

weekly worker

**Using the logic of Marx to
explain crisis: Nick Rogers
reviews Andrew Kliman**

■ Merkel's 'solidarity'
■ Shrewsbury pickets
■ Labour Briefing
■ CPGB aggregate

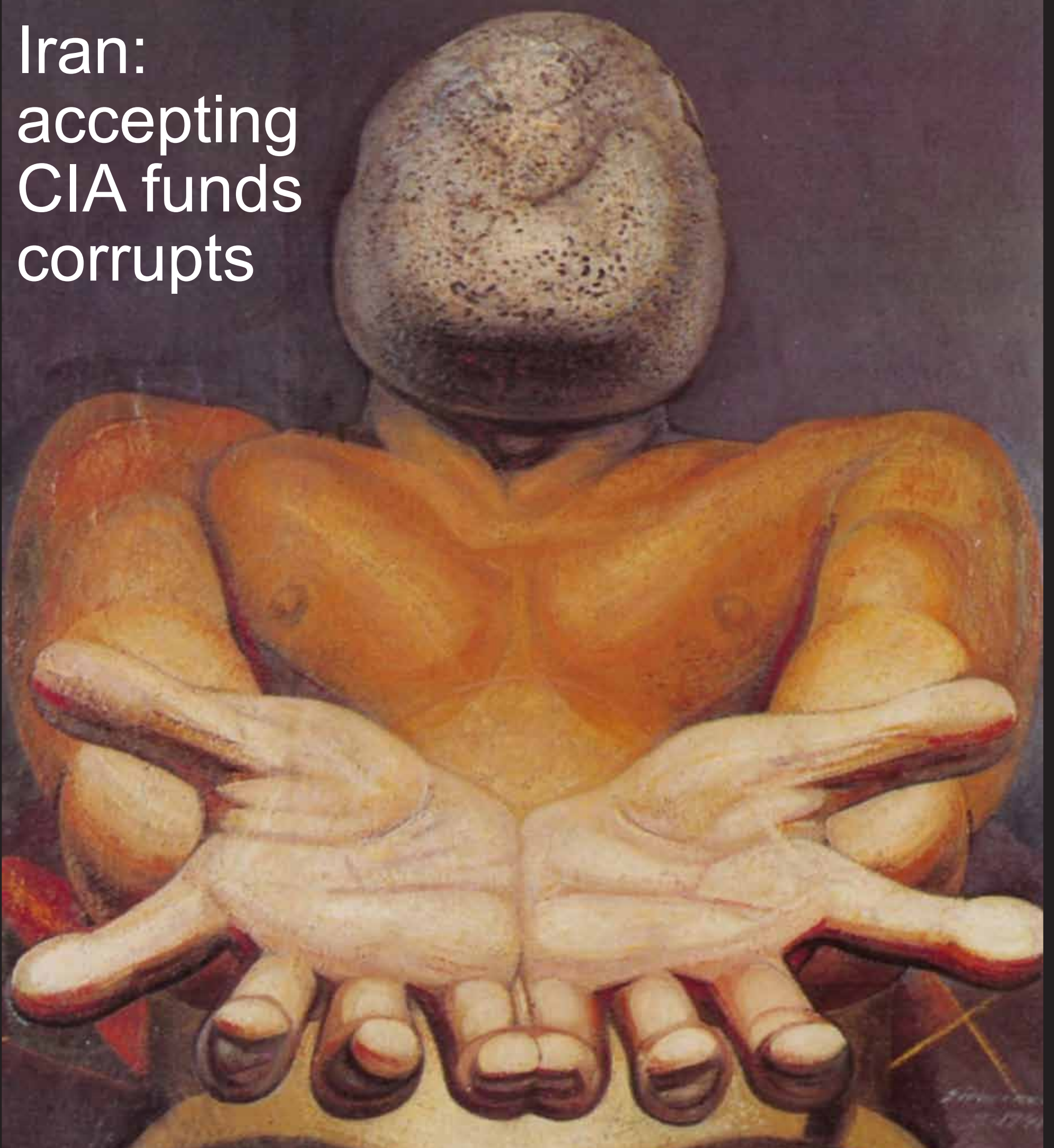
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LETTERS



Letters may have been shortened because of space. Some names may have been changed

Rising passion

Jim Creegan's references to the history of Marxist theory and practice in last week's article were erroneous ('Democratic centralism and idiocy of the sects', June 28).

I contend that he is superficial and wrong, particularly regarding Lenin's struggle with the Malinovsky/Bogdanov trend toward idealism (see *Materialism and empirio-criticism*) and Trotsky's fight against the James Burnham/Max Shachtman 'minority' in the US Socialist Workers Party (see *In defence of Marxism*). In both cases Creegan is a deceiver, whether expressed in 'fuzziness' (as scepticism) on Lenin versus Bogdanov, or on his 'certainty' to affirm Trotsky wrong versus the SWP minority.

To logically rationalise his split with the Spartacists and whatever his political meanderings since then, Creegan presents himself as a learned pacifier of 'those tending toward hasty differences'. Our 'learned unifier', to give authentication to his method, cites Lars T Lih's credentials by way of introduction, as an example of a non-sectarian 'historian's contribution', as when he pontificates on the added value of Kautskyism to Leninism before and after August 1914. This is, to a critical Marxist today, so much dirty water under the bridge diverted into a backwater - a flow, density and direction much sought after by sections of the CPGB leadership.

Only half-hearted dabblers in revolutionary politics would claim that Lenin's break with Bogdanov was founded on "fuzzy" points - but perhaps Mr Creegan was suggesting there was a 'concrete question' dividing the two, on which he couldn't decide. Either way, this suitably takes us to the heart of the theoretical and concrete questions involved in Burnham, Shachtman and others, fulminating against Trotsky's defence of the property relations and the basic class nature of the Soviet Union, as it degenerated from 1917 to the Stalin-Hitler pact, according to the formalist, anti-Marxist Burnham, and his eclectic, agnostic-platonic-Marxist cohort, Shachtman.

If Mr Creegan had seriously studied *In defence of Marxism*, he would know that it wasn't Trotsky who initiated the split, but that it was Trotsky who emphasised the need to give extensive leniency to the SWP minority and recommended that the majority seek to give the minority every reasonable facility to present the 'grounds' of their disagreements on their views. The minority demanded a referendum of the whole membership of the SWP to pronounce upon the Stalin-Hitler pact's effective 'pro-imperialist' change - thereby falsely conjoining *all* the Soviet masses (and *all* the socialised property relations) axiomatically with Stalin, into a *de facto* alliance with Hitlerite Germany.

It was Messrs Burnham and Shachtman who had invited anti-Marxists to write pieces for the SWP's theoretical magazine and this was not separate from their ideals of 'freedom to criticise' the party's Marxism. It was they who took it upon themselves to teach the party, as a whole, what they thought it should newly orient toward. Against what the duo claimed was bureaucratic conservatism by James Cannon's leading bodies and Trotsky's theoretical direction from Mexico, Burnham declared he never agreed with Marxism and that to him dialectical materialism was a mystery. Shachtman said he adhered to Marxism, but that for him it was

absolutely decided on 'new' concrete conditions, which Cannon and Trotsky were not now appreciative of.

Creegan says: "Did not Trotsky, in *In defence of Marxism*, upbraid Shachtman and Burnham for mentioning their disagreement over dialectics in the pages of the US Socialist Workers Party's magazine, *The New Internationalist*?" Well, no, he opposed their party intrigue as in opposition to the programme and perspective of the Fourth International, which remained in defence of the social gains of the 1917 Russian Revolution *despite* Stalinism and its temporary appeasement of Nazism; *and* their preparedness to split the organisation of the SWP on precisely this issue - in their accord with US-wide petty bourgeois public opinion, as war relentlessly approached.

If Creegan had ever read Trotsky, he would also know that he didn't make a *volte face* regarding Brest-Litovsk simply to retain unity with Lenin, although that was a factor in the need to consolidate what borders they could. Trotsky proposed 'neither war nor peace' with Germany: he wanted to see if the Russian Revolution would encourage the German proletarians toward revolution itself - as an internationalist. He accepted after a period of months that Lenin's instinctive evaluation of the balance of forces in Germany meant that they had to submit to even harsher impositions on the young workers' state.

In the rapidly developing re-emergence of death-agony capitalism, all questions of value and private property between proletarians and bourgeois and all valuable lessons of the difficulties of training and moulding of revolutionary leaders - however small in number they currently be - come to the foreground. But not as Lars T Lih and Jim Creegan would have you think and do.

Ray Rising
email

Fungibility

In his article 'Miliband turns a deeper shade of blue' (June 28), Peter Manson argues: "It is most certainly undesirable for workers to seek to defend 'their' jobs, pay and conditions from what they see as the incursions of outsiders, but this is fundamentally driven by sectionalism, not racist or any other form of prejudice."

I understand what Manson is suggesting with his scare quotes around 'their' - jobs are ultimately under the jurisdiction of the capitalist class - but is not the whole point that the working class should be challenging for autonomy all the time? It's called class struggle, right up to the point of revolutionary activity. Also, does the undesirability just apply to workers in Britain or is it international? If the latter, then is it the case that each group of workers in each country in turn would have to turn down a job contract lest they be viewed as sectionalist? A sort of giant game of international musical chairs.

If you take that to its logical conclusion, it is difficult to see how any workers anywhere could work, in that, by so doing, they are inevitably depriving other workers of those jobs. Whilst it is undoubtedly correct that we do not want the bourgeoisie to be in a position to pit groups of workers in different countries against each other, a position of heroic self-sacrifice hardly seems to be the answer. Decent, internationally coordinated trade union action may be one future answer, but in the here and now these organisations are scarcely able to run a one-day event in one country.

Manson goes on: "We say, if capital can move freely across borders, then so must labour. Workers must have

the right to travel, work and settle wherever they choose." Leaving aside the blatantly obvious fact that capital is highly fungible and labour is not, the concept of 'open borders' might make people feel good but it simply ignores the existence of organised crime, drugs and arms smuggling, people-trafficking and the rest. It is doubtful whether even in a communist society border movements would be unrestricted, as the system would rely on stringent planning, which would require knowing what people were where and when.

Ted Hankin
Nottingham

Sectarianism

While I found Mike Macnair's article, 'Liquidationism and "broad front" masks', very useful overall, I was puzzled by his remarks about sectarianism (June 28).

Comrade Macnair presents a formulation - "Sectarian groups put the building of their own organisation before the process of developing the working class movement as a whole" - which I take is an approximation of a common understanding rather than an actual definition. Mike says this formulation is "useless" because, firstly, the existing "mass workers' movement is dominated by class-collaborationism"; and, secondly, because the "modern sectarians" do not "oppose the mass class movement", but "actively endeavour to build it".

It seems to me that neither of these objections is soundly based. Admittedly the formulation he gives us is not the most scientifically rigorous; I would prefer: 'Sectarian groups put the interests of their own organisation before *those of the working class* as a whole'. Nevertheless it strikes me as a reasonable description of the behaviour of sectarian groups.

Mike's first objection appears to conflate the interests of (and "process of developing") the whole class (and "movement") with the interests of its current misleaders. The fact that trade union and Labour leaders are class-collaborationist clearly does not lead us to write off the movement they head, or set ourselves the task of creating an 'alternative movement'. The *current* one needs to be developed - not "as it is", as comrade Macnair puts it, but through communist leadership, which in turn demands the building of a single, united Marxist party. Most of the left groups are sectarian because they constantly promote their own interests and their own development *in opposition* to the building of the party which alone could provide the movement with the leadership that meets its objective interests.

The sectarian groups do indeed "endeavour to build" the mass movement. But they do so in a way that places their own interests above those of that movement - there is no contradiction here. The Socialist Workers Party, for example, endeavours to build the anti-cuts movement through Unite the Resistance, which it set up precisely to further the interests of the SWP - in opposition to those of rival groups and thus the interests of the movement as a whole.

Perhaps it would help if comrade Macnair provided us with his own definition of sectarianism.

Peter Manson
South London

What crisis?

I agreed with almost everything in Paul Demarty's article on Greece ('Taking up extreme opposition', June 21), particularly his arguments against the left nationalists. But I could not agree with his statement:

"It is simply not true that the Greek crisis is something that is being done to Greece by Germany with the EU as a weapon. It is a product of a properly global crisis, which in turn results from global and highly uneven relations between states."

That position is not sustainable. It's not sustainable, firstly, because, as I have demonstrated previously, there is no "global crisis". Despite experiencing the worst financial crisis in 2008-09, the global economy in the last three years has continued to grow strongly, along with global trade. The United States during some of that time has grown at rates around 5% annually. It is still growing at around 2.5% during a cyclical slowdown. China has been growing at 10%, and is still growing at 8.5%.

Secondly, and precisely because of this, global numerous economies have been able to benefit by exporting goods to these large, growing economies. China's almost insatiable demand for food, energy and raw materials to meet the needs of its massively expanding industries, for instance, has enabled economies in Africa and Latin America to enjoy rapid rates of growth, and increased living standards. So, if small economies in Africa, Asia, Latin America, etc have been able to benefit by selling into China and elsewhere, the question remains why Greece has not been able to benefit in the same way.

But it is not just primary producers that have benefited from this global boom and the demands of China. Europe as a whole has a positive trade balance with China! That is largely due to the fact that Europe's largest economies, like Germany, have been able to sell into the Chinese economy, not only providing high-value capital goods, but also selling high-value luxury goods. Mercedes' biggest market is now China, which has overtaken the US as the world's largest car market. In fact, Germany remains the second largest exporter of goods and services, only recently having been overtaken by China.

It is quite clear that one reason Greece has not been able to take advantage of a booming global economy, in the way that small economies in Africa, Asia and Latin America have done, is indeed, in part, due to the constraints that its membership of the euro zone have placed upon it. For example, one of the areas in which Greece has had an international competitive position is shipping. Over the last 10 years, the massive increase in global trade has seen not just a rise in shipping rates, as a look at the Baltic Dry Index will show, but a significant increase in the size of bulk containers to take advantage of the increase in volume, and to reduce costs. Yet Greece has not significantly benefited from that. In part, that seems likely to be due to the high value of the euro, whose international exchange rate has been determined on the basis of the strength of the large German economy, rather than the small Greek and other economies.

Another aspect of that is inevitably the fact that low interest rates - again set according to the economy of Germany - encouraged Greek capitalists to engage in malinvestments, and particularly in speculative activity, rather than in significant restructuring and modernisation of the Greek economy. Given the nature of the Greek state and government as endemically corrupt, it also led to large amounts of money simply disappearing into deep pockets.

