, are acutely aware that the unity of the working class in the unions is essential to maintaining the gains they have made in wages and working conditions. Middle class elements, as well as those youth who have never had a job—especially a union job—do not see the need for unity so clearly. Therefore, they can provide a base for nationalism and separatism for a while. But these layers will also tend to be drawn toward united action by the power of the working class movement as it rises to its feet.

When the students in New York occupied their campuses in 1989 to oppose a tuition increase the leaders of the movement were mainly black and Latino. In the first days of the movement, the leaders appealed for support to "black and minority students." However, as the struggle unfolded, these leaders quickly saw that to win, they had to call for the unity of students and workers in the university; the term "working-

class students" was increasingly heard. When a racially mixed group of school students in Oakland recently appeared at the Board of Education to protest planned teacher lay-offs, their spokesperson stated: "We are going to take a stand, not as students from different schools, not as students of different races, but as students—period." This is an indication of how things will develop as the working-class movement goes forward and as the struggles of the racial minorities unfold. The struggle's own logic will tend to push the movements in the direction of working class unity.

American capitalism at present wants to keep racism simmering and use it to divide the working class. However, it does not want racism to boil over. It is terrified of a new black revolt, since such a movement would undermine capitalism further in the underdeveloped countries. It would severely weaken the US armed forces (over 20% of which are black), and it would tend to ignite a movement of the working class as a whole.

These fears explain capitalism's worries about the attacks of the Supreme Court against affirmative action in several recent rulings. Capitalism wants the quota system removed, so that it can fill the workplaces with whomever it likes. But, on the other hand, it worries because blacks see the attacks on affirmative action as the green light to further attacks on racial minorities in general.

In the coming period, U.S. capitalism will seek to keep racism from exploding into open conflict. But in the long term, when faced by an aroused and radicalized working class movement, with its own party and a genuine Marxist current, capitalism will turn to unleash racism in order to divide the movement and drown the challenge to its rule in a racist bloodbath.

However, that is in the longer term of 10-15 years ahead. In the coming period, the increasing struggles of the working class will see the tendency to unite in struggle strengthened and racism will be substantially weakened. Big business will initially seek to lean for support upon and control the new labor leadership that will be thrown up and use it to control the movement. Only when such efforts start failing and when it is confronted with an openly revolutionary challenge, will big business use racism to its fullest extent as a weapon.

As American capitalism goes further into crisis, the conditions of racial minorities in the country will worsen. At the same time, the conditions of the working class as a whole will suffer a similar fate. Out of the common experiences, the tendency toward working-class unity will be strengthened. It will be up to the forces of genuine Marxism to give this movement a perspective, a program and policies capable of ending capitalism and racism. If it does so and if it proves itself the most determined fighter against racism, genuine Marxism will win to its side the most courageous and determined sections of the especially oppressed racial minorities in the U.S., whom Trotsky said were destined by their conditions to play a leading role in the U.S. and world revolution.

## Women

Women workers in full-time employment earn 30% less than their male counterparts. After the unprecedented growth of the post-war upswing, after two decades of affirmative action—when the number of female elected officials has increased dramatically—women workers are still being used as cheap labor by American capitalism. Now, in a new climate of economic crisis, women workers' special oppression is increasing. Like the racial minorities, women workers are doubly exploited: first as workers, and also as women. The special exploitation of women and the discrimination they face cannot be ended on the basis of capitalism. <sup>11</sup>

The 1989 Supreme Court decision on abortion threatens women with a return to the times when abortion was illegal. The National Organization of Women (NOW) estimates that 720,000 illegal abortions were carried out every year before the 1973 Supreme Court decision, which gave women the right to legal abortion. It also estimates that 17,000 women every year died as a result of illegal abortion—more than the number of Americans who died every year in the Vietnam war. The new Supreme Court decision threatens the lives of tens of thousands of women workers.

A march of up to half a million people has already taken place in Washington to defend the right to legal abortion. Around the country, new forces are becoming active to uphold this right. The rising mood is so powerful that the sound of the big-business politicians from both parties re-examining their consciences and finding that, after all, maybe they do believe in the right to legal abortion, fills the air. The forces who wish to condemn women to illegal and unsafe abortions have had success in the Supreme Court, and now are seeking to change the law state by state. Their success has mobilized millions of women to take action.

Fifty-three percent of women in America work outside the home. They cannot get adequate and affordable health-care or child-care, yet their wages are essential to paying the bills of their families. These women workers will not allow themselves to be forced back into back-alley abortions. Their opposition will defeat the attempts to do this. The more the forces who wish to ban abortions are successful, the greater

the movement will be around this issue and the closer the anti-choice forces will be to defeat.

It is possible that big business, its political parties and judiciary will retreat early in this battle and leave the right to legal abortion as it stands. However, if this does not happen, this issue could provoke the biggest mass mobilization since the civil rights movement.

If this takes place, struggle will not be confined to abortion. The issues of child care, health care, wages, benefits, education, housing, violence against women, and drugs will emerge at the same time. Already, NOW is discussing whether to form a new political party. NOW has said that such a party should also deal with "the right to a decent standard of living, the right to clean air... and environmental protection, the right to be free from violence, including from the threat of nuclear war."

It cannot be ruled out that some steps could be taken to form such a party. However, it is much more likely that the big-business parties, feeling the mood and the threat to their positions, will pull back from their support for the demands of the anti-choice forces. Big business has used the abortion issue to build a base for the Republican Party. It uses it to divide the working class. In that sense, it is in its interests to push ahead and ban it. However, when a mass movement begins to take shape, threatens to spread and take up all the issues facing working class women, when it threatens to detonate a movement of the working class as a whole, it is most likely that the anti-abortion forces will find the doors of big business and its political parties closing in their faces.

The struggle to defend the right to abortion will be reflected in the union movement. Unions will be moved by their members to take a stand on this issue. In the course of this, the union movement itself will be further radicalized.

