

COMMUNIST REVIEW 8

Central Organ of the International Bureau for the Revolutionary Party



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IS THERE A CRISIS OF COMMUNISM OR A CRISIS OF CAPITALISM?

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Bourgeois Barbarity in China: Another Face of
Capitalist Decadence

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Editorial

The 1980's were, as we said in COMMUNIST REVIEW 7, "hard times for revolutionaries". But they ended with a bang which showed that yesterday's truths are today's lies. The collapse of the Stalinist regimes in Eastern Europe, culminating with the shooting of Ceaucescu in Romania, have opened up a new phase in history. Is it any less dangerous than the previous fixed enmities of the Cold War? Does it mean that all about the possibility of socialism have been wiped out?

The answer to both questions is "No". While less than a decade ago we expected the Cold War confrontation to be the basis for a build-up to the Third World War, we can now see that this was over-simplistic (even if the whole world shared it!). The world is now an infinitely MORE dangerous place as Eastern and Western powers manoeuvre to take advantage of the new situation that has erupted in Eastern Europe. Even the potential new bloc of the EEC is under strain as its most powerful member is tempted by the siren songs of the Lorelei of the East. Yet the USSR and the USA remain the two leading world powers and, as the US invasion of Panama shows, will do everything in their powers to preserve bases for their imperialist rule. It is testimony to the depth of its economic crisis that Russian capital has been obliged to seek a breathing space in which to attempt a fundamental overhaul of its economy and catch up technologically with the West. Despite the offloading of its own crisis onto the periphery and other Western states the US itself is beset by a perennial problem of declining capital accumulation and competitiveness. It is thus beginning to see the value of accepting an armistice in the arms race in the hope of reducing its own debts and diverting spending to more productive areas. But though sentimental bourgeois may look forward to 'Berlin 2000' as the end of the East-West

divide, capitalism can no more divest its imperialist coat than a wolf can abandon its own skin.

The motive force for change is the permanent crisis of capitalism. At the moment the world's ruling class is seizing on the notion that the opening up of the East will provide a peaceful way out. How far this will indeed bring a temporary respite is impossible to predict. What is certain is that the crisis created by the development of the most advanced areas of capitalism still exists.

In the heartlands of capitalism unemployment and homelessness devastate 20% of society. In the periphery, in Africa, Asia and Latin America, the effects of the debt crisis have reached horrific proportions. The international loans granted by banks and 'development' agencies to promote economic growth have only increased imperialism's domination over the periphery and eliminated any possibility of self-reliance. This is especially so in agriculture where states which have been encouraged to rely on exports from monocultural crops and primary products have found themselves at the mercy of prices fixed in the heartlands: in New York, London or Tokyo. Once caught in the trap of falling prices and rising interest rates there is no way out. Whole areas which for centuries could feed themselves have been devastated. Widespread famine is not an accident of nature but a consequence of capitalism's laws of operation which - with or without an 'unseen hand' are incapable of providing for the most basic needs of the bulk of humanity. And where outright starvation is not their lot, the proletariat and oppressed masses of the periphery are faced with paying the price of their bosses' loans. Higher food prices, higher rents, more work and less wages with living conditions becoming daily more barbaric, all come under the

heading of "austerity package". Last year the consequences of this came home. As IMF austerity plans were imposed on 26 states across the world food riots burst out in which an official 4,000 people were killed. No amount of moral indignation from humanitarians in the heartlands of capital can alter the situation where two-thirds of the world lives below subsistence level for this is a NECESSARY CONDITION FOR THE PROSPERITY of those who live in the capitalist metropolises.

In the face of the continued crisis of capitalism the IBRP has continued its work of forging the basis for a future working class base to confront the capitalists in both the heartlands and the periphery of the system. In West Bengal our comrades of Lal Pataka have distributed large numbers of the statement translated in this issue as "Bourgeois Barbarity in China: Another Face of Capitalist Decadence", despite the physical intimidation meted out by the goondas of the local CPI-M. In Europe an initiative towards the workers of Eastern Europe is already underway. The theoretical basis for this lies in the text, "Crisis of Communism or Crisis of Capitalism?" Throughout the Cold War years we maintained that the "free world" was not free and the "Communist" world was not communist. Today, as the so-called socialist dictatorships collapse in Eastern Europe, we must continue to hammer out this message and extend it to the working class there. In this issue too, we begin what we hope will be a series analysing the specific ways each capitalist state has tried to 'amortise' or postpone the crisis. We start with British capital which, though conforming to the general pattern of the crisis in the European heartlands, has sought a way out on the basis of the illusive 'prosperity' brought by financial speculation rather than made a serious attempt to revitalise its productive base.