Having found itself in that position, Greece is now being forced to endure an austerity programme that is inflicting anorexia upon its

already weakened economy, and the political source of that imposition is indeed Germany. What is worse is that it is being imposed not in the interests of even German capitalists, let alone European capital as a whole, but simply in order to meet the needs of Angela Merkel and the Christian Democratic Union's electoral interests. The German SPD, who are ahead in the polls, together with the Greens, are in favour of introducing EU bonds, and so on, which would collectivise all European debts, and address many of the problems which caused the crisis in Greece in the first place.

The problems facing Greece, as with those facing the rest of Europe, are essentially political, not economic. They require in the first instance a political solution. That solution involves a clear commitment by EU politicians to move speedily towards political union. It involves an even speedier move towards fiscal union and the collectivising of all European debts - essentially writing off those of Greece, Ireland, Portugal, Spain and Italy - and if necessary the monetisation of that debt via money printing by the European Central Bank. A longer-term solution, but again requiring immediate action, would be the introduction of bonds to finance all EU debt via the capital markets, backed by the whole of the EU. Of course, that will mean that Germany will want oversight of all budgets - that is what fiscal union means - but that has to come alongside, not in advance of, the necessary measures to establish the necessary political/state structures to stand behind a single currency/market.

Of course, as workers we have to raise the cry of the American revolutionaries - "No taxation without representation!" A fiscal and political union means we have to have a root-and-branch democratisation of the EU as a whole. We should begin by demanding the convening of a Europe-wide constitutional convention.

Arthur Bough
email

Glued up

Is capitalism a glue factory? The *Wall Street Journal* of June 29 quotes the economist, Douglas Holz-Eakin: "We're the best looking horse in the glue factory." He is referring to the relative strength of the dollar compared to other currencies in worse shape.

The article also quotes Hans Hoogervorst, chief of International Accounting Standards, as saying: "The best we can expect is a prolonged muddling through." By coincidence, the HSBC bank has issued a report on the world economy entitled *A colossal muddle and Barclays bank has issued one called Global outlook, a stressful muddling through*. The bankers get paid 'to muddle'.

In the US, we can soon choose in the elections which horse we want to lead us into the glue factory.

Earl Gilman
email

**Second edition:
It's here**



SHREWSBURY

Conspiracy, betrayal and flying pickets

On the 40th anniversary of the 1972 building workers' strike, **Laurence Humphries**, a supporter of the National Shop Stewards Network, gives his version of events

Forty years ago, on June 28 1972, the building workers union, Ucat, called a national strike over pay and the iniquitous system of casualised labour known as 'the lump'. This strike came at a time of major clashes between sections of workers and the Tory government of Ted Heath. It followed the victory of the miners, which included the famous blockade of Saltley Gate coke depot, and coincided with the dock strike, which saw the imprisonment of the Pentonville Five under Heath's Industrial Relations Act and their subsequent release after mass protest strikes.

The building industry was notorious for fatalities amongst workers and the lack of some of the most basic amenities. Jim Arnison, a *Morning Star* reporter at the time, highlighted this in his book, *The Shrewsbury Three: strikes, pickets and conspiracy* (London 1974). He pointed out the appalling situation on many big sites: "... they worked in the rain, they worked in the dark and had no time to bother about canteen or toilet facilities." Arnison described how scabs and 'lumpers' were used. Flying pickets belonging to both Ucat and the Transport and General Workers Union were employed in north Wales and the Liverpool area. Many members of both unions were blacklisted - still a major concern for building union activists today. The recent electricians' dispute involving mainly Unite members showed that building employers still operate unsafe sites and blacklist those 'troublemakers' who protest.

The Tory government decided that it wanted to exact revenge on Ucat and the TGWU for the use of flying pickets. The state had been seriously defeated over the miners and the dock strike, and the establishment believed that if it could criminalise building workers it would force the union leaders into submission. Months after the strike 24 building workers were arrested - they had refused to abide by a court ruling that their picketing was unlawful during the strike. There were two separate trials - in Mold and Shrewsbury - and it was in Shrewsbury that Des Warren, Ricky Tomlinson, John Carpenter, McKinsie Jones, John Llywarch and Ken O'Shea were charged under the 1875 Conspiracy Act. Robert Carr, the home secretary who had introduced the Industrial Relations Act, colluded with both the North Wales and West Mercia police divisions and the building employers to try to ensure that workers would never again be able to conduct an effective strike.

All 24 were found guilty of the charges brought against them and six were jailed in 1973. Des Warren and Ricky Tomlinson were sentenced to three years and two years respectively for "conspiracy to intimidate" (ie, mounting pickets). As Arnison points out in his pamphlet, "The only

conspiracy was the collusion of the police, judiciary, Labour and Tory governments and the security services."

Nick Warren, Des Warren's son, points out in his book *Thirty years in a turtle neck sweater* (London 2005): "The building unions condemned the Shrewsbury pickets as violent, even though not a single act of violence was ever proved." Nick Warren also points out that his dad was writing a pamphlet about the case and that the Communist Party, of which Des was a member, was reluctant to get involved: "They wouldn't help him write it, wouldn't help get it printed and then wouldn't review it in the party newspaper, the *Morning Star* ... They misled the campaign and bent and knuckled and kowtowed to the rightwing union leaderships."

Des Warren had joined the Communist Party in 1964. He was to be involved in all the actions around the building workers' strike. In his book, *The key to my cell* (London 1982) he describes not only the building workers' dispute, but the 1972 miners' strike and the jailing of five dockers which nearly precipitated a general strike. Des had believed that the CPGB would fight and mobilise the working class to get him and Ricky Tomlinson out of jail.

During his time inside, both he and Tomlinson were to learn very quickly the nature and role of the Ucat leadership and the Communist Party. Ucat even refused to provide legal aid, despite previously having agreed to do so. Warren and Tomlinson fought for their status as political prisoners and refused to wear prison uniforms. They also went on hunger strike in protest at the refusal of the state to give them political status. As Des wrote, "It should be made clear to the movement as soon as possible that it was not a legal attack on us personally, but a political attack on the movement as a whole."

Des thought that while he was in prison the CPGB would be mobilising a mass movement to free him and Ricky. The working class in its thousands did attend many demonstrations and lobbies, but the Ucat leadership did no more than lobby Labour, especially when it was returned to power in the 1974 general election. At no time did it consider trying to use the combined strength of the unions to free Warren and Tomlinson.

Bert Ramelson, the CPGB industrial organiser, insisted in letters to Des that the party was doing everything to free him and Tomlinson. Nothing could be further from the truth: the CPGB was closing down the defence committees and winding up the rank-and-file

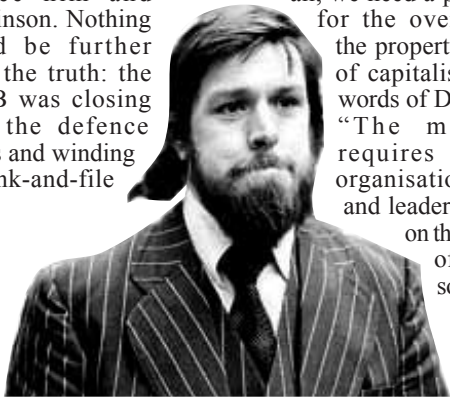
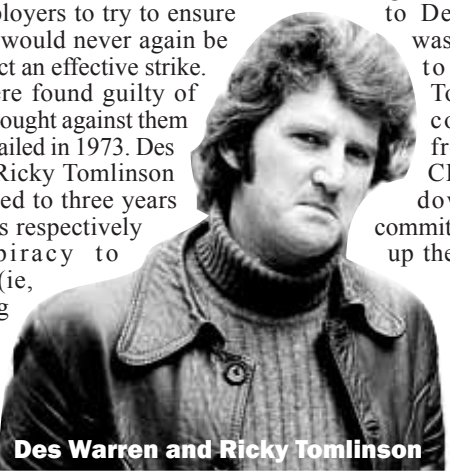
Charter Group it had set up. It seems the Communist Party wanted to wash its hands of the whole affair. Ramelson and CPGB executive member Pete Carter bore the main responsibility for this treachery. They provided left cover for union bureaucrats like Ucat's George Smith. They had no intention of using their industrial influence to help free Warren and Tomlinson. They called for a public enquiry, sponsored motions in the House of Commons and mobilised for lobbies and demonstrations, but there was never a move to call for strike action at any time, despite the lessons of the Pentonville Five: if the TUC had called a general strike they would have been freed.

Des Warren comments in *The key to my cell*: "This was, I think, the beginning of the breach between myself and the Stalinist leadership of the CP." The defence committee that had been set up had no strategy for getting him out of jail. Warren says: "Not only was the fund being closed, but the campaign was being wound down." He said of the trade union leadership, aided and abetted by the Communist Party: "Let us not forget the desperate, cowardly, self-interested role that these spineless maggots have played in the Shrewsbury issue." It was Ramelson and the Communist Party, acting as messenger boys for the union bureaucracy, who persuaded Tomlinson and Warren to give up both their hunger strikes and other prison protests.

In 1980 Des Warren joined the Workers Revolutionary Party, which, through the Wigan Builders Action Committee, had organised a march from Wigan to London to free Warren and Tomlinson and demanded that the TUC call a general strike. The WRP was the only organisation at the time that recognised the political implications and the role of the capitalist state. Today that state is once more preparing for battle with the working class.

After Heath's defeat in 1974, the Tory Party turned to a leadership that was determined to go much further than he did - the Thatcher years. There was very little difference between Thatcher and Blair: they both supported the use of the anti-union laws rather than having to rely again on antiquated conspiracy legislation.

In this year's sparks' dispute, it was rank-and-file activity, bypassing the Unite bureaucracy, that brought victory. That is the perspective in today's major class battles against austerity. Twenty-four-hour general strikes are useless: they are just reformist protests and will not change anything. Most of all, we need a perspective for the overthrow of the property relations of capitalism. In the words of Des Warren: "The movement requires complete organisational unity and leadership based on the principles of scientific socialism" •



Des Warren and Ricky Tomlinson

ACTION

CPGB podcasts

Every Monday we upload a podcast commenting on the current political situation. In addition, the site features voice files of public meetings and other events: <http://cpgb.podbean.com>.

London Communist Forum

Sunday July 8, 5pm: Weekly political report from CPGB Provisional Central Committee, followed by open discussion and *Capital* reading group. This meeting: Vol 1, chapter 3, part 1. Caxton House, 129 St John's Way, London N19.

Organised by CPGB: www.cpgb.org.uk.

Radical Anthropology Group

Tuesday July 10, 6.15pm: Annual general meeting. St Martin's Community Centre, 43 Carol Street, London NW1 (two minutes from Camden Town tube). Organised by Radical Anthropology Group: radicalanthropologygroup.org.

Afghanistan - 10 years on

Ends Sunday July 8: Photography by Guy Smallman, St John on Bethnal Green, 200 Cambridge Heath Road, London E2. Sponsored by *Peace News*: www.guysmallman.com.

Effective working in Labour movement

Saturday July 7, 10.30 am to 4pm: Training day, Labour Party head office, 1 Brewers Green, London SW1. With Helen Symons (Trade Union and Labour Party Liaison Organisation) plus socialist society speakers. £10, lunch provided. Organised by Labour Party: <http://members.labour.org.uk/event/20962>.

No to a Virgin NHS

Saturday July 7, 10.30am: Picket, Virgin Media, Abington Street, Northampton. Followed by public meeting. Organised by Save Our Services: davegreen@nhampton.fsnet.co.uk.

Labour Briefing

Saturday July 7, 12 noon: Annual general meeting, University of London Union, Malet Street, London WC1. *Briefing* readers can attend and vote on whether LRC should adopt *Labour Briefing* magazine. Organised by Labour Briefing: www.labourbriefing.org.uk.

Barnet council not for sale

Saturday July 7, 12 noon: Conference, Greek Cypriot Community Centre, 2 Britannia Road, North Finchley, London N12. Organised by Barnet Alliance for Public Services: <http://barnetalliance.org>.

Stop migration rule changes

Monday July 9, 4.30pm: Protest with street theatre, Houses of Parliament, London SW1. Followed by lobby of MPs and meeting in Lords. Organised by Joint Council for Welfare of Immigrants: www.jcwi.org.uk.

Stop the Bliar comeback

Monday July 9, 5.30pm to 7.30pm: Protest, Lambeth (location to be announced). Tell Balir he's not welcome. Organised by Lambeth Stop the War: lamb_stw@yahoo.co.uk.

Fighting apartheid

Tuesday July 10, 7.30pm: Book launch, Hall 2, Colston Hall, Colston Street, Bristol BS1. *London recruits: the secret war against apartheid*. With editor Ken Keable, Ronnie Kasrils (SACP) and Bristol Red Notes socialist choir. Organised by Bristol Action for Southern Africa: davesurgeon@blueyonder.co.uk.

Afghan solution?

Wednesday July 11, 6.30pm: Meeting - 'How western hubris lost Afghanistan'. Committee room 21, Houses of Parliament, London SW1. Lucy Morgan Edwards, Paul Flynn MP and Caroline Lucas MP. Organised by Afghanistan Withdrawal Group of MPs.

Rebellion

Saturday July 14, 1pm: Meeting, Nailour Hall Community Centre, Blundell Street, London N7. 'Building grassroots resistance and discussing alternatives for austerity Europe'. Organised by Anti-Capitalist Initiative: <http://anticapitalists.org>.

Labour Representation Committee

Thursday July 19, 8pm: Public meeting, Ruskin House, 23 Coombe Road, Croydon. The radical alternative to austerity. Speaker: John McDonnell MP. Organised by Labour Representation Committee: <http://l-r-c.org.uk>.

Alternative opening ceremony

Friday July 27, 7pm: Olympics party, Rich Mix, 35-47 Bethnal Green Road, London E1. With comedy, music, art, dance and ideas. Organised by Philosophy Football: www.philosophyfootball.com/view_item.php?pid=630.

Build rank and file

Saturday August 11, 2pm to 5pm: Unite construction national rank and file meeting, Conway Hall, Red Lion Square, London WC1. Organised by Unite construction national rank and file: siteworkers@virginmedia.com.

Home from home?

Ends Friday August 31: Exhibition, Swansea Museum, Victoria Road, SA1. Forced to flee because of violence or persecution. In collaboration with Swansea City of Sanctuary, Swansea Bay Asylum Seekers Support Group: www.swansea.gov.uk/swanseamuseum.

CPGB wills

Remember the CPGB and keep the struggle going. Put our party's name and address, together with the amount you wish to leave, in your will. If you need further help, do not hesitate to contact us.