The speed with which the movement to defend women's right to have an abortion has been developing indicates the speed with which things can change in U.S. society. It also reflects the militancy of women workers and the leading role they have played and will play in the struggle of the working class against capitalism.

The strikes of recent years have brought women workers to the fore. The flight attendants' strike at TWA was led and sustained by women workers. In spite of the refusal of the labor leadership, as a whole, to take industrial action in their support, these TWA workers showed heroism and tenacity. Refusing to give up, they maintained their struggle for over three years, until by mid-1989 they had forced TWA to re-hire all of them.

Once women workers move into struggle, they do so with the greatest determination. Exploited as workers and as women, inseparably linked to the sufferings of women and children under capitalism, all their stored-up anger and rage comes to the fore at the injustice and cruelty of the system.

Women workers have been on the picket lines of all strikes of Los Angeles teachers, auto workers, Eastern Airlines workers, the Bell telephone workers, shopworkers in Seattle, miners in Virginia, and health workers' strikes from San Francisco to New York. Women workers walked the picket lines and played leading roles. Women have also been to the forefront of organizing drives, standing up to the terror of the employers. They have played leading roles from Harvard University to the Crestview retirement hostel in Seattle.

Capitalism's need for increased labor in the post-war upswing pulled women into the workplaces in increased numbers. But capitalism did not provide back-up services for women, such as child care. As a result, women and children have had to carry the extra cost of capitalism's needs. They have had to continue to do most of the work and take most

of the strain in keeping a home together, while taking on the extra labor of the job outside the home.

Women workers are reacting to this increased pressure in a way that will rock capitalism to its foundations. They will not seek to go back into the home, to isolation and financial dependence. Instead, they will—as they are doing—seek equal pay for equal work and social services to take the extra load off their backs.

As shown in every strike and major demonstration, women workers will tend to ignore the call of those middle class women's organizations which seek to organize women separately from men. Instead, women workers will join with men workers in the unions and in the future labor party, because they understand from their workplace experience that only a united labor movement can challenge the employers' determination to keep using women workers as cheap labor. As is the case with racial minorities relative to national averages, the gap between women workers' pay and benefits and those of male workers is narrowest in the unionized industries.

As the economic crisis develops, it will also become clearer that on the basis of capitalism women workers' conditions can only become worse. As this happens, women workers will look to and embrace the ideas of socialism and genuine Marxism. In the tradition of labor leaders like Mother Jones, and with the militancy of the women in the miners' strike in Virginia, women workers will play a leading role in the struggle against U.S. capitalism in the period ahead!<sup>1</sup>



*Union organizer, Elizabeth Gurley Flynn displays a gas mask at a strike rally, during the Passaic textile strike of 1926 in New Jersey. Striking World War I veterans, used the gas masks to fend off gas attacks by police.*



## Youth

Nothing more vividly illustrates the crisis and decay of U.S. and world capitalism than the crisis among the youth. The National Commission on Education in the U.S. estimates that in 11 years—by the year 2000—twenty million American youth will have no productive role in society. In other words, U.S. capitalism will have no jobs for them.

Even after almost seven years of economic boom, 10.7% of American youth (age 16-24) are still without jobs in 1989. This is more than twice the national average for unemployment as a whole. For black youth, the figure is 22.8%. In the coming downturn, youth unemployment will explode, as millions of small businesses, which are the main place of employment for the youth, go broke.

The youth can feel that American capitalism has no place for their talents, that it has no interest in developing their skills and listening to their opinions. The *Wall Street Journal* recently spoke of the philosophy of the owners of fast food restaurants and other low-pay workplaces that mainly hire youth. It quoted Joshua H. Zenger, president of Zenger-Miller, Inc., a San Jose company which trains youth for these jobs. Zenger said: "We make the jobs idiot-proof." As for their

attitude toward workers: "We treat them just like a piece of equipment; when they stop being productive, we just bring in someone else."

McDonald's recently took court action to stop the publication of a book about its low-pay-based organization. This book stated: "McDonald's aims to keep labor costs within 15% of any outlet's sales." One store manager was quoted as saying, "It's very tight, if sales are down, labor costs must come down, you have to cut the staff and make those remaining work harder."

U.S. capitalism treats youth as "idiots," like "pieces of equipment." If there are any problems, youth are fired and those remaining are forced to work harder. This is what is at the heart of the crisis of American youth. They understand that capitalism sees them as cheap labor, whose function is to slave at dead end and boring jobs, to not complain or offer any good ideas, to accept being fired without complaint, and to accept the "reality" that 20 million of them will have no productive place in society by the year 2000.

On top of this, the natural qualities of youth—curiosity, questioning, idealism—are stamped upon by U.S. capitalism.



*High school students fighting police harassment in New York*

The education system is organized to drill them, not to educate them. It is to indoctrinate them with the propaganda of U.S. big business. It is to prepare the majority to go to work and not question the employer. For those who won't find work, it is to convince them it is their own fault and that nothing will be gained by trying to fight back. It is to select the one or two here or there, whom capitalism needs for special tasks, lift them out of the mass of youth and train them for these special tasks. Youth naturally rebel against this indoctrination. They "don't want to learn," it is said. This is not the case. They don't want to be indoctrinated.

The big business media aims its message at youth. It says to them, "you don't need to know where Brazil is, or even where Texas is. You don't need to know who John L. Lewis or FDR were. You don't need to know why the Vietnam war was really fought or what Malcolm X and Martin Luther King believed in the last periods of their lives. All you have to know is the current brand name jeans to wear. Then you will be a success, surrounded by friends in the same jeans, drinking the same brand name drinks, driving the same fast cars and life will be a continuous party. And all this on minimum wage.