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COMMUNIST REVIEW

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CRISIS OF COMMUNISM OR CRISIS OF CAPITALISM?

We are witnessing a deep and devastating crisis. The "socialist" world has been engulfed by a gigantic wave welling from the depths of its economic substructure, sweeping away atavistic bureaucratic forms, and the old ideology. It is on a tumultuous and unstoppable course towards disintegration, triggered by an economic crisis whose explosive and unpredictable effects are being felt by the whole society. The result is an entirely new theory of society whose divergence from the previously established model only equals the intensity of the crisis which gave rise to it.

In Russia economic crisis can be seen in the most serious shortage of basic goods since the 2nd World War: rising inflation, increasingly widespread unemployment, and hunger and misery for the vast majority of the population. The standard of living of the proletariat who live and produce on the periphery of the Soviet Empire has been reduced to mere survival. This situation has triggered intense episodes of class struggle, such as the miners' strikes; autonomist tendencies in almost every region from the Baltic to the Caucasus, Estonia to Armenia; religious wars between Christians and Muslims of such intensity that they have led to the most disgusting forms of xenophobia.

In China recent events in Tiananmen Square are the tragic demonstration of how the economic troubles which have been dogging the Deng regime for years could lead only to revolt and repression. It is possible to concentrate solely on the democratist petty-bourgeois demands of the Peking students. However, it was the 40 million unemployed and the generally miserable living conditions which provided the soil for the ferociously repressed protests to grow in. In other words, when the emotive old stereotypes and false ideologies are discarded, it is clear that the two major SELF-PROCLAIMED "communist" countries are in the grip of the most serious social and economic crisis recorded in history.

Certainly, there is plenty of nourishment for bourgeois ideology. But there is also enough 'food for thought' for an accurate Marxist interpretation, which takes into account the different histories of the two countries, their differing social problems and their different

levels of development.

In Russia the earthquake of perestroika was released from above and is seeking a consensus at the base. In China centrifugal forces moved from the streets towards the seat of power. Perestroika is moving against the old world of Stalinist bureaucratic privilege in order to create the conditions for an opening onto the free market. The Chinese events exploded after ten years of "liberal" experiment. While the orphans of Stalin are grappling with the ethnic and national problems which have flared up, the descendants of Mao are confronted with an inflammatory situation even though it hasn't yet assumed any particular regional form. Whatever is happening in terms of social revolts, political and economic experiments, and mass actions reactions from above or vice versa, they are no more than the results of serious economic contradictions.

The Western bourgeois vulture is greedily feeding on this decomposing social material. It presents an opportunity for the West to reinforce the two-fold attempt to hide its own incurable contradictions and to contain the political and economic demands of its own proletariat. The opportunity is so favourable that the bourgeois attack on the supposed communism of the "socialist" countries is not directed, as in the past, against cardinal points of Marxist theory and method, such as the dialectic, the theory of value or economic determinism. Instead they arrogantly and empirically seize on the broken pieces swept up by the economic crisis in the Eastern bloc countries.

The failure is so complete that the bourgeois crow only has to gloat over the defenceless 'victim' and the nervous steps towards "neo-capitalism" which are apparently emerging as the only solution to the "socialist" countries' agony. There isn't a single political commentator who doesn't support the accepted idea that, given their devastating economic crisis, the only road open for the Eastern bloc countries is "a return to capitalism": both in economic terms and in the shape of traditional bourgeois democracy with its political pluralism.

The essence of the question is that we are neither seeing the crisis of Marxism nor the failure of its supposed realisation (in Russia, China or the East

European countries), but more simply the consequences of the Stalinist counter-revolution.

What is collapsing in Moscow and Peking is the great historical fraud which resulted from the construction of state capitalism disguised as socialism. The analytical key to everything still remains having a correct interpretation of that unique and great revolutionary experience of Bolshevik October. A full and exhaustive analysis of this cannot be made here. However, the fundamental stages need to be repeated, if only as a very quick overview.