ECONOMY

Berlin delivers reluctant 'solidarity'

Angela Merkel's last-minute climbdown comes with strings attached, writes **Eddie Ford**. After the EU summit, the crisis rumbles on

Confounding some, Angela Merkel took a step back from the abyss at the 'make or break' June 28-29 Brussels summit and agreed at the very last minute to allow the European Union to use its bailout mechanism to *directly* recapitalise struggling banks. A massive climbdown by the Berlin administration without a doubt, and a substantial victory for the 'Latin bloc' of Spain, Italy and France - though how long they get to savour their success (will the markets remain convinced, once the post-summit euphoria has fizzled out?) is yet to be seen.

Prior to the summit, as our readers will recall, Merkel appeared to be hardening her position on bank recapitalisation. Any rescue money, we were told, dished out by the European Financial Stability Facility or the European Stability Mechanism (scheduled to replace the EFSF this month) can only be funnelled through the actual states themselves. Those are the rules. Governments in receipt of such monies would be "fully liable" for any payment defaults or costs incurred by reneging on the strict conditions attached to the loans. You have been warned.

Hence we had a succession of German government officials discounting the possibility of easing the rules governing access to the ESM and Merkel herself repeatedly emphasised that International Monetary Fund oversight and inspection of aid recipients was "non-negotiable" - the iron chancellor had spoken. Nor did she miss any opportunity, as everyone knows, to vent her adamant opposition to any form of "joint liability" or mutualised debt (ie, Eurobonds) - 'over my dead body' being the distinct message. At the very least, it was a distant dream only to be entertained after each individual euro member-state by the sweat of its own brow - and by screwing the working class - had finally balanced its books and achieved permanent fiscal rectitude.

But, of course, such a stance was unsustainable, politically and economically - no matter how pleasing it might have sounded to much of Merkel's domestic audience or her allies in the Euro-bureaucracy. The essentially ad-hoc and dysfunctional arrangement, whereby Europe was lending money to the banks to save the sovereigns and to the sovereigns to save the banks, was steadily leading to predictable disaster. Even Merkel could see that. Countries suffering economic distress were being given financial 'aid' which just added to their overall indebtedness rather than alleviating it, and in turn increased the chances of a total economic meltdown - ie, Greece. Near madness, needless to say, but austerity economics and 'fiscal consolidation' was apparently the only route to salvation. Somehow the European leaders would muddle through if they gave that can a good hard kick.

Time was running out, however. Spanish government bond yields had reached the critical 7% mark by the afternoon of June 28, with every



Angela Merkel: under attack from within

reasonable expectation that they would just continue to rise if no substantial agreement came out of the Brussels summit. Bankruptcy loomed, with the Spanish prime minister, Mariano Rajoy - the increasingly unpopular leader of the Popular Party - bluntly telling parliament, and the world, on the day before the summit that the country simply "can't keep funding ourselves for long" at those levels of interest - end of the road.

As for Italian bonds, they were inevitably heading in the same direction, climbing at one point on June 28 to 6.29% - entering the danger zone again. Clearly, as the Brussels summit remained deadlocked, there was the possibility - no idle scaremongering - that the euro zone's third largest economy, and the eighth biggest in the world, was about to tailspin downwards if Europe's leaders did not work out a way to help lower Italy's interest rates with immediate effect. Failure to do so would result in Rome begging for a bailout on the grounds that it was too big to fail - the euro zone would come crashing down with it otherwise. Unfortunately, though that is almost certainly true, it is also too big to bail out, especially when you consider that the EFSF/ESM coffers, as things stand now, only contain about €500 billion - chicken-feed when compared to the real size of the problem. Those commentators and analysts who actually went to bed late on June 28

feared the worst, and for good reason.

Stunned

However, the Merkel administration *blinked* in the very early hours of June 29. Some reports say she was "stunned" by the unrelenting intransigence of the 'Latin bloc', taking brinkmanship to new heights. François Hollande, now comfortably bedded down in the Élysée Palace - and the *de facto* leader of the 'anti-German' alliance - made his intentions clear straightaway. He declared that he had come to Brussels purely in order to get "very rapid solutions to support countries in the greatest difficulty on the markets" despite the fact that they have "made considerable efforts to restore their public finances" - like Spain and Italy.

In retaliation, Mark Rutte, the Dutch prime minister - a key German ally, along with the Finnish government - came out in support of Merkel and announced that the only way Spain and Italy could emerge from the crisis was to "bite the bullet" of austerity and "reform their labour markets" (ie, introduce yet more attacks on the working class) - there would be no direct help from the EU, no deviation from Plan A. But the 'Latin bloc' leaders would have none of it and *demand* "solidarity" from Germany and *insisted* on the use of bailout funds to buy new Spanish and Italian bonds to ease borrowing costs at debt auctions over the summer. If

not, they threatened - arms crossed - they would "block everything" unless Germany and other euro zone countries acceded to their calls for immediate help.

For instance, the Spanish and Italian leaders were prepared to torpedo the flagship €120 billion "growth pact" if they did not receive a commitment to underwrite Italian and Spanish bonds. Overt blackmail, as the markets would have plunged like a stone first thing in the morning on July 2 if literally *nothing* - not even worthy platitudes - had come out of the summit. Potential catastrophe loomed in the shape of runaway bond yields and bank runs, and just about anything else your imagination cared to conjure up. Merkel knew that and the Latin bloc leaders knew that she knew that - checkmate.

Trying to put a positive spin on events, Hermann Gröhe, the general secretary of Merkel's Christian Democrat Union, said in an interview on German breakfast television that Merkel had pushed through her maxim of "no liability without oversight". Direct ESM aid to banks will only be allowed, he continued, once the right and proper oversight authority is established at the ECB. Yet in reality though, this must be quite a small consolation prize for the Merkel government.

So from now on, or so we gather from the official statements and declarations, euro countries which

fulfil the budgetary rules laid down by the European Commission can receive aid without agreeing to tough additional austerity measures. Strict monitoring by the EC, ECB and IMF troika - the sort imposed on Greece and Ireland - will no longer apply. More concretely, under the deal Spanish banks will be recapitalised to the tune of some €100 billion, which will be "very rapidly taken off balance sheet" - or erased - and directly loaned to banks once the ECB finally takes over as the single currency's banking supervisor.

Theoretically, this could happen by the end of the year, but the odds are that it will take up to two years instead. Just as importantly, if not more so, the new ESM loans will not be given *seniority* - assuming we believe what we read - thus giving extra security to Spain's private creditors. Those creditors had been seriously spooked by the prospect of playing second fiddle to the euro zone bailout fund if for any reason the debt had to be 'rescheduled' - a turn of events that would significantly increase their exposure to risk. Of course, the converse of this is that euro zone taxpayers - especially *German* taxpayers - are now as much at risk as private creditors when it comes to the Spanish bank bailout. An extremely sensitive subject politically, it need hardly be said, for the Merkel government.

Furthermore, and perhaps more controversially, a commitment (a promise?) was also made to "examine the situation of the Irish financial sector" - offering up the tantalising prospect that the Irish government might get some sort of relief on its crippling debt burden. In which case - questions, questions - what happens to the countries such as Portugal and Greece that have already received money from the temporary EFSF? Brussels officials have issued terse statements saying that the new deal signed on June 29 "does not change anything" about the troika-dictated programmes for Greece, Portugal and Ireland, and Merkel - hardly surprisingly - has asserted that the decision to waive the preferential treatment for the bailout fund when it came to the Spanish rescue was a "one-off" that would not be repeated in any further programmes. All the agreed plans and goals will continue to apply and be monitored by the troika.

But, then again, Merkel also said the bailout fund would *never* be used to directly recapitalise ailing banks - yet now that is precisely what will happen - unless the Brussels summit was nothing more than a gigantic con trick. That being the case, it is more than possible that the members of the bailout club might start clamouring for the terms of their respective deals to be relaxed or renegotiated - which is certainly the position of the new Greek coalition government headed by Antonis Samaras. Awaiting an 'inspection' by troika officials on July 4 in order to determine whether the country qualifies for the next tranche of bailout money totalling €31 billion - and thus avert immediate bankruptcy - a government spokesman

said on Greek TV a day earlier that “we will present information that is astounding” and will demonstrate that in their “current form” the austerity measures demanded by the troika are “hopelessly counterproductive”. Doomed to failure. Reconsider, Berlin - and IMF - just like you did with Spain.

Backlash

Reflecting a sentiment common in the German press and society as a whole, *Spiegel Online* carried an article saying that Italy and Spain “broke the will of the iron chancellor” at Brussels by “out-negotiating her” in the early hours of June 29. The truth is, continued the piece, the German government “caved in” to demands for “less stringent bailouts” and direct aid to banks”. Other cruel though not entirely inaccurate headlines in the German press were “Outfoxed by Club Med”, “German dominance in doubt after summit defeat”, and so on.

Things will certainly not be plain sailing for Merkel following the Brussels summit. One possible fly in the ointment will arise when the German constitutional court decides on July 10 whether to grant a temporary injunction against German laws on the fiscal pact and the ESM - even though both deals have been approved by the German parliament. It is not entirely impossible that as a consequence the start of the ESM could be delayed. More seriously, the Bavarian governor, Horst Seehofer, the leader of the Christian Social Union - the CDU’s sister party - has strongly criticised the outcome generated by the Brussels summit in an interview for the *Stern* magazine (July 3). He threatened to let the government collapse if Berlin makes any further financial concessions to ailing euro member-states, reminding Merkel - not that she really needs her mind jolted on this matter - that the coalition “has no majority” without the CSU’s parliamentary seats.

Seehofer was also incensed by a suggestion mooted by the German finance minister, Wolfgang Schäuble, that the country should countenance holding a referendum on a “new constitution” that would effectively relinquish fiscal and budgetary powers to Brussels, as tentatively agreed at the summit. “Hands off our constitution!” he retorted - thanks to this constitution, Germany has had the “most stable state” and the “most stable democracy” there has ever been, and he would not accept the transfer of major powers to a “European monster state”. If absolutely necessary, he would turn the next general election and the Bavarian regional election - both scheduled for 2013 - into a vote on Europe: “We will put this question to the people”. There have also been grumblings of discontent from within the CDU itself. Wolfgang Bosbach, a consistent critic of the ESM and the party’s deputy parliamentary group leader since 2000, has openly worried about the currency union widening dangerously to become a “liability union” - which in turn will become a “transfer union”, with euro members continuing to merrily “violate deficit rules”.

The plain fact of the matter is that the euro crisis continues, even if immediate calamity has been avoided - we are not out of the woods yet. There is now intense speculation in the financial press and beyond that Slovenia may become the *sixth* euro member to seek a bailout. Janez Janša, the Slovenian prime minister, declared on June 27 that the country risks facing a “Greek scenario” and Michal Dybala - a senior economist at the BNP Paribas banking group - said it was “increasingly likely” that Slovenia would be the next euro country asking for a bailout to prop up the banking sector. Slovenia’s

predicament seems to stem from the financial difficulties currently being experienced by Nova Ljubljanska Banka, the country’s largest bank, after KBC - a major Belgian bank that owns 25% of NLB - abandoned plans to buy new shares in a deal which would have provided funds for recapitalisation. The rest of NLB is state-owned and the country, already weighed down by a large and growing national deficit, is now finding itself unable to fund the recapitalisation effort. Hence the crisis.

Meanwhile, the grim economic data keeps rolling in. Unemployment in the euro zone area hit 11.1% in May - making a total of 17.56 million people out of work, the highest level since records began in 1995. The rate across the wider EU also rose to 10.3% in May from 10.2% in April. Youth unemployment also climbed again, with another 282,000 young people (under 25) out of work across the EU compared with a year ago - including 254,000 within the euro zone. That pushed the youth unemployment figure up to 22.6% in the euro zone and 22.7% across the EU, meaning overall that there are now more than five and a half million young people unemployed in the EU, of whom 3.4 million are in the euro area. Of course, the youth jobless data shows the deep divergences between the countries which make up the euro zone. Germany can boast the lowest youth jobless rate at just 7.9%, followed by Austria at 8.3% and the Netherlands with 9.2%, whilst - no prizes for guessing - the situation is bleakest in Spain and Greece, with 52.1% each. At the same time, the downturn in the euro zone’s manufacturing sector continued apace. Markit’s purchasing managers index was stuck at 45.1 in June - its lowest reading for three years (any reading below 50 indicates economic contraction).

As for the powerhouses, China and the United States, they are both slowing down - causing widespread alarm. Figures released this week revealed that China’s manufacturing activity expanded at its weakest pace for seven months in June, despite government attempts to arrest the slowdown. So the country’s PMI fell to 50.2 last month from 50.4 in May, according to statistics produced by the China Federation of Logistics and Purchasing.

Even more worryingly for European leaders, US manufacturing activity contracted for the first time

in three years. A survey on the US industrial sector carried out by the Institute for Supply Management reported a large decline in activity from 53.5 in May to 49.7 in June - outright contraction and its lowest level since the recession formally ended in mid-2009. In fact, as part of its annual health check of the US economy (the ‘article 4 report’) for 2012, the IMF added its voice to those (including Federal Reserve chairman Ben Bernanke) warning that the seemingly endless deadlock on Capitol Hill is “jeopardising” the US economy. Describing the US recovery as “tepid”, the IMF report urged Washington’s warring politicians in Congress to stave off drastic spending cuts and tax rises due to take place in 2013 because they might send the economy tumbling over a “fiscal cliff”.

But for communists the biggest danger - and objection - associated with the euro zone, and the EU as a whole, is the gaping *democratic* deficit. Naturally, the rightwing and left nationalist press, such as the *Morning Star*, is full of wild talk about a German takeover of Europe. On one level there is mere chauvinist nonsense, but on another there is a truth to such claims. The EC plans presented at the Brussels summit for a “banking union”, fiscal integration, greater centralised control, etc - a sort of bureaucratic United States of Europe - would in reality, if they ever came to fruition, see the strongest euro zone country managing things; and that country is ‘democratic’ Germany. By definition, Germany and the Euro-bureaucracy based in Brussels would have the power to override the decisions taken by individual member-states - and indeed would have to do so in order to enforce all the targets laid out in the fiscal pact, etc.

But, if things are really run from Berlin, what if people vote the wrong way - like they almost did in Greece on June 6, Syriza only losing by a few percentage points? If Alex Tsipras had become prime minister, as some sections of the left foolishly wanted, then Greece would have been booted out of the euro and probably the EU itself. Under such anti-democratic conditions, which more or less render elections irrelevant, the EU will lose moral legitimacy and become purely associated with austerity and suffering ●

eddie.ford@weeklyworker.org.uk

Marxism - the fringe

Saturday July 7, 5pm

The left in Europe: workers’ governments or extreme opposition?

June’s elections saw Syriza jubilant. It has every reason to be - it almost doubled its vote in a matter of a few months, and is now the main opposition party, with a 71-strong group in the Greek parliament. Syriza’s remarkable electoral performance is to be welcomed - it is a sign that the Greek masses are looking for an alternative to capitalism and austerity.