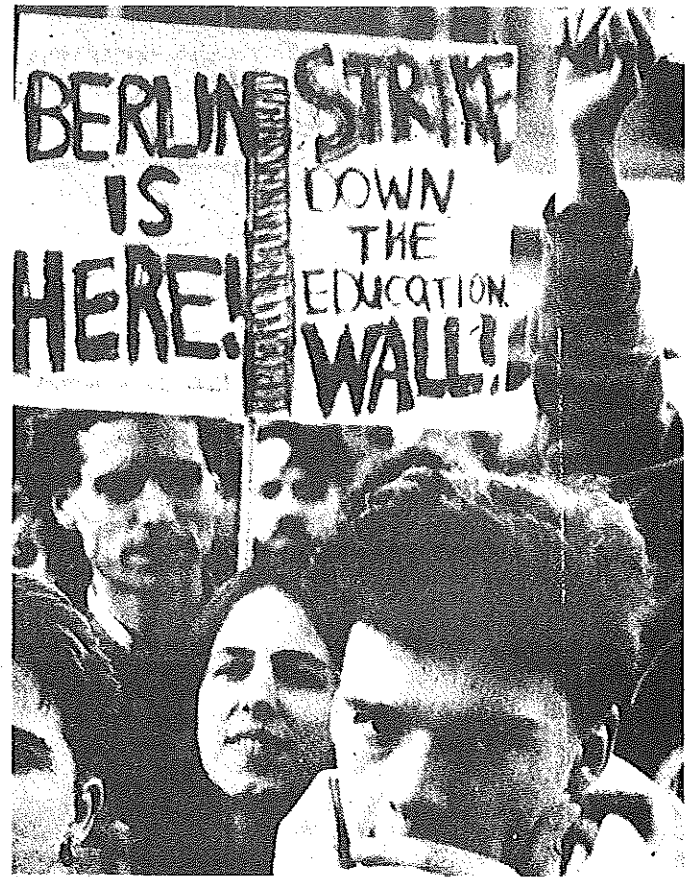
Added to this is the tidal wave of corruption and cynicism among U.S. capitalism and its representatives. The corporations poison the planet and its atmosphere, then hire the paid liars of the legal and public relations industry to deny this and buy the politicians to let them continue doing it. Big business politicians get \$300,000 for a few phone calls to the Housing and Urban Development agency to get millions for their friends the property speculators, while the streets of every city are home for hundreds of thousands of Americans. And then, these same representatives stand up and say they believe they were worth the \$300,000, while the youth are on minimum wage or unemployed.

The youth are sickened and disgusted with what they see around them. They fear the future with its poverty wages and unemployment. They watch the prisons filling with young people, as those who explode under the pressure are locked away.

U.S. capitalism has taken away any decent future from the youth, so they cannot see where they are going. It has eradicated or distorted history to suit its own ends to such a degree that young people don't know where they have come from. It bombards them through the most powerful media in the world with violence, pornography and mysticism. Under this onslaught from U.S. capitalism, it is no wonder that, at times, the heads of the youth reach a bursting point. All the pressures of their lives cry out for them to take steps to change things. But they cannot see a way to do so.

It is the fault of the labor leaders that the youth cannot see a way to fight back. Instead of mobilizing the resources of the trade union movement to struggle for a minimum wage above the poverty line and guaranteed jobs, instead of building a labor party with a youth wing to mobilize the youth and give them a constructive way to fight back, the labor leaders echo big business by telling the youth there is no alternative to capitalism, therefore nothing can be done. Oppressed and exploited by the system, but unable to see a way out, many youth give way to despair and cynicism.

Escape from the trap in which they find themselves, in some



*UMass-Amherst students demonstrate for the right to a decent education.*

cases, takes the form of drugs and, with these, crime. Sections of the youth seek to fill the crisis of their lives with personal relations alone. Sections of the youth go into debt to try to get a college degree to get out of low-paid jobs. Sections of the youth totally despair. In a recent survey, 25% of adolescent boys and 42% of adolescent girls said they seriously considered suicide at some point and 18% of girls and 11% of boys said they had actually tried suicide.

Big business is preparing to try to keep the youth in check, to make them accept its demands, by increased police control and repression. Attacks on youth in Seattle, showed the thinking of big business and its representatives. It closed down by laws and police raids the teenage dance clubs. This drove the youth out onto the streets. It then tried to impose a curfew to try to drive them back into their homes. On top of this, it drew up laws against "cruising", boom boxes and to prevent youth being able to buy canisters of spray paint or large felt tip markers. The youth were to hide in their homes and keep their thoughts to themselves and their mouths shut. The system of capitalism was going to make no changes to take into account the needs of youth. The youth were just going to have to accept their lot.

Big business is also moving in the direction of forcing the youth into labor programs. There, the youth would have to work for minimum wages or less and, unless they go into these programs, they would not get the college loans and entitlements to which they now have access. Both Republicans

and Democrats are pushing such plans.

The work youth would do would be in parks, helping the elderly, and community work. They would be forced to work for poverty wages and to do the work that was previously done by permanent unionized workers, who would be fired in the general cut-backs arising out of the budget deficit crisis. These youth programs would be used to undercut the wages of all workers and as a strike-breaking force.

Youth will not for long accept the nightmare future that U.S. capitalism offers it. Like the youth in Spain and France, who were said to be non-political as opposed to the 1960s, they will explode into action. In Spain, in 1986-87, up to three million high school students went on strike and forced the government to drop the proposed budget cuts and increased disciplinary measures in the schools. The students won free education to all levels for 80% of Spain's youth.

Youth are fighting back all over the world. As well as in Spain and France, youth are leading the battles in South Africa, South Korea, China, Mexico and the West Bank and Gaza. U.S. youth will move into action in the period ahead. They will cut a path for themselves through the confusion that now surrounds them.

Youth have rioted in many cities in the past year, as their anger reaches boiling point. The youth at the City University of New York (CUNY) have occupied their campuses and marched and defeated a threatened tuition hike. High school students have struck in many areas of the country in opposition to drugs, violence and racism in the school and in support of striking teachers.