Although the Russian proletarian revolution - the one and only example of victorious class struggle - created all the political conditions for the construction of a socialist society, there was no possibility of it moving on to a higher economic and social plane. The revolution was strangled by economic backwardness and its isolation from other revolutionary experiences in the advanced capitalist areas. Lenin's great worry, and that of all the major Bolshevik Party leaders, was dramatically articulated many times: this was that either the international revolution would manage to come to the aid of the Russian proletariat or the first experience in the world revolution would be defeated.

All Lenin's efforts, including the New Economic Policy were directed, not at the construction of "socialism in one country" (impossible in any country but particularly in one that was economically devastated), but at political resistance to the revolution's decline whilst waiting for other sectors of the international proletariat to make their absolutely crucial contribution. NEP itself, supported and vigorously defended by Lenin, was not conceived as a necessary precondition for socialism, still less a socialist gain. Rather, it was seen as the only possible policy and a step backwards towards capitalism, even if it was supervised by the state. It was a sort of temporary defensive shield whose power of protection was in inverse proportion to the length of isolation. Only the falsified history of Stalinism, with its talk of "socialism in one country" could distort the uncertainty of this delicate period of waiting and programmatic retreat into a triumphalist take-off point towards the building of socialism. The mystification was all the more delusive and ill-fated, given that the vast majority of the international proletariat were swept along by emotional memories of October. Stalinism did NOT produce socialism of any sort. On the contrary it was the police-state form of the counter-revolution which liquidated the Bolshevik Old Guard in Russia and all the communist oppositions abroad. The theory about "socialism in one country" was just a disguise for the

transformation of the economic structure into state capitalism.

Today the international bourgeoisie, is tenaciously pursuing its aim of destroying the vision of communism by annihilating Stalinism. In the process it plays on the lies which the counter-revolution itself has created.

Under these circumstances it is imperative to reply to the bourgeoisie's expedients by putting Stalinism back into its proper historical context. The political crimes which were committed against first the Russian proletariat and then the international proletariat have to be denounced.

The whole history of Russia from the end of the Twenties to the outbreak of the Second World War clearly demonstrates the total strangulation of the political aims and strategy of October. Not a single postulate held by the Bolshevik Party and the Third International at the outset of the revolution remained in place. Thus, a revolutionary programme with the potential for attacking the international bourgeoisie slowly changed into a programme for the defence of the Russian state. Proletarian internationalism gradually made way for the national path to "socialism".

The Second World War, with its Cold War aftermath, provided the imperialist framework by which the Russian example came to be held up as the obligatory reference point for a succession of social and political movements which either didn't have the strength to free themselves from Russian influence or which, more often, opportunistically acted as its clients in national liberation wars or antifascist fronts. This happened in the immediate post-war period in Eastern Europe following the liberation from Nazism, in Mao's China of 1949 following the civil war against the Kuomintang, in 1953 in Korea and subsequently in Vietnam. According to this framework even the totally imperialist struggle between the USA and the USSR was depicted as the struggle between world communism and the major imperialist state, or sometimes, if one preferred, as the unavoidable confrontation between the advance of communism and the arrogant defence of capitalism.

In fact, what would have been - if victorious - the mainspring for the revolutionary movement of the world proletariat became instead the most infectious source of contamination by counter-revolutionary ideology. Its devastating consequences still weigh heavily on the world working class. Seventy years of Stalinism, seventy years of counter-revolution, have succeeded in cancelling out the historical memory of the Bolshevik October. Traditional methods of class struggle now appear obsolete in the light of what

is happening in the so-called "socialist countries" and the world's bourgeoisie has been presented on a with a golden opportunity to rage against Marxism - or rather, against what is universally regarded as such. For the economic, social and human tragedy which come with the disintegration of the Russian Empire or the crumbling of the socio-economic order in China, are not the "tangible proof" of the failure of communism's historic programme. They are not evidence of the "obvious impossibility" of constructing anything other than capitalism. They are, however, in contrast to the whole hypocritical stance of the bourgeoisie, the sign of the end of a great deception which for too long has nourished the counter-revolution and the traditional bourgeois order.