But what if Syriza had come first - and been given the 50-MP top-up provided for by the undemocratic Greek constitution - should it have agreed to form a government? Many on the left say ‘yes’. We say ‘no’. Until the working class has a reasonable chance of implementing the full minimum programme of Marxism it needs to constitute itself as a party of extreme opposition.

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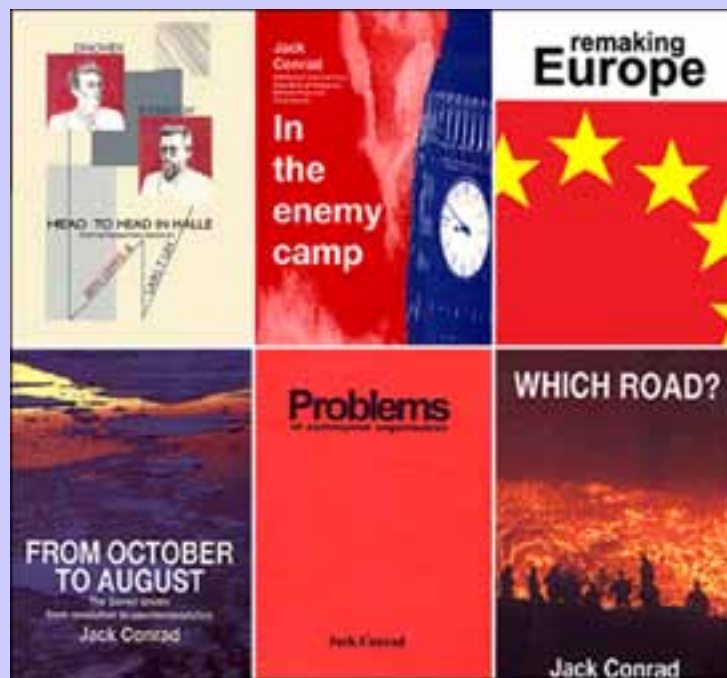
Mike Macnair opens a discussion on workers’ governments and the dead end of national solutions to capitalism’s crisis.

Sunday July 8, 5pm

Israelis and Palestinians: conflict and resolutions - launch of an anthology of writings

Moshé Machover is a veteran political activist in Britain and - before that - in Israel, where he was a founder of Matzpen, the Israeli Socialist Organisation, in 1962. This year, Haymarket Press has brought out a collection of the comrade’s essays on the seemingly intractable conflict between Israel and the Palestinians, covering the period from 1966 to 2010. He offers unique and penetrating insights into the political dynamics of Israeli society and the importance of the regional context of the conflict - *and* its potential solution.

Communist Party Books



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REVIEW

Value, profit and crisis

Andrew Kliman *The failure of capitalist production* Pluto Press, London, 2012, pp256, £17.99

Andrew Kliman's *The failure of capitalist production* is an important and in many ways iconoclastic contribution to the fast-growing body of literature produced by Marxist economists on the current economic crisis.

Kliman is a New York-based academic. Politically he is a Marxist-humanist in the tradition of Raya Dunayevskaya. Five years ago he introduced the approach of the "temporal single-system interpretation" (TSSI) of Marxist political economy to many socialist and communists activists who had never encountered it before, when his *Reclaiming Marx's 'Capital'* received wide attention.

Originating in a few scattered papers in the 1980s, the TSSI cohered in the 1990s. Alan Freeman is an academic who has been closely involved in developing its approach, including editing two influential collections of papers with others. The ideas of Guglielmo Carchedi are close to those of the TSSI. More recently Nick Potts has advocated the TSSI for the British journals, *Critique* and *Capital and Class* (over the years *Capital and Class* has published many of the debates between the TSSI school and their critics). Chris Harman embraced the TSSI in his last major book² and generally the Socialist Workers Party has given the approach a positive response.

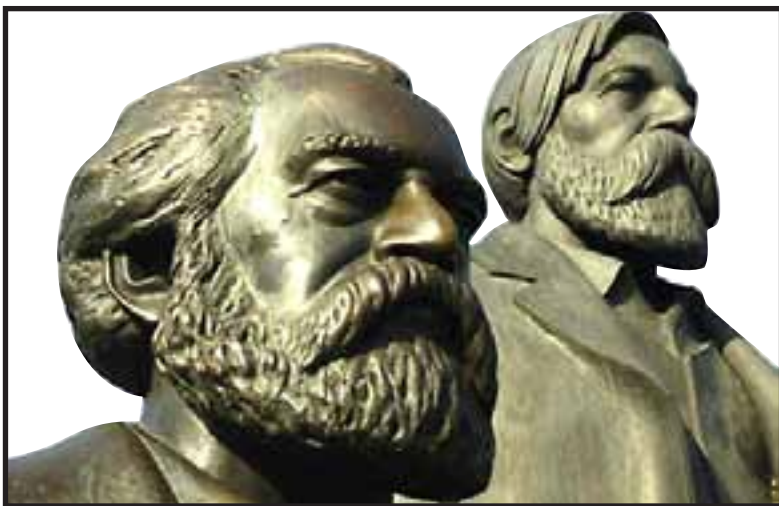
Kliman's *Reclaiming Marx's 'Capital'* focused on the academic controversies around Marx's key theoretical concepts of the transformation of commodity values into prices of production and the tendency of the rate of profit to fall in the face of labour-saving technological change. It argued that a century of Marxist economic scholarship had been led into an entirely unproductive dead end by its belief that the third volume of *Capital* contained logical inconsistencies requiring elaborate correction.

The result, according to Kliman, was either a lobotomised version of Marx's political economy that rejected the labour theory of value (Ian Steedman³ and the other neo-Ricardians) or a variety of failed efforts to rescue the dynamics of Marx's description of capitalism's laws of motion and its essential instability (most other Marxist economists of the last three decades and more).

The TSSI school, by contrast, holds that a reading exists of Marx's political economy that allows his economic analysis to make perfect sense, removing the alleged inconsistencies. It explicitly says that this does not prove that Marx was correct. But, regardless of whether or not Marx successfully constructs a model that approximates to reality, intellectual honesty demands that an interpretation of his work that accords him a modicum of intellectual rigour should be the starting point for both critics of Marx and those who claim to follow in his footsteps.

Great recession

The failure of capitalist production is Andrew Kliman's application of the temporal single-system interpretation to the arc of capitalist development from the great depression of the 1930s to the current crisis that he calls the "great recession". As Kliman says, the book is primarily an analysis of the empirical facts and he does not claim in this work to make new theoretical breakthroughs.



Marxism: logical

Of course, this is not to say that Kliman does not openly adhere to a theoretical perspective. He made clear in *Reclaiming Marx's 'Capital'* his belief that Marx's law of the tendential fall in the rate of profit (as a result of the increasing ratio of constant capital to workers employed in production - the organic composition of capital) is the most useful tool for understanding capitalist crisis. Kliman does not interpret Marx as arguing that profits fall in the long term - they fall and rise cyclically as part of the economic cycle and may even show a long-term rise if the cycle shortens.

In *The failure of capitalist development*, Kliman interprets his results to support the proposition that Marx's law explains the underperformance of the economy since the 1970s. He quotes extensively from Marx and other theorists (including his rivals) and he spends a chapter debunking the underconsumptionism of Paul Sweezy and the *Monthly Review* school (chapter 8). He concludes (in chapter 9) by arguing that underconsumptionist perspectives inherently tend to offer reformist solutions to capitalism's problems, while locating the source of those problems in the heart of production, as he does, has revolutionary implications for the politics of the working class.

The failure of capitalist production is therefore as much a contribution to theoretical discussion as a statistical handbook.

In brief, Kliman's thesis is that the root cause of the crisis that began in 2007-08 was insufficient profitability. In fact the United States economy never fully recovered (in some ways never recovered at all) from the crisis years of 1973-82.

The post-war boom had been built on the enormous devaluation of capital in the decade of the great depression and then World War II. This devaluation of capital had facilitated a dramatic restoration of the rate of profit, which in turn provided the wherewithal for increased investment by capitalists. Growth rates soared.

Eventually, the ratio of capital assets to workers employed in production rose. In line with Marx's labour theory of value, which holds that only productive human work adds value to commodities, the reduction of the proportion of workers to existing capital values in US industry brought down profit rates, leading to the economic crisis of the 1970s.

The 1970s differed from the 1930s in one big respect. This time around, governments were primed to step in to prevent business bankruptcies equivalent to those of 1929-33 - Kliman argues that the US government

wanted to forestall a return to the radical working class activism of the US of the 1930s.

A devaluation of capital that would have allowed for a restoration of profit rates (by reducing the ratio of existing capital values to workers employed) was therefore blocked. Consequently the rate of profit continued to decline (or at least stagnate) through the 1980s and 1990s, and neither capitalist investment nor economic growth has been able to return to the levels of the decades after World War II.

Kliman juxtaposes this thesis to the alternative perspective, propounded by theorists who have written on the current crisis, such as John Bellamy Foster and Fred Magdoff, David Harvey, Gérard Duménil and Dominique Lévy, and David McNally. They argue that neoliberal attacks on working class wages and conditions raised the level of exploitation from the 1980s onwards and allowed profit rates to be restored.

Most of them agree with Kliman that growth has been slower through most of the post-1970s period than previously. They attribute this phenomenon to problems of consumer demand (the classic underconsumptionist thesis). High profits that could not find sufficient investment opportunities in productive sectors (because expansion of these was constrained by the lack of markets for their output) instead poured into a variety of speculative ventures.

Kliman explains that, much to his own surprise, his crunching of the statistics revealed that the relative share of wages and profits in US national income has barely changed in the last three decades - if anything wages grab a slightly larger slice of the pie. Wages have risen more slowly in the last three decades than in the period after the war, but that is a consequence of the slowdown in overall economic growth.

Furthermore, many of the trends usually associated with neoliberalism - lower economic growth, financial instability, rising debt burdens, higher unemployment, rising inequality, deteriorating public infrastructure - began not when Reagan took office in 1981 and radically changed government economic and social policy, but in the first half of the 1970s or earlier. The cause of these trends needs to be located in a shift in underlying economic conditions rather than neoliberalism.

For Kliman, low profit rates were not the immediate cause of the 2007-08 crash - indeed he measures profit rates as rising in the years leading up to 2007. The bursting of the housing market bubble in the US (not just the so-called *sub-prime* housing market) in Kliman's narrative - as in that

of the 'underconsumptionists' - is responsible for the timing of the crisis.

However, low profit rates led to the succession of debt crises and asset and financial bubbles in the years since the early 1980s, as capital sought to escape from poor rates of return in the productive economy by turning to unsustainable speculation - 2007-08 was simply the latest bubble that had inevitably to burst.

Rate of profit

Marx defines the economy-wide *rate of profit* as the aggregate returns to the capitalist class (profit, interest and rent) as a proportion of the aggregate capital *advanced* by the capitalist class at the start of the production cycle. Note that this definition includes not just the capital *consumed* during the production cycle (ie, in Marxist terminology the circulating constant and variable capital and the normal wear and tear of the fixed capital), but the whole of the fixed capital involved in the production process (ie, the value of all the buildings, machinery, etc that last for more than one production cycle).

Now, why does the level of the rate of profit across the whole capitalist economy matter? This is a question that Hillel Ticktin raised last year in the *Weekly Worker*.⁴ It is clear why differences in the rate of profit between companies, industries, sectors and national economies are crucial. Since profit and the self-expansion of capital are the motivating factor at the heart of capitalist economics, capitalists have no alternative but to chase the highest possible profit on pain of being put out of business by their competitors.

In this sense, individual capitalists are simply the agents of blind economic forces - morality does not enter the equation. A failure to maximise profit equates to ejection from the capitalist class.

Indeed, it is the constant movement of capital in search of the highest available profits that is the basis of Marx's discussion of the formation of an average rate of profit and the transformation of commodity values into prices of production in volume 3 of *Capital* (the volume in which the concept of the *rate of profit* is first introduced).

But this does not explain why the level of the average rate of profit is important. Whether the economy-wide rate of profit is high or low, capitalists have no option but to continue pursuing profit-maximising activities. Why should their behaviour change with fluctuations in the rate of profit that affects everyone, such as the post-1960s fall that Andrew Kliman identifies?

Kliman offers two explanations. First, since surplus value (the new value created by workers in the production process minus the wages paid to the workers) is the only source of the income (profit, interest and rent) available to capitalists for reinvesting, the rate at which capitalists invest in the economy cannot exceed the rate of profit. This *rate of accumulation* subsequently determines growth rates in the economy, so a falling rate of profit inevitably means slower growth.

The underconsumptionists with whom Kliman is doing intellectual battle agree that the rate of profit serves as a ceiling to the rate of accumulation. They also generally concur with Kliman's view that the rate of accumulation has stagnated since the 1970s.

The essence of their argument, however, is that the rate of

accumulation can fall below the rate of profit (since it is not a floor) and that in the era of neoliberalism *high* profits have been diverted to financial speculation and a variety of asset bubbles rather than being productively invested. Since only the productive sectors of the economy create value - as opposed to sectors such as finance that simply share in the surplus value created elsewhere - economic growth has slowed.

This narrative rests on what seems to me the frankly implausible hypothesis that, despite reaping higher profits than ever in the productive sectors of the economy, capitalist investors have been alerted by 20-20 foresight to the risk that any additional increase in production in these sectors would run smack-bang into a brick wall of insufficient consumer spending power. In the neoliberal economy, apparently, the rate of profit no longer determines the direction of the flows of capital.

The fact that Kliman's measure of the rate of profit since 1970 matches very closely his measure of the rate of accumulation over the same period (see fig 5.8 on p91), requiring no faith whatsoever in the soothsaying abilities of today's capitalist class, to me suggests we should pay close attention to his explanation of slowing growth rates.

Kliman references the work of Emmanuel Farjoun and Moshé Machover (Moshé is a theorist and activist familiar to readers of the *Weekly Worker*) in expanding on the second reason why the economy-wide rate of profit is a determinant factor in a capitalist economy. In *Laws of chaos*⁵ Farjoun and Machover sought to reclaim the labour theory of value from the theoretical black hole into which Ian Steedman and the other followers of Sraffa had cast it.

Applying techniques learnt in physics (such as the *statistical mechanics* of Maxwell and Boltzmann) to Marx's political economy, Farjoun and Machover do not reach the same conclusions as the TSSI school - for instance, they reject Marx's equalisation of the rate of profit model. However, Kliman eagerly adopts their demolition of the concept of a *uniform* rate of profit as being mathematically unsound and lacking any basis in reality. If rates of profit vary between companies, industries and sectors having a more or less wide distribution around an average rate of profit, a fall in that average is going to place those capitalists earning below the average in increasing peril, as their individual profit rates plunge towards zero (see discussion on pages 17-19 and fig 2.1).