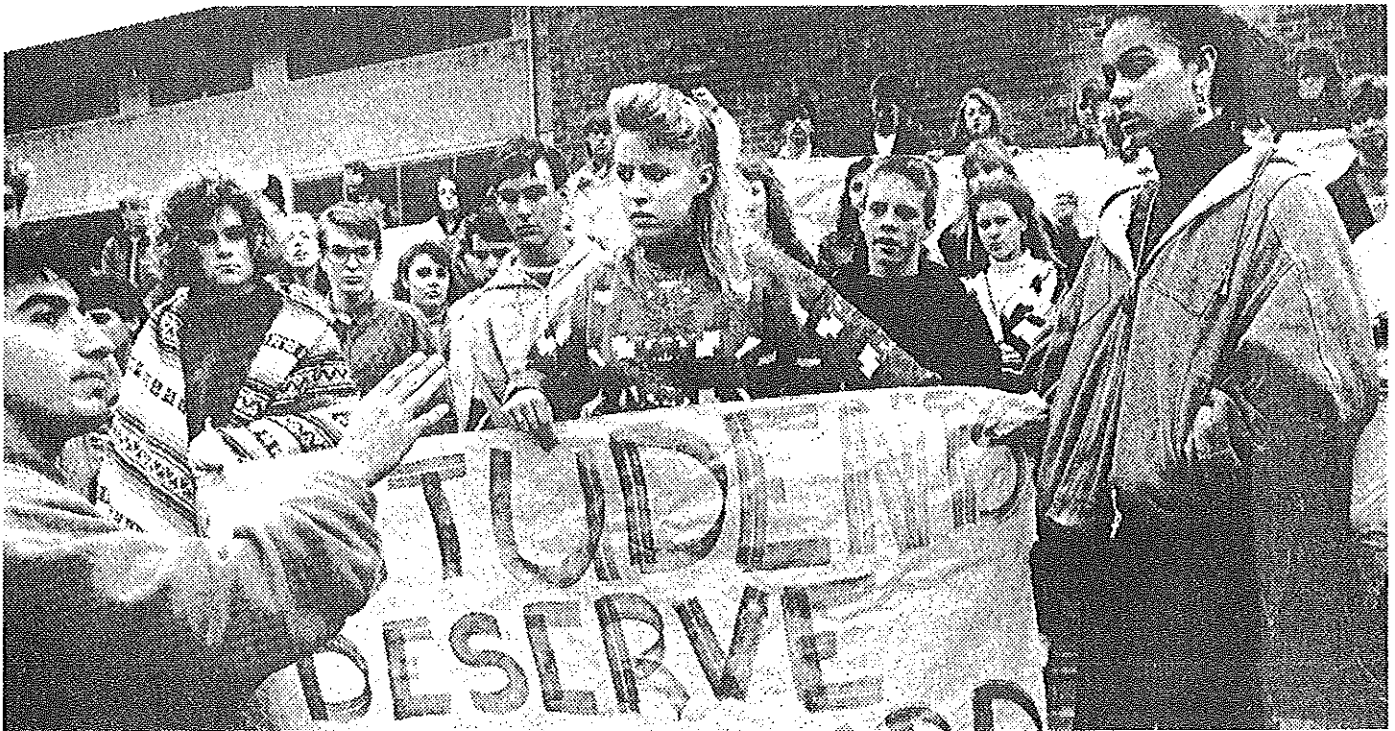
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felt that, with the tuition hike defeated, the best thing to do was return at once to their studies. Continuing economic growth had sustained illusions among the students that, if they could get good grades, they could still avoid the threat of a low-paid future by getting a half-decent job.

As the crisis develops, at some stage a mass, generalized movement of youth will explode. It could be on any issue initially—wages, education, jobs, racism, the environment, police brutality or war. Whatever triggers it, all the problems facing youth will come to the fore. As this movement surfaces, the shallow-rooted cynicism that now exists will disappear. The alternative of drugs will be, at least partially, pushed aside. The demand for knowledge, ideas, history and politics will explode among the youth. Starved of these for so long, the transformation of U.S. youth will be particularly dramatic. They will be open to the ideas of socialism and genuine Marxism as never before.

American youth, with the black youth in the forefront, led the movement of radicalization in the advanced capitalist countries in the 1960s. To this day, traces of the black revolt in the U.S., which was mainly led by black youth, can be seen in revolutionary uprisings worldwide. The songs of that movement—which were mainly converted American labor songs—are sung by youth and students in all the countries of the planet, as they march and fight for a future. No more than the working class as a whole, no more than the racial minorities, no more than women workers, will the youth accept the bleak future offered them by U.S. capitalism.

As the youth move into action, their political understanding will be transformed. They will quickly assimilate the working class traditions which are at present more strongly rooted in older unionized workers. They will leap into the lead of the struggle against U.S. capitalism. When they do so the events that will unfold will have repercussions in every corner of the capitalist and stalinist world.



*High school students staged strikes and walkouts in Chicago, in protest of school board candidates.*

## Conclusion

Without the general perspective and historical viewpoint explained in this document, the forces of genuine Marxism would be unable to sustain an effective struggle for their ideas within the U.S. labor movement and among the youth. Yet, while essential, this general understanding in and of itself would be insufficient. An appraisal of the mood of the working class at present is also necessary. In order to establish this, a number of factors must be taken into account. But, first of all, certain false arguments and ideas must be discarded.

It is fashionable among left and ultra-left groups on the fringes of the labor movement and in colleges and academic circles, which take their views from the propagandists of capitalism in the media and universities, to claim that the U.S. working class is unlike all other working classes in the world. According to these elements, American workers are tied to U.S. capitalism for all time. Their arguments make it sound as if something exists in the genetic composition of the American working class, which makes it permanently incapable of challenging capitalism. These ideas reinforce the conservatism of the union bureaucracy, as it is from left academic circles that many union staffers are drawn and union research departments are filled.