AN HISTORICAL LIE

Today there are more repentant Marxists than there are algae in the Adriatic. The collapse of the myth of Russia and China has brought with it a crisis for the host of false interpretations and superficial approaches to the proletarian cause. This is certainly a good thing. The international revolutionary movement is so reduced and has to face such enormous problems that the "loss" of this load of rubbish can only be an advantage to it - if only in the sense that it is becoming clear at last that certain "fellow travellers" have never been fellow travellers of the proletariat and that, though they may have a long way to go, there path is different from ours. Moreover, it's painful to see how dramatic events of late, instead of sparking off self-criticism amongst the Left, have given rise to the idea that "everything" was a mistake and that they might as well beat an ordered retreat. For certain political animals it is easier to take this apparently obligatory step and declare their own experience as "Marxist" militants over, with the supposed death of Marxism, than make the effort of checking whether it's really Marxism which is dying or that version of "Marxism" which has been continually refined politically by Stalinism itself, by Maoism, or by "Sixty-eightism", etc. Neither able nor willing to definitively sever the umbilical cord which binds them to their political origins, such elements have been easily drawn in the opposite direction by the events which have hit the "communist world" and by the noise the bourgeoisie is making about it.

Nevertheless, a small band of inveterate Stalinists or Stalino-Maoists are still in action and are refusing to liquidate themselves politically. Even here, rather paradoxically, their ultimate polemical venom is reserved, not so much for attacking the key democratist critique of the bourgeoisie (they are themselves beguiled by this), but for criticisms stemming from the left - i.e. from those who condemn Stalinism for the collapse

of the Russian Revolution. Their argument can be summarised thus: "Agreed, Stalinism happened, but it hasn't been a complete success only because mistakes and deviations occurred. However, it doesn't follow that these countries haven't been building socialism, that they are capitalist or state capitalist societies. You can say what you like..." continue our "non-deviationists" "... but the Russian and Chinese experiences are based on the socialisation of the means of production, they have eliminated private property and money remains only as the universal medium of exchange, not as capital; is this not socialism!" - A fine speech if it wasn't so outworn and wasn't delving back to a debate of fifty years ago.

Certainly one of the first measures taken by the revolutionary government in Russia was the socialisation of the means of production. All capital was expropriated from the national bourgeoisie who in turn were deprived of military organisation and a say in the decisions of the new-born soviet republic. This, however, is the fundamental content of the dictatorship of the proletariat: the expropriation of the class enemy and resistance against its reactionary return. Both practically and in juridical terms the revolutionary state took into its hands the management of finance capital, the exploitation of mineral resources, the production of important products, foreign trade and a good part of internal trade. That is, it created the political and legal preconditions and organised the factors of production for a future, lengthy process of transformation from capitalist society, subdued as it was, into socialism. But - and here lies the keystone to all analyses of the Russian experience - these achievements of the Bolshevik October represented only the NECESSARY preconditions for the subsequent development of socialism, they were in NO WAY SUFFICIENT. For the full potential of these preconditions to be realised in practice the international revolution would have had to occur and come to the aid of 'poor', backward Russia, otherwise it was goodbye to socialism, and goodbye also to the preconditions so laboriously achieved by the first victorious episode of class struggle.

We have already mentioned the NEP measures of 1921 (Lenin always spoke of them as a step backwards). The reopening of the market, the drive to develop the productive forces all involved a return towards capitalism. Except that, and Lenin emphasised this, it would have to be a "particular" kind of capitalism - state capitalism, directed and administered by the proletarian dictatorship itself. This was all in the context of the dual perspective of holding on to power whilst waiting for revolutionary upheavals on the international scene. As the second perspective became less and less likely, both in the short and long term, the

Russian revolution did not move towards socialism and found itself developing under the aegis of a capitalist economic structure, even if this was state capitalism. In other words, NEP, which had been imposed as a temporary economic necessity, became the definitive economic support for post-revolutionary Russia.

By the beginning of the Twenties then, the revolutionary state was almost completely devoid of the political content it had had in 1917. The state had now taken on the form of a bureaucratic administration that was now subsumed to a centralised, planned, capitalism where every single productive energy had to be channelled towards the accumulation of capital which, even though it was no longer private, was still capital.

Thus depicted, the historical course of the retreat of the Russian revolution can be more easily understood. The necessary preconditions for socialism had disappeared altogether or else they were transformed into their opposite and came to be regarded as the socialisation of the means of production. But socialisation is not just about expropriation, it is also about collective property and therefore non-property. It simply means the communal management of goods and resources without any individual property rights, not even on the part of the state.