If profit rates remain low their difficulties will persist. They will take on increasing debt. They might turn towards speculative activity in a last-ditch effort to turn a dollar. Precisely the behaviour of capital in the era of neoliberal capitalism.

TSSI

The central chapters of *The failure of capitalist production* (chapters 5, 6 and 7) involve a lot of closely argued statistical analysis (supported by a lot of graphs and tables).

Andrew Kliman is the first to acknowledge several of the limitations he faces in pouring through the data provided by the US department of commerce's Bureau of Economic Analysis (BEA). Yet he is not the only Marxist economist wrestling valiantly with the statistics made available by the BEA. Most attempts to measure

trends in the rate of profit turn to exactly the same data set. They are restricted therefore to the US.⁶ They measure returns on fixed assets rather than total capital advanced.

Why, in contrast to Kliman's evidence that profit rates flat-lined or fell, do so many other Marxist economists find that the rate of profit in the US recovered after the early 1980s? The difference between them revolves around the key aspects of the temporal single-system interpretation.

The TSSI says, first, that the constant and variable capital inputs into the production process should be measured at the prices that were paid for them, rather than trying to either calculate the values or prices of production (the prices at which the capitalists producing the commodities would earn the average rate of profit) of these inputs. Bortkiewicz's 'correction' (popularised by Paul Sweezy⁷) to Marx's transformation of values into prices of production or any other correction to Marx's procedure in volume 3 of *Capital* is unnecessary and Marx's aggregate equalities (values and prices, surplus value and profit, the value and the price rates of profit) are not broken.

Nor are Marxist economists left with the painstaking and virtually impossible task of working out the values behind market prices (by iteration or regression or whatever). The TSSI therefore holds to a *single-system* (rather than a *dual-system*) interpretation of values and prices.

Second, the TSSI says that calculations of the rate of profit should take account of changes in value over time - hence the 'temporal' in TSSI. So the *historic* prices that capitalists paid for inputs should form the baseline of the calculation. In this way the effect of changes in those values are captured. After all, changes in value are the basis of Marx's prediction that rates of profit will *tend* to fall. Technological innovation that raises the productivity of workers reduces the amount of labour that is involved in producing individual commodities - the value of a commodity may not be the same at the end of a production period as at the beginning.

This is the riposte of the TSSI school to proofs, such as the influential Okishio's theorem, that labour-saving technological change cannot lower the rate of profit.

Unfortunately for the cause of consensus among Marxist economists, most reject the TSSI approach. They resolutely measure inputs to the production process - in effect fixed capital assets - at *current replacement cost*. There are a lot of technical arguments about taking account of inflation - the TSSI uses a concept known as the 'monetary expression of labour-time' (Melt) to discount for inflation and depreciation of capital values. These technical arguments end up measuring starkly different trends in the rate of profit for the decades since 1982.

One factor that 'historic cost' measures of the rate of profit capture that 'current replacement cost' measures miss is the losses suffered by capitalists due to what Marx called *moral depreciation*. This is the premature obsolescence of fixed capital (over and above normal wear and tear) due to innovations that supersede previous technologies or cheapen existing technologies.

Moral depreciation is obviously enormously important to the dynamic of capitalism and may be either positively or inversely related to changes in the organic composition of capital - for instance, it may reflect a lowering of the organic composition if the relative value of constant capital in the production process falls. It is an aspect of the "revolutions in value" that Marx intimated could destabilise the reproduction schema he set out in volume 2 of *Capital*.

For me, the TSSI approach cuts through a lot of the confusion that has enveloped the field of Marxist political economy. On the question of historic versus current replacement costs, it seems to me that the application of a temporal perspective to the returns on the prices that have actually been paid for inputs offers at least the prospect of measuring the real rates of profit of real capitalists.

Long waves

Beyond the TSSI debate, there is a key aspect of Andrew Kliman's theorisation of the development of US capitalism in the second half of the 20th century - the role of the devaluation of capital in the economic cycle - which seems to me not to work.

The first problem is that nowhere in *The failure of capitalist production* does Kliman explicitly engage with the debate in Marxist political economy about the length of the economic cycles. In the three volumes of *Capital* and the *Theories of surplus value* Marx analyses the economic cycles of bust and boom, lasting between seven and 10 years, which he believed began with the emergence of fully-developed industrial capitalism after the Napoleonic wars - a comprehensive explanation of capitalism's cyclical crises was to be the crowning achievement of the *Capital* that Marx originally envisaged, but sadly never competed.

In a footnote in volume 3, written with the stagnationary phase of capitalist development of the mid-1870s to the early 1890s in mind, Engels suggested that, with the increasing concentration and centralisation of capital and competition between states, the cyclical crises of capitalism might be lengthening.

In the 1920s Kondratiev and Trotsky sharply debated the causes of what both saw as long-term economic cycles of alternating rapid and much slower growth that extended over periods of half a century, give or take a decade or two. Trotsky insisted that politics and the class struggle were integral to the switch from one phase of the cycle to another and rejected the economic determinism of Kondratiev.

Ernest Mandel introduced *long-wave* theory to a modern Marxist audience just as the long post-war boom came to an end.⁸ These extended cycles were conceptualised by neither Kondratiev, Trotsky nor Mandel as replacing (as Engels had suggested) Marx's decade-long economic cycle. Shorter economic cycles continued, but were either dampened down or accentuated, depending on the phase of long wave.

In the absence of clarification, we have to assume that Kliman's primary focus is on long waves. *The failure of capitalist production* is concerned with explaining, first, the post-war boom, which lasted the best part of three decades and, second, the four decades that have elapsed since that boom came to an end. That looks like a long wave to me.

But does Kliman think that there are short-term fluctuations within the expansionary or stagnationary phases of the long wave that require theoretical explanation? He mentions none within the long post-war boom. Perhaps Kliman tends towards Engels's version of long-wave theory rather than Trotsky's or Mandel's?

When it comes to the last 30 years, Kliman does refer to the succession of speculative bubbles the world has experienced. And he talks about the economic peaks and troughs (of growth and profit rates) over this period, the bubbles being driven by the falling profit rates that are the principal focus of his book.

However, are the expansion and bursting of these bubbles (and the peaks and troughs associated with them) indicative of cycles within

the long wave? Or are they simply relatively random phenomena indicative of longer-term trends? In either case, why was capitalism able to recover relatively speedily from the abrupt ending of previous bubbles, while we are still living with the consequences of the bubble that burst in 2007-08?

Devaluation

Kliman's central thesis is that government intervention from the crisis of the 1970s onwards has prevented the kind of devaluation of capital that accompanied the great depression, and allowed profit rates to be restored to the level of the 1940s, 50s and most of the 60s. The devaluation of capital certainly features prominently in Marx's writings as a potential source of recovery - nowhere more so than in the context of his discussion of the law of the tendential fall in the rate of profit in volume 3 of *Capital*.

In an economic crisis a multitude of economic enterprises go out of business. Demand for the elements of fixed capital and circulating capital collapses. Disaster strikes worker and capitalist alike. However, for those capitalists with the resources, skill or luck to survive the crash, raw materials, machinery, perhaps whole factories can be snapped up for next to nothing. The effect is to rapidly raise the *potential* rate of profit.

The amount of capital that must be advanced by the survivors in order to produce commodities is sharply cut. If those commodities can be sold at a price that represents the pre- or post-slump value of the capital that is involved in their production (rather than the *devalued* price for which they have been purchased), the profit that will be made (as a result of the new value created in the production process) will represent a higher ratio to the advanced capital. Hey presto! The *rate* of profit will sharply rise.

There are a number of provisos. If the price of all commodities falls by the same proportion, no relative values have changed (as the Melt of the TSSI will confirm). So the devaluation of capital only works as a restorative of the rate of profit if the price of the inputs into the production process falls faster than the outputs.

When Kliman cites the statistics (on p22) that between 1929 and 1933 the prices of goods and services fell by 25%, while between 1928 and the end of 1932 the prices of fixed assets owned by US corporations fell by 23% - ie, slightly less - all he proves is a generalised deflation.

On the other hand, if the inputs are purchased prior to an economic upturn that subsequently raises the prices of commodities relative to the price at which they were purchased - ie, they change across the period of a single circulation of capital - profit rates will rise. The circulation of fixed capital obviously takes place over an extended period, so in the case of that component of the production process there is greater scope for relative values to change.

To this end, Kliman provides a striking statistic (on p77): between the start of 1931 and the start of 1945, the advanced capital of US corporations increased by 3%, yet there was a 164% increase in GDP during the same period. So, while output increased more than two and a half times, the price US capitalists paid for the fixed assets (presumably physically much expanded) that produced that increased output in effect did not rise at all. How could they fail to reap much higher rates of profit?

But this is where the question of the length of the economic cycle we are considering is crucial. Marx explores the idea that economic cycles of a decade or less might be linked to the average lifetime of fixed capital. In this context, the devaluation of fixed

capital assets during the slump phase of the cycle can conceivably provide the impetus to sustain a boom phase of no more than, say, seven or eight years.

It is much more difficult to see the devaluation of capital assets in the 1930s sustaining historically high profit rates and economic growth all the way through to the mid-1960s - long after the average lifetime of most of those assets had expired. Especially since Kliman's argument that the destruction wrought by World War II had a similar effect in value terms to that of the great depression is unsustainable. There is a radical difference between the complete physical destruction of capital assets (the destruction of their use value) and the loss of value (the destruction of their exchange value). A bombed factory (not that the US suffered these kinds of direct losses on the mainland) or, for that matter, a factory that has been decommissioned for so long that its equipment is rusted beyond repair, is in no position to provide much, if any, input into a new production cycle.

In fact, far from deflating capital values, the effects of war are inflationary. World war increases the demand for the inputs into production (and destroys such large quantities of what is produced) to such an extent that shortages become acute, and rationing and extensive government direction of the economy become essential.

So it is even less likely that the destruction of capital values that did take place in the 1930s could still be directly raising profit rates two or three decades later. In fact one of Kliman's graphs (fig 7.7 on p135) shows the rate of profit on new fixed capital investments averaging 10% from 1947 to 2007 and over those 60 years staying below the rate of profit on all fixed capital investments (which declines from 22% to just over 10%). The implication is that fixed capital in place by 1947 had a substantial effect on overall profit rates for six decades.

Yet how many of the factories, production plants and machine tools purchased by 1947 were still playing a significant role even 20 years later? Kliman explains (on p77) that in the 14 years after 1945, corporations' advanced capital increased by 192%: ie, the value of fixed capital investments in the US economy almost tripled, and that is after allowing for the depreciation of earlier investments. Those original fixed assets which had miraculously survived must have composed a tiny proportion of total fixed assets.

Capital devaluation may well have contributed to kick-starting the boom, but how could it have sustained it?

Now, I agree absolutely with Kliman that, while crises erupt in the sphere of circulation with the generalised breaking of the linkages between sellers and buyers, a proper application of Marx's political economy should look for the causes of capitalist crisis in the sphere of production - in the creation of value rather than its realisation.

Nothing in Marx's political economy supports an underconsumptionist explanation of crisis. Marx does not privilege demand for the commodities of department two (consumer goods) over those of department one (investment goods). As Kliman says, it is a false "underconsumptionist intuition" to suppose that capitalist production in some sense aims to meet human need - to quote Marx, capitalism is "accumulation for the sake of accumulation".

The destruction of value in a slump is a phenomenon of the circulation of capital rather than of the production of capital. The physical relationships of different categories of capital in production are not changed by the

loss of exchange value. Therefore no change to the organic composition of capital occurs, since the organic composition is the same as "the value composition of capital, in so far as it is determined by its technical composition and mirrors the changes in the latter".⁹

If the ultimate cause of crises is to be found in the sphere of production, should we not also look to the same sphere as the most likely source of the kind of changes that can decisively overcome a crisis, especially when we are talking about an upturn on the scale of the post-war boom?

It is noticeable that Kliman - other than rejecting a rising rate of surplus value from the 1980s onwards - does not explore the possibility that a combination of the countervailing factors to the falling rate of profit sketched out by Marx in volume 3 of *Capital* could contribute to an explanation of the strength of the post-war boom and the weakness or otherwise of the post-1970s economy.

Just such a perspective is a strength of Ernest Mandel's thesis in *Late capitalism* when he discusses 19th and early 20th century long waves - reductions in the value of fixed or circulating constant capital, revolutions in transport technology that transformed turnover time, the incorporation into the world market of new areas of the globe with a lower organic composition.¹⁰ It is a weakness of his thesis that, like Kliman, Mandel resorts to a mono-causal explanation of the post-war boom - a rising rate of surplus value.

If Kliman's reliance on the devaluation of capital fails to explain in full the post-war boom, neither is an aborted devaluation of capital in the 1970s (and over the last five years) likely to tell the whole story of the last several decades or the most recent crisis. In my view, a theorisation of the dynamics of post-war capitalist development needs to mine all the reserves of Marx's rich project of political economy.

Nor does Kliman seek to explain what neoliberalism represents or what the US and other governments intended the new ruling class strategy to achieve. If attacks on workers' rights, shrinking trade union membership and consistently higher unemployment cannot raise the rate of surplus value (which is Kliman's finding), an inverse version of the 19th century 'iron law of wages', against which Marx polemicised, seems to have been in operation in the latter part of the 20th century.

So *The failure of capitalist production* is a valuable source of ideas, argument and data. It should be read by anyone interested in where capitalism is going and in debates within Marxist political economy. However, the last word on the contours of contemporary capitalism and its crises is yet to be written ●

Nick Rogers

nick.rogers@weeklyworker.org.uk

Notes

1. A Kliman *Reclaiming Marx's 'Capital': a refutation of the myth of inconsistency* Lanham MD, 2007.
2. Albeit in the endnotes to the discussion on p49, C Harman *Zombie capitalism: global crisis and the relevance of Marx* London 2009.
3. I Steedman *Marx after Sraffa* London 1977.
4. H Ticktin, 'The theory of capitalist disintegration' *Weekly Worker* September 8 2011.
5. E Farjoun and M Machover *Laws of chaos: a probabilistic approach to political economy* London 1983.
6. See M Macnair, 'Clear economics, weak politics' *Weekly Worker* February 22 2012, a review of Paul Mattick's 2011 book, *Business as usual* (that reaches similar conclusions to Kliman), for a discussion of the risks involved in capturing trends in the US in isolation from those in the rest of the world.
7. P Sweezy *The theory of capitalist development* New York 1970 (1942), chapter 7.
8. E Mandel *Late capitalism* London 1975 (1972).
9. K Marx *Capital* Vol 1, London 1976, p762.
10. E Mandel *Late capitalism* London 1975 (1972), pp130-32.