While, there are different traditions in different countries, the working class on a world scale holds certain qualities in common. One is the tendency to unite and build its own organizations. The U.S. working class has united and built its unions in the teeth of the opposition of the most powerful capitalist class in the world.

Another fundamental characteristic of all working classes is the tendency to fight to improve living standards and to refuse to give up any gains made in the struggle without a fight. The U.S. working class, in great waves of struggle from 1877-1886, from the mid-1890s to the early 1900s, in 1919, from 1934 to 1947 and throughout the post-war upswing, has shown that it possesses these qualities. The present strikes of 1989 confirm this.

Another common aspect of the working class in all countries is the tendency to learn lessons and to raise their consciousness

in the course of struggles. Throughout its history of battles with capitalism, the U.S. working class has learned the lesson of the need to build unions. It has learned the lesson that, when ordinary strike action does not work, plants can be occupied. It has concluded that the employers' racist ideas must be rejected and has organized workers of all races. Finally, it has again and again begun to approach the conclusion that it needs its own political organization. This tendency toward seeking its own political party has not yet reached its full conclusion, but it is evident in the repeated examples of labor parties springing up, in the existence of the Socialist Party under Debs and in the 100,000 U.S. workers who joined the U.S. Communist Party in the 1930s.

The basic point that has to be understood is that the U.S. working class fights for its living standards, rights and organizations, like any other working class. In the course of its struggles it learns lessons and draws conclusions. Only two forces in U.S. society clearly understand the power of the U.S. working class: One is genuine Marxism and the other is the capitalist class.



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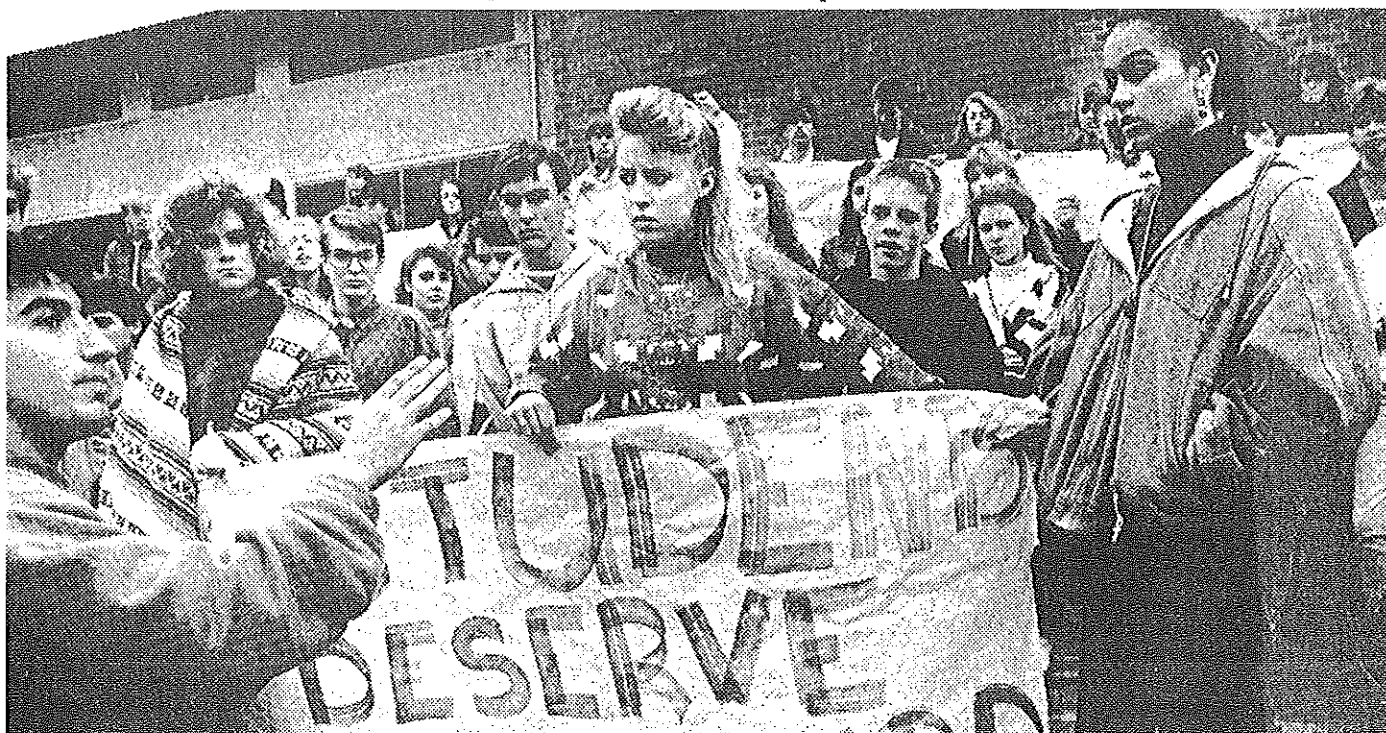
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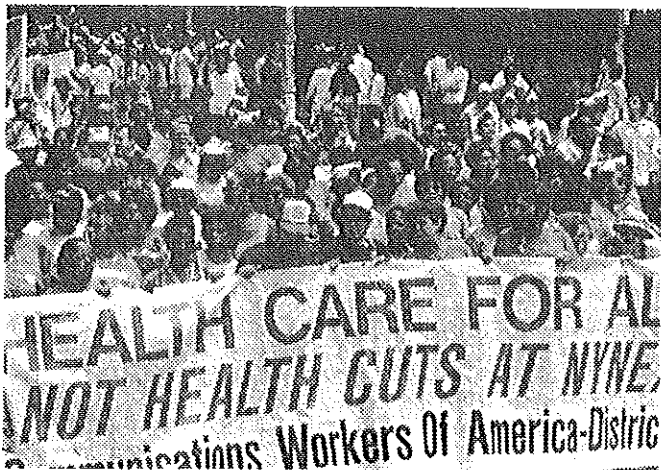
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*High school students staged strikes and walkouts in Chicago, in protest of school board candidates.*



*Unions are resisting employers' efforts to shift medical costs to workers.*

Faced every day with the resistance, organized or otherwise, of the working class in the workplace, U.S. capitalism appreciates the potential power represented in its resistance to capitalism's demands and understands its willingness to struggle. The employers cannot afford the illusions of the left academics or the ultra-left radical groups. From a different class point of view, U.S. capitalism comes to the same conclusion as genuine Marxism.