But if socialisation is to become more than a mere precondition and have a working 'juridical' structure, the latter has to be connected to a real social content, that is to a socialist development of the forces of production and distribution. In this case, and only in this case, "juridical form" and social content come together and influence each other to give life to a new social dimension. In this collective management from below leads to economic development while the productive apparatus in turn satisfies the needs of the collectivity. In every other case the only thing that can emerge is an insurmountable division between the first and the second (i.e. juridical and productive relations) which removes any meaningful content from either.

Yet, how could a society such as Russia, where capitalist economic forms were being strengthened, not distort the content of socialisation? On the other hand, how could a 'juridical' form such as the socialisation of the means of production - created as part of the development towards socialism - facilitate the growth of capitalism? Either the juridical relations must impede the development of capitalism or, in the long-term, capitalist productive relations would gain superiority over the original thrust towards socialisation.

Given the absence of the first solution, the

outcome of the Russian experience is clear. The gradual appearance of capitalism transformed the state from an overseer of the gains of the revolution into the manager of the process of capital accumulation. Consequently socialisation itself was emasculated and redefined as simply the transfer of private property to the state, as the best way to accommodate to reality. The collective management of the means of production gave way to state ownership of them. Added to the fact that the state at this point was no longer a revolutionary state but capitalist with all the bureaucratic/administrative trappings of such, the fate of the revolution was sealed. It is pure folly to suppose that after thirty or fifty years of solidification of this economic process socialisation can survive, like a laboratory experiment, in complete isolation from the historical context which surrounds it.

The Russian capitalist state emerged out of defeat or, more accurately, as a result of the impossibility of an isolated revolution continuing on its course, the state turned to managing the relations of production as a "collective" capitalist and accommodated itself to the capital-labour relationship. The old revolutionary concept of socialisation began to play an important role in supporting the historical fraud of state capitalism recycled as "socialism". Even though the theoretical justification for this is crude, sometimes very crude, the counter-revolution has exploited the October victory to the full in order to disguise how it has been obliged to survive.

For decades the false dichotomy between capitalism and socialism has held sway (with Russia and the rest of the "socialist" countries held up as examples), thus separating the area of so-called private capitalism from that of statism and reinforcing the lie that state capitalism = socialism. This dichotomy is all the more fraudulent when the development of capitalism itself is considered. As always, but in an accelerated way since the Second World War, capitalism's economic course has given rise to areas of state and areas of mixed capitalism (i.e. where industry is owned by a mixture of private and state capital). Together these represent today 40-50% of GNP in the vast majority of industrialised countries. It is obvious that the tendency towards state capitalism has developed in a different, manner in the West and under different historical circumstances to the Russian counter-revolution. Nevertheless, it is equally obvious that state capitalism is not a historical accident, a new economic form representing a half-way house between capitalism and socialism, but a way of organising production which is entirely in keeping with capitalism.

The most obvious historical difference between the

East and the Western world is that in the former state capitalism - given the backwardness of the productive forces, the partial isolation from the international market and the weakness, if not the absence, of private capital - emerged as the necessary condition for the development of capitalist productive relations. In the latter, on the other hand, the state's progressive assumption of responsibility for the productive forces is synonymous with an anti-cyclical economic policy aimed at managing the economic contradictions of the system of production.

Yet this does not mean that in Germany, Sweden or Italy, where state intervention in the economy is most consistent, one can speak of socialised areas or of sectors which have been withdrawn from the logic of profit-making simply because they are managed by the state. In both experiences, whether stemming from a failed revolution or from the normal course of development of private capitalism, capitalism managed by the state does not change its character as exploiter of labour power and it absolutely has nothing to do with any kind of socialisation of the means of production.

To return to Russia and the socialisation - state relationship there is an important point which must be considered. If we accept that what was developing in the Soviet Republic was a revolutionary process and that therefore the state was not degenerating - the only condition which could have saved the social content and political function of socialisation - then there should have been some movement towards the development of socialism. And if this had happened we would have seen, first of all, the disappearance of all capitalist categories such as capital, wage labour, the market, commodity production and eventually the disappearance of the state itself.