IRAN

Accepting funds from the CIA

Supporters of the Iran Tribunal have desperately been trying to defend their abandonment of working class principle. **Yassamine Mather** reports on the contortions

The Iran Tribunal - convened to put the Tehran regime in the dock for its massacre of 5,000-10,000 political prisoners in 1988 - took place in London over June 18-22. While it largely went unnoticed by the public in Britain, it caused uproar amongst sections of the Iranian left.

The tribunal was not the first well-financed attempt to divert the genuine anger of the Iranian people, and their hatred of the Islamic regime (in its many factions), towards dubious ends. Similar stunts have taken place before under the auspices of so-called NGOs - which turn out to be little more than fronts for the United States and the European Union.

The National Endowment for Democracy - which organised and paid for the Iran Tribunal - is a case in point. The NED is in fact a not very covert operation run by the CIA. This is from an *Information Clearing House* interview with a former CIA agent: "The NED is supposedly a private, non-government, non-profit foundation, but it receives a yearly appropriation from the US Congress. The money is channelled through four 'core foundations'. These are the National Democratic Institute for International Affairs (linked to the Democratic Party); the International Republican Institute (Republican Party); the American Centre for International Labour Solidarity; and the Centre for International Private Enterprise (US Chamber of Commerce)."¹

The NED's NGO status provides the fiction that recipients of its largesse are receiving 'private' rather than US government money. The LewRockwell.com website explains this further:

"Washington's formula for regime change underwent a makeover in the 1980s. In a bid to ensure US political and economic interests were safeguarded, CIA-backed coup d'états ousted democratically elected leaders from Iran to Chile. In their place were brutal dictatorships and governments that committed heinous crimes against their people ... The concept of democracy promotion is simple: finance, train, and politically back local opposition forces around the world that support the American agenda.

"On this very subject Lawrence Wilkerson, the former chief of staff to former secretary of state Colin Powell said, 'We do this through surrogates and non-governmental organisation and through people who are less suspecting of the evil that may lurk behind their actions than perhaps they were before. Have we learned some lessons in that regard? You bet! Do we do it better? You bet! Is it still just as heinous as it has always been? You bet!' So, while the goal remains the same, it is no longer the CIA, but the US Agency for International Development (USAID) and its partners spearheading the effort."²

The NED is also heavily involved in Egypt. According to the *Los Angeles Times*, "In Egypt, the four US organisations under attack for fomenting unrest with illegal foreign funding were all connected to the endowment [NED]. Two - the GOP's International Republican Institute and the Democratic Party's National Democratic Institute - are among the groups that make up the endowment's core constituents. The two other indicted groups, Freedom House and the International Centre

for Journalists, receive funds from the endowment."³

NED defenders

It should be obvious to anyone claiming to be on the left that genuine human rights, workers' rights and prisoners' rights are not the real concern of such an organisation. And the fact that so many former political prisoners of Iran's Islamic dictatorship, including those who survived the dark days of the 1988 mass murder in Iranian jails, stayed away from the Iran Tribunal charade and wrote extensively on the reasons they did not attend is a credit to the Iranian left - comrades such as Homayoun Ivani, Vazir Fathi, Mojdeh Arassi, Farrokh Ghahremani and many others. The fact that many groups of the exiled Iranian left have chosen to keep silent about this issue - or, worse, have actually supported the tribunal - is a sad reflection of their bankrupt politics.

Sections of the Iranian left, desperate for the overthrow of the Islamic Republic, frustrated by three decades of exile and eager for funding (or even the hope of a place in Iran's post-Islamic republic future), are determined to cooperate with US-funded groups and meanwhile pretend to be offended by accusations of supping with the devil - they are objectively aiding the drive towards imperialist military intervention against Iran.

Others have simply been duped. Despite long years in Europe or North America, many of these comrades are still not at home with the language of their adopted country ... and obsessively write on the internet in Farsi. Many are clearly ignorant of what the NED stands for and some seem even to be unaware of the politics of the Conservative Party, prominent members of which were, of course, involved in the Iran Tribunal.

So, instead of responding to the valid points raised by those of us opposed to this stunt, they attempt to turn the tables. In desperation, organisations such as Rahe Kargar (Heyat Ejraii), which warn of the trap of accepting regime-change funds, are accused of supporting Iran's Islamic regime! Conspiracy theory was always the forte of some of the individuals and groups going down this route. However, this is really unacceptable behaviour - especially when such accusations are thrown simply as a means of avoiding giving a straight answer to a straight question: what is the role of the NED in this tribunal?

This is definitely the case when it comes to the main group supporting the tribunal: one of the many Fedayeen Minority factions - this time the one headed by a comrade Tavakol. Those of us who know this former member of the central committee of Fedayeen are not surprised that the man who believed socialism can be built in Iran with the help of Soviet industrial might is now ready to accept regime-change funds (not just for the Iran Tribunal, but also for a feminist website associated with his group, *Shahzad News*). Apparently anyone who does not understand the 'revolutionary' logic of accepting such handouts must be an agent of the Islamic regime!

For others, such as Rahe Kargar (Comite Markazi), who have in recent times taken a distance from revolutionary politics, justifying the NED's close connection with the

tribunal comes easy. The fact that the tribunal's chair is directly associated with the NED is merely 'coincidence'. They too claim that those like Rahe Kargar (Comite Ejrai) who have exposed these links are covertly supporting the Islamic regime.

A Comite Markazi central committee leaflet (in Farsi) states that because the Iran Tribunal is a "single-issue campaign" it does not need to take a position on the danger of imperialist military attack.⁴ First of all, at a time when war threatens to devastate Iran - with serious, unpredictable consequence for the Middle East and the world - single-issue campaigns seem a bit irrelevant. However, in this particular case the problem is far worse: irrespective of the ignorance of some, the Iran Tribunal has become an integral part of the plans for regime change.

In this respect the response of one of the tribunal's main spokespersons to a question posed by a TV reporter is illuminating. In response to the seemingly naive question, "Why aren't the organisers of the tribunal taking a position regarding the threat of war against Iran, when asked to do so?", a tribunal spokesperson replied: "We are not a political organisation. That is why we didn't take a position on the issue of war." Yet at the end of the same interview the worthy spokesperson remarks: "Oh yes, we are for the overthrow of the Islamic regime." So being against war is political, but calling for the overthrow of the Islamic regime isn't?

A third set of arguments relies on such stupid ideas that, out of respect for readers of this paper, I will not go into too much detail about them. But to give you an idea of their banality, let me quote a sentence from someone who defends NED sponsorship: "NGOs do not necessarily follow the policies of the governments that fund them."

This might sometimes be true, but it is clearly not so with the NED. Here is what George W Bush said of the NED on the occasion of its 20th anniversary in November 2003, six months after the invasion of Iraq: "I'm glad that Republicans and Democrats and independents are working together to advance human liberty." He ended his address this way: "Each of you at this endowment is fully engaged in the great cause of liberty. And I thank you. May god bless your work."⁵

So let us reiterate the facts. The Iran Tribunal is backed by NED funds and there is no doubt about the NED's role in the US. There are dozens of sites promoting its work and they all verify what we have written. The NED is not just another NGO.

The Obama administration budgeted \$80 million for it in 2009, according to the White House website and, of course, US radical and progressive sites are full of detailed reports about the NED, its funding and its *raison d'être*. Prominent US intellectuals have certainly exposed its close connections with the CIA.

Tory connection

NED funding was not our only concern. There was also the question of the legal team, which consisted of an impressive group of rightwingers. Sir Geoffrey Nice is associated with the Conservative Party Human Rights Commission. John Cooper QC is another Tory luminary on the panel.

I have heard it said that the reason the intellectuals and lawyers

involved are not radical is "because we don't live in the 1960s and 70s". Apparently there are no radical leftwing academics nowadays. I have news for those who think like that: not only are there many US academics, intellectuals and writers who consider themselves leftwing and oppose imperialism without having any illusions in Islamic fundamentalism; some have set up an alternative to the NED. They have called their NGO (set up with very limited funds) the *International Endowment for Democracy*. It was set up in 2006 and is "a new foundation of progressive American scholars, lawyers and activists dedicated to promoting real democracy in the country that needs it most: the USA."⁶

Their website was created to "critique the anti-democratic work of the National Endowment for Democracy" and supporters include: Bertell Ollman, the founder and president, author of many works on Marx; the late Howard Zinn, author of *A people's history of the US*; political prisoner Mumia Abu-Jamal; Annette Rubinstein, a lecturer at the New York Marxist School; Gore Vidal, author of numerous essays, novels and plays; Ellen Meiksins Wood, author of *Democracy against capitalism*; David Harvey, author of *The new imperialism*; and so on. So the world has not lost all its radical and progressive lawyers, academics and intellectuals: they just do not happen to support the 'non-political' rightwing agenda of the NED and its Iran Tribunal. On the contrary, they are actually very much involved in exposing such dubious projects and their CIA funders.

Some have asked how the Iranian left can be so stupid not to see where all this is leading. I am afraid the answer to this question is not that simple. Yes, some are ignorant of the facts, while other do not follow non-Iranian affairs, viewing world politics through a single lens: that of opposition to Iran's Islamic regime. Of course, the regime has created such a hell on earth that one can understand the motivation of such people and their thirst for justice. However, imperialism and its sponsored NGOs do not sympathise with the mainly leftwing political prisoners who were massacred in their thousands in the summer of 1988 - what did they say then when the executions were actually taking place, when socialist opponents of the regime were being targeted by regime death squads? Why is it that they have suddenly become interested in the events of more than two decades ago? It is no coincidence that the Iran Tribunal took place at the height of western propaganda, at the time when the spectre of war overshadows all issues relating to Iran.

That is why we point the finger not at the naive and ignorant, but at those amongst the Iranian left

who have been corrupted by regime-change funds - unprincipled groups moving rapidly to the right. These types are impressed by the rise of the former leftwinger, Jalal Taleban, now the president of Iraq, and can imagine themselves eventually occupying high office in Tehran. No doubt some of them actually believe their actions will benefit the working class, oppressed women, the Kurdish people ... However, when members of the 'vanguard' accept imperialist funds they have truly crossed the line.

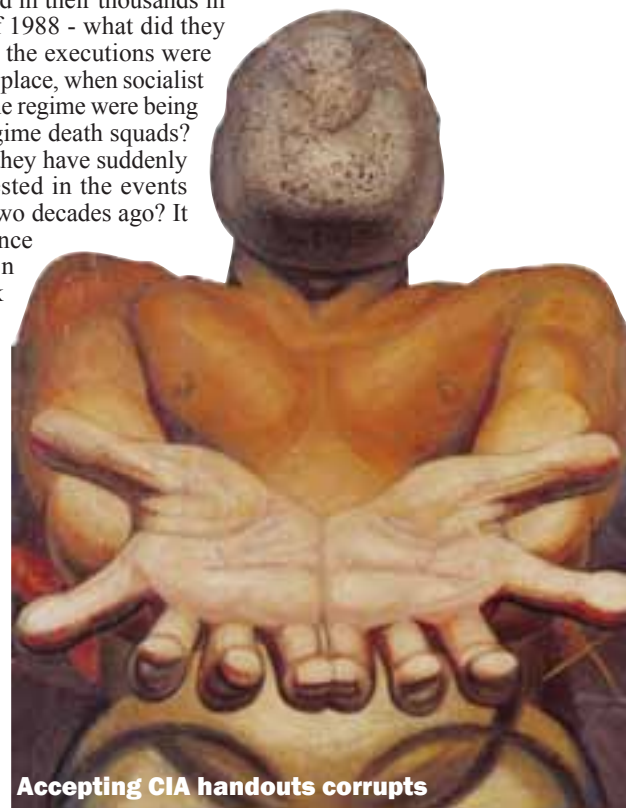
Finally, because Hands Off the People of Iran has been the butt of much criticism for our principled stance on the Iran Tribunal, let me repeat the three basic tenets of our campaign: No to imperialist war! No to sanctions! No to the theocratic regime! I would like to use this opportunity to thank comrades - in particular former political prisoners - who have supported us in the face of the barrage of insults from the spineless left.

We have said it many times and I emphasise it again: we are for the revolutionary overthrow of the Islamic republic - all its factions, all its structures. But this can only be achieved from below, through mass action. Any other type of regime change - a coup d'état, replacement by military action, the coming to power of the many-coloured alliances or configurations proposed by the US and its allies - will have one major victim: the Iranian working class. In the capitalist world we live in, only fools and those in search of political positions can envisage 'liberation' through the NED ●

yassamine.mather@weeklyworker.org.uk

Notes

1. 'Former CIA agent tells how US infiltrates "civil society" to overthrow governments': www.informationclearinghouse.info/article4332.htm.
2. www.rahekgareg.com/elamiye/2012/06/22/el_iran_teribunal.pdf.
3. www.lewrockwell.com/rep2/democracy-promotion.html.
4. <http://articles.latimes.com/2012/mar/07/opinion/la-oe-meisler-prodemocracy-20120306>.
5. www.rahekgareg.com/elamiye/2012/06/22/el_iran_teribunal.pdf.
6. www.ned.org/george-w-bush/remarks-by-president-george-w-bush-at-the-20th-anniversary.
7. www.iefd.org/press/press_releases.php?r=01.



Accepting CIA handouts corrupts

LABOUR BRIEFING

Common sense and left divisions

The proposed merger of Labour Representation Committee and *Labour Briefing* will be decided at *Briefing's* AGM this Saturday. **Stan Keable** of Labour Party Marxists reviews the discussion so far, and backs the merger



Going this way and that: unity needed

As the annual general meeting of *Labour Briefing* is upon us, an online debate is raging around the AGM motion to make *LB* the journal of the Labour Representation Committee. The idea is not new. A similar motion was moved four years ago by comrade Susan Press, but it only gained minority support. This time the merger motion is supported by a majority of both the *LB* editorial board (EB) and LRC national committee. At the May national committee meeting which agreed “to take the magazine on” by 17 votes to 7, LRC chair John McDonnell MP emphasised that this is “not a hostile takeover bid”, but the LRC is “waiting in the wings” if the *Briefing* AGM backs the merger.

The common-sense arguments for merger are sound. Like all leftwing journals, *Briefing's* future is at risk; its activists are diminishing and growing older; its financial survival is uncertain. There is an overlapping core of activists and leaders sustaining both *LB* and LRC. The politics of both are ostensibly very close - for left unity, directing the left to the task of transforming the Labour Party and the trade unions towards socialism. A journal without an organisation should merge with a growing left unity organisation without a journal.