U.S. big business' understanding of the power of the U.S. working class and their willingness to fight is shown in many ways. The budget deficit is one. Why have Reagan and Bush not just eradicated social security and all other government programs? Why haven't they fired half the public sector workforce and cut the wages of those remaining by 50%? These measures would have reduced the budget deficit. David Stockman, former Reagan budget director, talked of the crisis of the budget deficit. He said that Jim Baker, then Secretary of the Treasury, walked around the White House with a flamethrower and blasted anyone who even mentioned cutting social security.

The build up of the national debt is a reflection of the power and sweep of the colonial revolution, the power of stalinism and the power of the U.S. working class. U.S. capitalism increased its arms spending to strengthen itself against the colonial revolution and stalinism, but the power of its own working class prevented it from reducing U.S. workers' living standards by a sufficient amount to balance the budget. So, it has gone into unprecedented debt in an effort to postpone, for as long as possible, a major confrontation with its own working class.

This does not mean it has not been attacking workers' living standards. This document explains its offensive against labor. But the point is that the degree of the attacks on the working class has not been as severe as U.S. capitalism has to make, taking into account the depth of the economic crisis of U.S. and world capitalism. It has been attacking living standards on one hand, while borrowing on the other, so as not to enrage the working class to the extent that it would be provoked into a generalized offensive and wave of struggle like the 1930s.

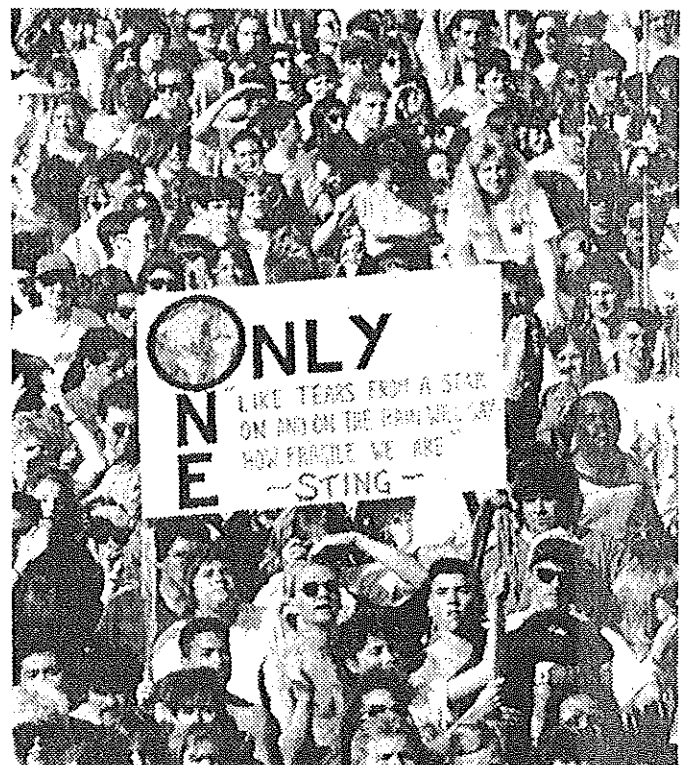
The stock market crash of 1987 was triggered by rising interest rates. These were being put up to control inflation,

but also to hold up the dollar, which was under downward pressure due to the U.S. budget and trade deficit. This crash showed that U.S. capitalism's strategy of borrowing from abroad to postpone an all out confrontation with its own working class was coming close to reaching its limits.

By blackmailing its rivals, it has been able to, partially, continue with this tactic for a time. It continues to pile up debt. However, the stock-market crash resulted in a stepping up of U.S. capitalism's attacks on its own working class through higher inflation, reduced wage increases in contracts and attacks on benefits. It has also put the cost of the S&Ls and other fragile sectors of U.S. capitalism more onto American workers' backs.

U.S. capitalism's room for maneuver is getting smaller and smaller. Its own crisis forces it inexorably to increase its attacks on its own working class. As it does so, the working class is forced to take action to defend itself. Marx explained that sometimes the revolution needs the whip of the counter-revolution. U.S. capitalism has now taken this whip from its holder. Though relatively lightly so far, nevertheless it is the whip across the backs of the working class. Trotsky, in the preface to the U.S. edition of *Where Is Britain Going?*, talked of the "U.S. bourgeoisie performing, though unconsciously, their predestined revolutionary function."

U.S. capitalism cannot afford to increase the living standards of American workers as it did in the 1950-1973 post war upswing. It has begun to take back the improvements that it was forced to concede to the working class in that period. It can no longer rule in the way it did before. As its offensive against labor proceeds, it will rouse labor to its feet and drive



*Capitalism and stalinism destroy the environment. An estimated 200 million people participated in Earth Day protests at 3,600 locations in 145 countries.*



*A quarter of a million anti-Poll Tax marchers in London*

it toward revolutionary conclusions. In this sense, the counter-offensive of U.S. capitalism against its own working class can be described as the beginning of the U.S. revolution.

## Molecular Changes

This process is unfolding as yet mainly beneath the surface of society, mainly in the molecular changes that are taking place in the consciousness of the U.S. working class. This process will transform class relations in the U.S., raise the working class to its feet and open its eyes to the nature of American society. In the course of the struggles ahead, American workers will realize the need for an end to capitalism and the need for a democratic socialist society.

During the post-war upswing, workers' living standards were transformed relative to the 1930s. The poverty rate dropped from 30.2% in 1950 to 19.5% in 1963. Under the impact of the black revolt and the strike waves of the 1960s and early 1970s, the poverty rate dropped to 11% by the mid '70s.

From the poverty of the 1930s, the majority of American workers went on to experience previously unimagined increases in living standards in the post-war upswing. From a state of near destitution in the 1930s, by the 1960s, most U.S. workers found themselves able to own a home, have a car or sometimes two, have a T.V. or sometimes two or three, a washing machine, a gun, a boat and their children could in many cases go to college.

This enormous increase in living standards undoubtedly created powerful illusions in capitalism among American workers. After all, it was delivering the goods. These illusions were further strengthened because the only alternative U.S. workers could see were the monstrous dictatorships of the stalinist bureaucracies. And on top of this, the U.S. trade

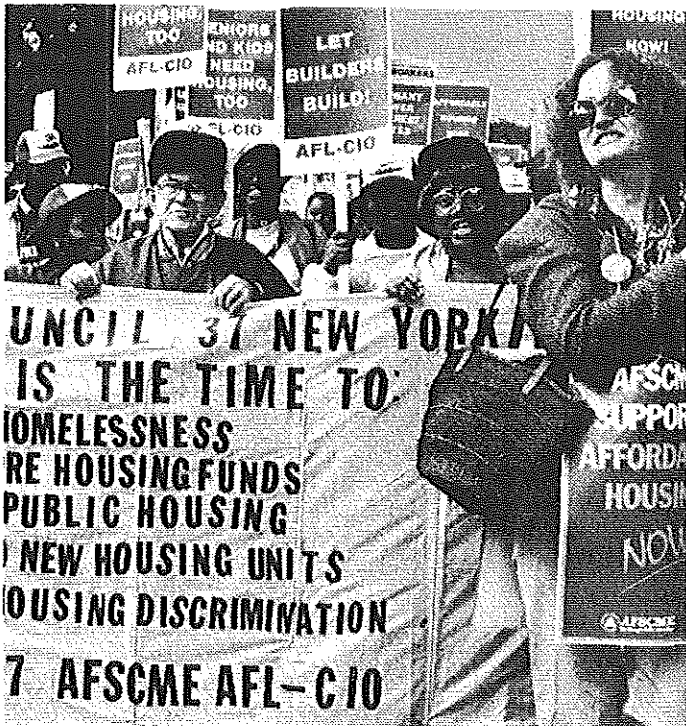
union leadership saw its role as to hammer into the heads of workers the employers' message that capitalism was the only possible system. The post-war purge of left ideas, known as McCarthyism, further weakened socialist ideas in American labor. However, the decisive factor in the illusions built up in U.S. capitalism in the post-war period was the increase in living standards that the working class won, which were made possible by the post-war upswing and the absolute dominance of U.S. capitalism over its rivals.

A particular feature of the U.S. working class is that it is the only working class in the advanced industrial capitalist world without its own mass political organization. Trotsky explained that the party is the memory of the class. It keeps alive the traditions, the memories of fights fought and battles won, of who is the enemy and the treachery of the enemy. It reminds the working class that there is an alternative to capitalism. Reformist mass parties of the working class, such as the social-democratic parties of Western Europe and Canada, are defective memories. Nevertheless, they keep the memory of the working class alive, to an extent, and increase up to a point its weight in society.

Having no such party, the U.S. working class has been separated from much of its history. Of course, this is not totally eradicated. It lives on deep beneath the surface in the organizations and consciousness of the working class. Yet, this political weakness of American labor, along with the extent of the post-war upswing and U.S. capitalism's dominance over its rivals, allowed illusions in capitalism to gain more ground among the working class in America than among its counterparts abroad.

The period of the post-war upswing ended in the recession of 1973-75. Living standards of the working class are now being reduced. Poverty has risen again and now stands between 13% and 14%. Workers' organizations and rights are under





*Workers demonstrate to demand affordable housing to end the disgrace of homelessness.*

attack. Just as the upswing increased illusions in U.S. capitalism, now in the period of economic crisis and falling living standards, the roots of these illusions are being shaken loose. Declining living standards are accompanied by rising crime, the drug epidemic, the corruption and contempt for working-class people of the major corporations and the big-business politicians and, now, the realization that, not only is life on the planet threatened by nuclear weapons, but also by the pollution of the atmosphere. All these are combining to weaken the illusions of the working class in capitalism. Serious doubts are developing in the minds of American workers about capitalism. Discontent and anger is rising. The ground is being cultivated for a powerful growth in anti-capitalist, pro-labor and socialist sentiment in the period ahead.

While this is the overall process that is developing, the particular conjuncture of events at present tends to cut across this process temporarily, at least on the surface. Stalinism is in crisis and sections of the bureaucracy are introducing elements of capitalism into their countries' economies. This is being hammered home in the big-business media to American workers as the failure of "socialism." These events seem to confirm the arguments of big business and the labor leaders that there is no alternative to capitalism. Everyone now worships the market, that is capitalism, it appears.

At the same time, the boom continues in the U.S. Unemployment remains low and, while life in general is getting harder, most working-class people are getting by. The starvation of the former colonial world's people and the homeless is continually stressed in the media to show that things could be worse. The message to American workers is "you could be worse off. There is no alternative. Give a little and all will work out."

The strikes that are taking place mainly end with wage settlements below inflation and concessions on benefits and work rules. This is also used to drive home the message that nothing can be done. The message is that the working class must just accept it. This is giving rise to increased tension and frustration among the working class. Drugs, violence, alcoholism and crime are all on the increase.

Yet, in 1989, up to half million workers broke through this blanket of propaganda and took strike action, and New York students occupied college campuses. This confirms that U.S. capitalism has not broken the will and morale of the working class. Its forces are intact. These strikes also indicate the struggles that lie ahead.