EB member Mike Phipps makes the argument well in the July issue of *Briefing* (*'Briefing: expand or die'*): “Rather than going to more meetings than are necessary wearing different hats, why not put the two together?” The LRC is “committed ... to the pluralist traditions and Labour orientation of *Briefing*. That's non-negotiable ... But as to political disagreements ... we already have these in *Briefing* ... And we should welcome them ...” Warning that the EB and production team may not “just continue to renew itself”, comrade Phipps reminds us of the sudden disappearance of *Voice of the Unions*: “... once the number of people falls below a critical mass, publication will simply cease. It may not be long before *Briefing* reaches that position.”

Although personal conflicts and

frustration have evidently played a part in triggering the merger proposal on this occasion, readers and subscribers should reject the silly argument that the purpose of the proposal is personal - to “exclude”, “oust” or “carve out” certain members of the outgoing editorial board, whose term of office expires at the AGM in any case. No individual has a right to a place on the EB. If the merger proposal falls, a new EB will be elected at the AGM. If it succeeds, the composition of the new EB will be decided through the democracy of the LRC.

Instead of personal conflicts, we must examine the political differences, if we can find them, which motivate the reluctant minority who vociferously oppose this common-sense proposal. Ignoring the spurious arguments that an editorial board responsible to LRC could not possibly function effectively, the political concerns of the anti-merger minority seem to be threefold: *Briefing's* orientation to the Labour Party, its political pluralism, and its “organisational pluralism” or independence.

Would merging with LRC weaken *Briefing's* orientation to the Labour Party?

Not at all. LRC rule 3 states that its aim is to “appeal for support ... to all socialists outside the Labour Party, who it will encourage to join or rejoin the Labour Party”. Comrade Jenny Fisher, however, writing against the merger in the July *Briefing* (*'Not ready for slaughter'*), argues that the overlap between the *LB* and LRC “has probably held *Briefing* back”, because of the LRC's “purist approach”. Its ‘no cuts’ campaign “got nowhere and stopped dialogue about the left in local government”. She continues: “The Labour left ... needs a forum for debate and organisation: it is that vacuum *Briefing* should fill.” Here Jenny quite rightly mentions the need for organisation - but this is a need which *Briefing* does not fill, with its ‘non-aligned’ status. If she thinks the LRC's tactical approach to the anti-cuts struggle is wrong, that should be argued through the democracy of the LRC - it is not an argument against

organisation.

Would merging with the LRC undermine the pluralism of *Briefing*?

EB member John Stewart questioned the pluralism of the LRC in his June *Briefing* article, *'Briefing* should keep its independence’. He asks: “Would an article advocating support for one of the leading lights of the soft left [like his 2007 backing for Jon Cruddas as Labour deputy leader] be included in a future LRC *Briefing*?” However, while his version of pluralism reaches out to the right of the LRC, unfortunately it does not extend leftwards or to those outside the Labour Party. In the same article, somewhat naively, he expresses his fears that an LRC *Briefing* might open its pages to “the New Communist Party and the *Morning Star* Supporters Group” - both non-Labour affiliates of the LRC. And, he complains, “another affiliate, Labour Party Marxists, repeatedly criticised *Briefing* chair Christine Shawcroft in print during the Labour Party NEC election campaign”. The criticism “in print” to which comrade Stewart objects was my friendly, but mildly critical, letter published in the February issue of *Briefing* itself - despite the opposition of comrade Stewart, whose ‘pluralism’ is evidently of the censoring kind.

Comrade Fisher, too, exhibits an unhealthy antipathy to the LRC's non-Labour left. Instead of recognising the necessity of drawing them into the struggle to transform the party, she accuses the LRC of working with other left groups “on their own terms, without making the Labour Party central - hence its reliance on non-affiliated trade unions”. Of course, LRC could and should do much more to campaign for trade unions to affiliate, and to combat the destructive campaign for disaffiliation led by groups like the Socialist Party in England and Wales. That is an essential part of our struggle to transform Labour. By the same measure, we should not write off or disown those expelled from the party by the bureaucracy for their views, or for standing up for democratic principles - like the RMT union,

or individual expellees like Tower Hamlets comrade Stephen Beckett, thrown out of the party for backing Lutfur Rahman and Labour Party democracy, and defying bureaucratic diktat. Paradoxically, comrade Beckett is in the anti-merger camp at present.

“In short,” continues comrade Fisher, “*Briefing* builds the Labour Party; the LRC builds the LRC so it can be part of forming a new party of labour of which the Labour left may be a part” (my emphasis). This may be a minority view in the LRC, but it is a misrepresentation to present it as LRC policy. As Mike Phipps points out in his ‘expand or die’ article, “The LRC has changed: anti-Labour elements are marginal ...” Making *LB* part of LRC would surely strengthen its orientation to Labour further. Transforming the party is a necessary task for the left, and we need to be as united as possible, including organisationally united, in order to tackle the job. Reaching out to the non-Labour left and non-affiliated unions is an essential part of our orientation to Labour.

Of course, we do not know what the future holds for the Labour Party. If we begin to be successful and the left gets stronger, the right may abandon ship - like the ‘gang of four’ who split from Labour to found the Social Democratic Party in 1981, and later merged with the Liberals to form the Lib Dems. Better if we had kicked them out. The Blairite project to break the trade union link and transform the party in the wrong direction, into a purely bourgeois liberal party, may one day succeed. But, speculation aside, as things are, we must do everything to build a strong, well organised left and to rid the party of openly pro-capitalism, anti-working class factions like Progress, with its £400,000 per annum income (£260,000 from Lord David Sainsbury alone), which should have no place in the workers’ movement. We must transform Labour so that it stands clearly on the side of working class struggle and for socialism.

Would merging with the LRC curtail *Briefing's* political pluralism?

At the June 30 LRC NC meeting,

an anti-merger leaflet in the names of Jenny Fisher, Stephen Beckett and Christine Shawcroft made the curious claim: “*Labour Briefing's* tradition of pluralism is a political and an organisational one: pluralism in the sense of being non-aligned and working with others. *Briefing* was often called the ‘in-house journal of the Labour left’. That's different from the ‘house journal of the LRC’.” So, here we have the invention of the concept “organisational pluralism”, ascribing *Briefing's* ability to publish a range of left views to its supposed independence of any particular organisation - as if it were not an organisation in its own right. By contrast, the argument goes, if *Briefing* belongs to another organisation - the LRC - it loses its independence and its ability to carry a range of views.

I am sure the comrades have not grasped the disastrous implication of this naive idea: it legitimises the splitting disease of the left, and the false idea that a socialist political organisation must neither contain differing views nor be open to outside views. If you disagree, you must split and form your own organisation. That is how the left arrived at its present divided state. Championing “organisational pluralism” simply defends the unfortunate status quo. So it is OK that the left is split into many organisations, some in the Labour Party and some outside it, dispersing our uncoordinated efforts and competing for members and scant resources.

No, it is not OK. We need not merely open discussion, so we can learn from each other, so minority views can be heard and understood, so minorities can become majorities. We also need democratic organisation, so majority views can determine collective, effective action.

Annual general meeting

Saturday July 7, 12 noon, University of London Union, Malet Street, London WC1. Open to *Labour Briefing* readers. www.labourbriefing.org.uk.

AGGREGATE

Taking membership seriously

Michael Copestake reports on the debates at the CPGB weekend aggregate

June 30 saw CPGB members come together in central London for one of our regular aggregates. On the agenda was the question of the workers' government, introduced by comrade Mike Macnair - a question which has become particularly relevant, given recent discussions on the left regarding the slogan, its meaning and its applicability in relation to Syriza in Greece. As readers will know, the CPGB has been completely against Syriza forming a government and has advocated the necessity of the working class constituting itself as a party of extreme opposition.

Also up for discussion and voting was a proposal from the Provisional Central Committee to introduce a six-month period of candidate membership for new recruits. During this time comrades would take on the duties of full members without voting rights, and go through an induction process involving study of the *Draft programme*. It is a condition of CPGB membership that comrades accept (not necessarily agree with) the *Draft programme*, but the PCC felt that some had not sufficiently understood our politics and this had contributed to recent resignations.

As always, comrade Macnair gave a highly knowledgeable and wide-ranging talk. For him the nub of the matter is the conditions in which the communists will participate in a government. This is a question with a history that goes back a long way - all the way back to Louis Blanc, Alexandre Millerand and so on, and continues to animate the debates and practice of the left today.

Comrade Macnair noted that the Italian Partito della Rifondazione Comunista had wrecked itself through participation in the government of Romano Prodi, and that in Germany Die Linke is implementing cuts in regional governments alongside the Social Democratic Party and the Greens. But what are we to make of the slogan, 'For a workers government', as used by, say, the Alliance for Workers' Liberty and others? How does this differ from the Italian and German examples of coalition with social democratic parties? In the case of the AWL, what is meant is a government 'based on the trade unions' - which dodges the question of the Labour Party.

Comrade Macnair said that this debate has been aided by the historical work of John Riddell, who has translated and annotated important documents such as the stenographic minutes of the month-long 4th congress of the Communist International (as well as putting forward his own views on the question). Comrade Macnair himself has also discussed the question in his book *Revolutionary strategy*, whose second edition is due very soon.

For him the workers' government slogan, as developed in the Comintern, represents the loss of the idea of the minimum programme and of the democratic republic, which left the communists without a clear set of criteria guiding the conditions under which communists ought to be prepared to participate in government. This also touched on the question of 'soviet power' as the unique route to the dictatorship of the proletariat - comrade Macnair engaged in some vigorous myth-busting on this issue: soviets were not viewed by Lenin as the prerequisite for each and every working class government.

Comrade Macnair pointed out that following World War I it was



Alexis Tsipras: putting a workers' government onto agenda?

assumed that revolution and working class power were on the immediate agenda, which is hardly the case today. In the wake of the Russian Revolution it was possible that by joining a social democratic-dominated government the communists might be able to access weapons in order to arm the workers, who - in Germany, for example - would soon be aided by the arrival of the Red Army through Poland.

The debate that followed was largely without controversy, and tended to focus more on the state of the left as a whole than the workers' government slogan. Comrades pointed out that the left's simplification of such slogans and those relating to soviets were a reflection of its abandonment of the need for an open Marxist programme and patient revolutionary work for what comrade John Bridge dubbed "anarcho-Keynesianism" - a combination of the worship of spontaneity with illusory or even dangerous Keynesian reformism.

One comrade commented that in relation to Greece the workers' government slogan is used in conjunction with the fetishistic demand for withdrawal from the EU that takes no account of the devastating effects this would have on Greece's economy, for which the left would then be held responsible. The idea was that this or that spontaneous action, if sufficiently militant, could be "the spark that lights the prairie fire" that somehow brings the working class to power. But the working class is in no shape to assume power, in Greece or anywhere else.

More contentious - although in the end it was overwhelmingly carried - was the PCC motion proposing that henceforth there will be a six-month period of candidate membership for new recruits. This would involve the individual fulfilling all the duties of membership (attending party events, paying appropriate dues, accepting the *Draft programme*, etc), although candidate members would not have the right to vote during this period.

The motion, introduced by PCC member John Bridge, also included the proposition that candidate members undertake a guided course of study based on the *Draft programme* to ensure that future members took seriously and had a good grasp of our central precepts - not least the

need for democratic left unity within a party based on Marxism. Comrade Bridge proposed that the length of this period of candidate membership could be reduced or even dispensed with entirely if the PCC thought that an individual comrade already had sufficient experience and understanding.

The specific motivation that had led the PCC into formulating its proposal was the recent more or less apolitical resignation from the CPGB of three comrades, who either failed or were unable to articulate their political differences; they rarely or never attended important CPGB events, such as decision-making aggregates and our annual Communist University, and failed to pay regular dues. In other words, they had not taken CPGB membership seriously.

Comrade Bridge said that the CPGB had always stressed the rights and freedoms afforded to its members compared to the bureaucratic-centralist groups on the left, but he felt that in recent years we had perhaps not placed enough emphasis on membership responsibilities. He explained that the six-month period would benefit prospective members, enabling them to test out the politics of the CPGB and experience the responsibilities they would be expected to undertake.

Comrade Bob Davies broadly agreed with the motion, but was curious as to why the very specific period of six months had been settled on. He asserted that it is best for members to be "self-activating" rather than requiring central direction in every aspect of their work, but that the party had had a blind spot for identifying members who were not sufficiently engaged in such work to feel properly "involved" in the organisation.

Comrade Jean Hooper agreed that people were attracted to the CPGB because its internal life was more democratic than the sects and stated that the CPGB must continue to attract new, young members, who would most often, by definition, not be experienced activists, and continue to try and educate them - even though this had not worked with the recently departed young comrades.

Part of this process, she continued, must be an education in philosophy so that comrades are capable of making

arguments and dealing with new phenomena rather than just going back to what they may remember having read in the *Weekly Worker* at one point or another. In addition, she said, it is important that party work is more evenly distributed in the organisation for two reasons. First, to take the burden off the few members tasked with the bulk of it and, secondly, to give all members a "sense of ownership".

Comrade Sarah McDonald thought that a tighter discipline throughout the whole of the organisation was needed, perhaps including measures such as making attendance of Communist University a condition of membership, while in Alex John's opinion the PCC's own amendment to its motion was redundant. The amendment stated that the duties of members included the undertaking of party work under the guidance of the relevant party bodies or individuals was redundant, but comrade John said that this was all already included in the rules of membership.

Comrade Simon Wells expressed doubt about some of the formulations in the motion. He thought that it was phrased "bureaucratically" and worried that we would have members working under the constant eye of "shady figures" dishing out orders. He also queried the six-month duration and disputed comrade McDonald's idea that comrades should be obliged to attend Communist University. For her part, comrade Ellie Lakew said she was "totally against" the motion, characterising it as "bossy" and "authoritarian". She asked who were we, as a communist collective, to judge another's commitment to communism? Comrade Phil Kent was firmly against that view and in favour of "coherence and organisation".

Maciej Zurowski noted that the CPGB had previously had a category of 'candidate member', which was extremely vague - so much so that when he applied to join the CPGB his candidate status seemed to have been forgotten about. He questioned why exactly some comrades thought that, for example, Chris Strafford should never have been a member of the CPGB. Was it his politics? Would the CPGB now reject, say, left communists, he wondered?

Responding to some of the criticism and doubt expressed by

members, comrade Macnair explained that the motion is not "bureaucratic" and that the whole thing is flexible. However, the motion represents the "default settings", as it were, for future circumstances. He also agreed that the CPGB has had an internal life and attitude to membership which has been too liberal and that it was necessary to reassert the basics of common action and membership.

Replying to comrade Zurowski's concerns about the motion being used as a barrier to communists with differing politics, Jean Hooper stated that the motion is not a "purity test" designed to keep people out: its role is simply to aid mutual understanding between the CPGB and the candidate member.

Comrade Alex John reiterated the view of John Bridge that some recently departed members should not have been members in the first place. He commented that it is not a matter of "ideological cleansing" when we insist that members have to accept not only the accompanying responsibilities, but the organisation's programme, decisions and practice.