However, along with the increased militancy, there is an increased skepticism that anything can be done to bring about fundamental change for the better. The mood of most strikers is to pursue their strikes with determination (and 1989 has seen an increase in prolonged strikes) but that revolutionary action to change society is not possible. The best that can be done is to vote for the Democrats next time around. Even this is not uniform, as many strikers voted for Reagan and Bush.

## Hardening Discontent

Overall, the mood is one of hardening discontent, a rising tendency to take strike action, a rising tendency to criticize the politicians, a rising anger at the owners of the corporations, coupled with an increased skepticism that any fundamental change can be wrought in society. When strikes are over, when student marches and occupations and marches against racism end, workers and youth tend to return quickly to their pre-activity lives. Of course, these struggles have sown the seeds for fundamental changes in consciousness in the years ahead, but in general have not resulted in preparedness to take immediate political action.

This would be different if the labor leaders took action to build a labor party. A tremendous movement of support would develop for this. Where the forces of genuine Marxism have managed to get official union bodies to sponsor a conference for a labor party, strong enthusiasm is expressed. But these forces are not sufficient to move the union movement as a whole. As the labor leaders are giving no lead, the overwhelming majority of workers feel extremely skeptical about the possibilities of any fundamental changes in society and skeptical that a socialist alternative exists. The majority of workers still believe that they can deal with their problems without becoming involved in political activity. In fact, the tendency to get involved in serious political work to change society has been set back further by the recent combination of events.

However, the present boom in the economy has not produced illusions such as developed in the post-war upswing. What has resulted out of the present boom, which began in December 1982, is much more a hope rather than any serious illusions. Workers experience the boom continuing, they can see no alternative, so they dig in and hope that things will work out. When examined, it can be seen that this hope is not accompanied by any great confidence.

The boom will end. The working class in the stalinist world

will fight to reject attempts to re-introduce capitalism. This peculiarly confusing period will end. Along with this, U.S. workers will begin to overcome the obstacle of their own leadership and move onto the offensive. Some victories here and there will begin to be won. A small number of strikes recently have won wage raises above inflation. If the boom continues, increased victories could be won. This could be generalized into a powerful offensive, which would give rise to a burst of confidence among the working class that it has the power to change things and that something can be done. It should be noted that the largest general strike in world history took place in France in 1968, at a time of economic boom.

It is probable that with the end of the boom, at least the more organized workers and those still in jobs could become cautious and struggles in these sectors could decline. But other sectors of society—the unemployed, youth, the racial minorities—would be inclined to move into struggle. And the end of the boom, while it could tend to reduce industrial struggles for a period, would of course, give a powerful boost to the political consciousness of American workers. They would see much more clearly that something is fundamentally wrong with capitalism. Therefore, the idea that an alternative must be considered would gain ground. The process of radicalization of the working class would be pushed forward.

Among youth, the mood at present is also very skeptical that changes in society can be brought about. While overwhelmingly in favor of trade unions (80% for-20% against), political action to make changes is to a great extent dismissed by youth. Many of the youth have lived, since they reached the age to have a job, in a time of boom and relatively low unemployment. They also see the crisis of stalinism. Their skepticism is accompanied by a veneer of cynicism. They lack the traditions of some of the older workers, who are more aware of the battles of the unions, the black revolt and the anti-war movement. Yet, the youth's anger, frustration and bitterness are building up. It explodes in riots in cities or at music concerts and it is expressed in their music and clothing. Their skepticism also will be cut across as they are forced into struggle and as the economic boom ends.

The present situation will not last. Increased struggles, deepening economic crisis, the movement from boom to downturn to boom, the crises of the environment, education and homelessness, and the struggles that are developing against the threat to abortion and against racism, will combine to propel forward the process of changing consciousness that is proceeding among the U.S. working class. Like every other working class in the world, like in every other time of crisis and attacks in its own history, the U.S. working class will

rise to challenge U.S. capitalism.

As it does, its consciousness will be transformed. Its present instinctive militancy and anger against what it tends to see as the injustice of the employers will become even more pronounced. And as struggles develop, these feelings will begin to become transformed into heightened class consciousness. At present, when Lorenzo fires the Eastern workers, it tends to be seen as "unjust and unfair." In the coming battles, such action will come to be seen as the inevitable product of the class nature of society. The need to fight Lorenzo's class by mobilizing the working class as a class will become more clear.

The change in the consciousness of the U.S. working class, its acquiring of a clearer consciousness of itself as a class, will take place at an American tempo. U.S. society, compared with European societies, has historically changed with much greater speed. The pragmatism of U.S. society which now holds back the working class will work in an opposite way at a certain stage. Once U.S. capitalism proves to be incapable of delivering the goods, pragmatically the working class will try something else. The ideas of socialism will be looked toward.

Trotsky explained that the working class comes to understand the tasks with which it is confronted by a process of "successive approximations." When a man or woman takes an axe to cut down a tree, with each blow they strike, they adjust the grip on the handle of the axe, they move the position of their feet, they change the angle of the blow and they refocus and decide anew where each blow should land. In other words, by a process of "successive approximations" the assault is made and the tree is felled.

The U.S. working class in unity with its brothers and sisters abroad is the force that will apply the axe to the roots of U.S. capitalism. At the moment, it is considering whether to put its hands to the axe. It is considering whether the tree has to be or can be felled. Perhaps after all the weather will not get colder and more fuel will not be needed. It is trying to get by through pulling its clothes tighter around it. But the freezing blasts of wind blowing from the icy regions of capitalism's economic crisis will give it no choice but to take action. It is the task of the forces of genuine Marxism to assist the working class as it delivers its blows, to help it draw the necessary conclusions and make the necessary political and organizational adjustments.

If this assistance is given, the US working class in unity with the working class internationally will be successful. U.S. and world capitalism and stalinism will be ended. In their places will be erected a world federation of democratic socialist states. On this basis the problems facing human society and the threat to human life on the planet will be ended. □

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