Replying to the discussion, comrade Bridge described how the motion contained, in fact, very little that was new - it was mostly composed of a restatement of already existing membership responsibilities. He agreed with comrade Hooper that party work needed sharing out more and disagreed with comrade McDonald that attendance at Communist University should be mandatory - it was quite acceptable for comrades not to come to every session, for example, although we would normally expect members to make every effort to attend the event.

Comrade Emily Orford proposed that, instead of the PCC having the final say on a candidate member, the matter should instead be brought before one of the regular party aggregates for the membership as a whole to decide. Comrade Bridge suggested a modification to this: that PCC decisions on membership should be carried in our regular internal members' reports and comrades could discuss or challenge any such decision at an aggregate if they wished. In the end this amendment was overwhelmingly accepted and the amended motion was then carried with one vote against and one abstention ●

SUMMER OFFENSIVE

Help us take further steps forward - donate

Mark Fischer reports on a solid first week for our annual fundraising drive and on an important political advance for our organisation



A relaunched website to speak to the world

The CPGB's annual fundraising drive, the Summer Offensive, has had a really good start. At the launch on June 30, the comrades present pledged a tremendous £13,100 towards our £25,000 overall target. This is an excellent beginning to what is traditionally an important and instructive period of work for our organisation.

But before we go into the details of the money actually received, let's tidy up last month's *Weekly Worker* fighting fund news. The June fund came up just short, with a final total of £1,396 - £104 shy of its monthly £1,500 target. A pretty solid £78 came in on the Thursday and Friday of last week to make the final pot more respectable; particular thanks to PM's £20 in that last-minute surge and the same amount from BL.

There is sometimes a little bit of a stutter at the beginning of the SO when Robbie Rix is temporarily boxed and I take over the money duties for the two-month SO duration. Comrade Rix has asked me to reassure readers that, although money donated to the paper will count towards the SO, the money directed to the *Weekly Worker* will be used exclusively for that purpose. So the £322 in standing orders paid to the paper in the first few days of July has not only boosted the SO, but will actually help the *Weekly Worker* pay its bills.

Overall, since last Saturday's launch, £1,987 has landed in the SO coffers - impressive! The outstanding performer in this has been comrade PK, who - having pledged £700 on June 30 - actually gave us £900, all in one go, a few days later! Others deserve mention for their

contributions - in particular, comrade TB is writing off hundreds of pounds owed to her, debts mostly accrued during work on the redesign of our website (see below).

As I wrote last week, we are again placing the drive to support the *Weekly Worker* at the core of this year's campaign. Our paper attracts the overwhelming bulk of its readership online, of course, and many comrades who are part of that 'Weekly Worker Thursday surge' on the internet will be pleased to see that the long-awaited relaunch of our website has finally happened.

So far the responses have been extremely positive. Despite the joshing tone of one CPGB supporter's comments, his general sentiments are pretty typical of the comments we have had since we relaunched in the past few days: "Fuck me," he writes delicately, "I thought I had more chance of seeing adequate time for debate at an SWP event than I did of ever seeing a new party website." But he adds: "Joking apart, I'm impressed - a huge step up in terms of clear information."

I know what he means. On one level, it is just a relief to see the thing go live, frankly. When our site was attacked and taken down in June 2009, we were determined to take it as an opportunity, not simply a setback. We quickly reconstituted an interim site for what we were convinced would be a short transition period (somewhere, quietly, a cantankerous god of the internet chuckled) and set about reshaping our website as a resource that might more adequately reflect the depth and range of this organisation's political and programmatic work over the past 30 years or so.

Quickly, however, we ran hard up

against our skills limitations compared to our ambitions. We tried short cuts of various sorts - buying in expertise; detailing some comrades to work almost exclusively on the site, whatever their personal aptitudes or interests; searching for content management systems that would enable even a Freddy Flintstone clone to manage things; etc.

In fact, all these initiatives - although none were the answer in themselves - facilitated the emergence of a team of comrades who were clearly the attack pack that would finish the project. And they have. We owe them a tremendous debt. I think those comrades - and our organisation in general, when it gets over its simple pleasure of having the new site up at last - will admit that there is still a great deal of work to be done. We have moved forward in our aim of providing "clear information" to the workers' and progressive movement, but we are still a distance from where we need to be. The site is an advance technically. But it represents a far more important *political* step forward.

We are proud of the comrades who have worked so hard to get the new site off the ground. And we are also proud of all those readers and supporters who have helped finance the launch through their donations. But there is a lot more to do, and it is obvious where a good portion of our SO receipts will be spent.

So, comrades - like the new website? Do you think, like the comrade quoted above, that it enhances the mission of the *Weekly Worker* to provide "clear information" to our movement? If yes, what's stopping you? - donate! ●

What we fight for

■ Our central aim is the organisation of communists, revolutionary socialists and all politically advanced workers into a Communist Party. Without organisation the working class is nothing; with the highest form of organisation it is everything.

■ The Provisional Central Committee organises members of the Communist Party, but there exists no real Communist Party today. There are many so-called 'parties' on the left. In reality they are confessional sects. Members who disagree with the prescribed 'line' are expected to gag themselves in public. Either that or face expulsion.

■ Communists operate according to the principles of democratic centralism. Through ongoing debate we seek to achieve unity in action and a common world outlook. As long as they support agreed actions, members have the right to speak openly and form temporary or permanent factions.

■ Communists oppose all imperialist wars and occupations but constantly strive to bring to the fore the fundamental question - ending war is bound up with ending capitalism.

■ Communists are internationalists. Everywhere we strive for the closest unity and agreement of working class and progressive parties of all countries. We oppose every manifestation of national sectionalism. It is an internationalist duty to uphold the principle, 'One state, one party'. To the extent that the European Union becomes a state then that necessitates EU-wide trade unions and a Communist Party of the EU.

■ The working class must be organised globally. Without a global Communist Party, a Communist International, the struggle against capital is weakened and lacks coordination.

■ Communists have no interest apart from the working class as a whole. They differ only in recognising the importance of Marxism as a guide to practice. That theory is no dogma, but must be constantly added to and enriched.

■ Capitalism in its ceaseless search for profit puts the future of humanity at risk. Capitalism is synonymous with war, pollution, exploitation and crisis. As a global system capitalism can only be superseded globally. All forms of nationalist socialism are reactionary and anti-working class.

■ The capitalist class will never willingly allow their wealth and power to be taken away by a parliamentary vote. They will resist using every means at their disposal. Communists favour using parliament and winning the biggest possible working class representation. But workers must be readied to make revolution - peacefully if we can, forcibly if we must.

■ Communists fight for extreme democracy in all spheres of society. Democracy must be given a social content.

■ We will use the most militant methods objective circumstances allow to achieve a federal republic of England, Scotland and Wales, a united, federal Ireland and a United States of Europe.

■ Communists favour industrial unions. Bureaucracy and class compromise must be fought and the trade unions transformed into schools for communism.

■ Communists are champions of the oppressed. Women's oppression, combating racism and chauvinism, and the struggle for peace and ecological sustainability are just as much working class questions as pay, trade union rights and demands for high-quality health, housing and education.

■ Socialism represents victory in the battle for democracy. It is the rule of the working class. Socialism is either democratic or, as with Stalin's Soviet Union, it turns into its opposite.

■ Socialism is the first stage of the worldwide transition to communism - a system which knows neither wars, exploitation, money, classes, states nor nations. Communism is general freedom and the real beginning of human history.

■ All who accept these principles are urged to join the Communist Party.

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Barclays: only tip of iceberg

Diamond in the rough

The latest scandal to hit the banking sector could become truly explosive, writes Paul Demarty

Of all the German compound nouns one associates with Marxism - *Fetischcharakter*, *Mehrwert* and all the rest - *Schadenfreude* is not the first to come to mind. We Marxists are supposed to look at things with the ruthlessly objective gaze of science; the moral judgments come after the facts. A steady diet of denunciations may keep the average *Socialist Worker* journalist in rude, puce-cheeked health; but more serious analysis demands a level of self-denial on the part of a revolutionary.

An exception, surely, must be made for erstwhile Barclays chief executive Bob Diamond. Here, after all, is a man who insisted, in what can now be seen to be the early stages of the current crisis, that bankers should stop apologising; who paid himself in eight-figure sums; who justified his every sickening act of public avarice by pointing out that, after all, *his* bank never needed public money. He was the banker *par excellence*, in both the literal and Cockney-rhyming senses of the word.

Now, even that dubious reputation is in tatters. Barclays has been fined, by US and British authorities, a whopping £290 million for fixing inter-bank lending rates, causing a precipitous collapse in its stock price. First chairman Marcus Agius fell on his sword; then Diamond followed.

Speaking before the treasury select committee on Wednesday afternoon Diamond apologised for the rigging, blaming a group of 14 traders out of 2,000, but failed to explain why the bank had only discovered their misdoings last month. But the main thrust of his evidence was designed to appear blameless. There were only a few rotten apples, other banks had misled markets about their ability to borrow, the regulators had turned a blind eye, etc.

This is both predictable behaviour, and yet more evidence of Diamond's impressive brass neck. The notion that the CEO was in a position of complete ignorance is laughable to anyone with the slightest knowledge of standard practice in corporate governance. That Diamond seems unwilling to own up to his own role illustrates the clinically sociopathic psychology reigning at the summit of finance capitalism.

The final hypocrisy is the one that makes the whole scene so beautiful for anyone who, against their better nature, enjoys seeing such a reptilian individual suffer. It is also the one that could make this scandal a second generalised disaster for the establishment as a whole in under two years.

Having blasted us all with endless hot air about Barclays not being RBS, HBOS or any of the others - that his bank was a special case, in that it continued to make money like a proper business, and certainly was not in need of taxpayer largesse, still less under any obligation to rein in executive pay, the truth is now coming out and Diamond seems determined to bring others down with him.

Funny business

Exactly what were Barclays - and



Bob Diamond: fell on sword

the rest of them - up to? The answer, inevitably given the stock in trade of the banking sector, is somewhat obscure. Keeping the sector in motion requires banks to lend to each other vast sums of money - 'real' or fictional. The interest rates at which banks borrow is governed by a series of statistical averages - in this case, the Libor and Euribor rates. These rates are in turn generated, naturally, by the banks themselves - at the close of trading every day, each bank submits an estimate of tomorrow's borrowing costs.

If ever there was a system ripe for abuse, this is it. The *only* defence against the manipulation of rates is that each bank makes its Libor/Euribor submission separately, so there is no way *one* company can pull it off. Yet nobody needed Marx to point out the inevitability of cartelism and cooperation between capitalists on matters of mutual interest. "People of the same trade seldom meet together," Adam Smith famously pointed out, "even for merriment and diversion, but the conversation ends in a conspiracy against the public, or in some contrivance to raise prices."

And so it has come to pass. Traders

at Barclays - along with the firm as a whole - have been found guilty of something which very much fits the profile of a "conspiracy against the public". As for *raising* prices, the truth is that one can make a fast buck out of movements in either direction. A network of traders at a minimum of 16 different banks, it is now clear, manipulated the rates over (in Barclays' case) at least the period spanning 2005 to 2009.

This includes, of course, the very rough patches in that period. Barclays, and its unknown allies, apparently conspired to keep the lending rates low in the meltdown period following the collapse of Lehman Brothers. At the time, Barclays was looking shaky; it directly benefited from the rate being kept down. At other times, the banks conspired to push the rate up, which has other benefits: many mortgages, pension funds and other derivatives are tied to the Libor rate. There is many a shilling to be screwed out of an unsuspecting populace this way.

Now, however, the state bureaucracy has been pulled into it - and so has the Labour leadership. After all, this bad behaviour all apparently stopped before George Osborne

took over at the treasury (I'm sure), and that leaves the previous Labour government - which included the present leader of the opposition and shadow chancellor - in the frame for, at best, failing to stop it.

For the Sir Humphreys of this world, the story is even grimmer. Barclays has released emails which squarely put officials at the Bank of England and elsewhere in the frame. The reasoning is hardly difficult to discern. Repeatedly we have heard the wailing of the great and the good over the last few years at the resistance of banks to expanding their lending. Not for nothing did they call it the 'credit crunch' (now slightly too quaintly specific a phrase for a world situation in which the euro could collapse almost overnight). There was certainly an incentive, in those days, for governments and civil servants to turn a blind eye to price-fixing activity which could ease the credit drought. Obviously it was too compelling an incentive to resist.

Not a clue

What to do about all this? The bourgeois establishment, conforming to an increasingly obvious pattern, has not a clue. There are worthy calls to 'change the culture of the City' from some quarters, and trifling reforms to pay structures and such that would supposedly achieve such a thing. The government has called a parliamentary inquiry into the matter - clearly it has learnt the lessons of Leveson, and is wary of bringing into being another long-running PR fiasco, shielded by the independence of the judiciary. There are equally those whose liberal politics leads them, conversely, to call for just such an inquiry, which will supposedly transcend the petty bickering among the bourgeois parties.

All these suggestions are laughable. In reverse order: the judiciary, as we never tire of saying here at the *Weekly Worker*, is *not independent*. It is, itself, an instrument of bourgeois power. It was lucky enough to avoid the Leveson

cluster bomb, and will probably dance clear of this one too; but its luck cannot last forever. One becomes a judge by being a good lawyer - a 'good' lawyer wins a lot of cases; and winning cases ultimately depends, in the long run, on attracting the clients with the deepest pockets. The judiciary is a self-selecting gang who have all earned their stripes as willing functionaries for big capital and the state. To expect from them more radical suggestions than those this government will come up with is absurd.

As for Cameron's parliamentary committee, it is obviously self-serving, and its remit is so restricted as to guarantee a whitewash.

Finally, 'changing the culture of the city' is a chimera. The *function* of the City is to make money. Thus, in the square mile, money will be made *by any means necessary*. It is perfectly normal, at the dying moments of the business cycle, for finance capital to become increasingly creative in its attempts to siphon off a greater proportion of surplus value. Just as industrial capitalists will cut all sorts of corners - sometimes playing with their workers', and even their customers', lives in order to minimise costs - so high finance will resort to the most unscrupulous means to maximise its own profits.

This state of affairs is made necessary by capitalism's need for credit. It is not the case, as some imagine, that finance capital is somehow uniquely parasitic; productive capitalism needs credit, and thus invests those who provide it with immense power. In this respect, despite its additional peculiarities, finance is little different to transport and utilities infrastructure - and, as with those sectors, private ownership breeds cartelism and rampant corruption.

Changing this culture means changing the fundamental drives which produce it endlessly anew. It means, in short, moving towards socialism ●

paul.demarty@weeklyworker.org.uk

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