But in Russia exactly the opposite happened. Every capitalist economic category was reinforced. The fundamental relationship between capital and labour power became more and more rigid to the point that the Stalinist Five Year Plans could start from calculations of the rate of exploitation of labour power and the corresponding remuneration for capital: the amount of investment which would be possible, wage increases and the selling price of goods and services. Equally, the state not only was not extinct but had enormously broadened its functions so that it engulfed all aspects of social life, imposing itself as an economic state, a social state, a bureaucratic state, a police state - all in the service of capital accumulation.

Another, connected, argument is that in the "socialist" countries the survival of money is only a technicality which simply reflects the necessity to exchange goods, not the existence of money as capital. This distinction, as old as capital

itself, and extensively discussed by Marx, is intended to demonstrate that money in its role as the universal medium of exchange must not be confused with money as capital, whose unique goal is represented by the accumulation process. It is a bit like saying: "If I use money to buy the goods and commodities I need, that's one thing; if I use that same money for productive investment, it's another." In the first case, "I use it technically, as a simple means of exchange, typical of every modern society and without contravening the economic prerequisites of socialism." In the second case, "I would be using it capitalistically, but in the 'socialist' countries it is prohibited for private citizens (save for a few exceptions) to employ money in the form of capital."

Well said. If only to show that they understand the basic Marxist lesson that money is defined, not by its nominal form, but by the economic role it is called upon to carry out: as the universal medium of exchange, as a reservoir of value and as capital. Only Marx went further in his analysis and distinguished between a lower, or commercial, capitalist society - where the prevalent function of money was the technical one of commodity exchange - and a higher, or industrial capitalism where the fundamental role of money is as capital. This is because Marx foresaw communist society as one without money, either in its first or second function. Once capital is destroyed and with it its role as exploiter of labour power there is no longer any need to fall back on money as the measure of individuals' needs. It is individual needs themselves which will preside over the distribution of goods and social services. Since in capitalist society the distribution of social wealth is organised on the basis of income, which in turn represents the different relationship the world of labour has with capital, it follows that labour power's income (wages) depends on the need for capital accumulation and not on its own needs. In this case, when the proletariat uses money to buy goods or to benefit from social services it is using it as a means of exchange. But this is always in the context of capital and its law of value. In a communist society the opposite is the case. Given that social needs determine the rhythm of social development and the distribution of wealth, or rather the consumption of goods and services, these are the pivot of the accumulation process (which is obviously a social and not a capitalist process). In this sense money as the representative of income has no reason to exist. The point is that in every capitalist society - both private and in the statified version - money as the universal medium of exchange doesn't exist autonomously but is indissolubly linked to money capital.

If wages exist then capital exists. The one is the condition for and the measure of the other. The more wages are suppressed, the more the working

class is prevented from satisfying its needs, the more, that is, the role of money as the means of exchange is suppressed while all the other economic components of capital remain firmly in place, the higher the return for capital.

Whether one likes it or not, fixing the two functions of money into technically diverse and non-communicating roles is a gross blunder, only surpassed by those who can conceive of money functioning purely as a means of exchange inside a commodity-producing society without the existence of money capital. Moreover, in Russia things cannot even be posed in these terms. If it is true that the subjects of the empire are only allowed to make use of money as a means of exchange, it is otherwise for the state enterprise whose task it is to manage money capital: which, far from not existing, settles every kind of payment and distinguishes, like a joint-stock company, between payments for the bureaucrats and those of the workers.

Gosbank is not a wicked invention by critics of "socialism". The existence and operation of capital is evident in every sector of the economy. The only difference is that it isn't in the hands of individual entrepreneurs but is concentrated in the hands of the state, which in turn acts like a private entrepreneur as far as accumulation is concerned.

All enterprises (until the Gorbachev reforms) are in the hands of the state and are financed by it in the form of loans (capital). With these they buy raw materials and production goods, again from the state, pay wages and salaries, produce commodities at a price imposed by the state and return the capital to the state with so much interest. Thus the state takes part in the accumulation of capital without it ever leaving its sphere of jurisdiction. To it, therefore, goes the honour of administering money capital, to the workers the honour of utilising money as the means of exchange.

Only by going back to the same old lie that state capitalism is socialism can it be maintained that in the "socialist" countries money capital does not exist and that the only way the nasty stuff survives is in the very banal role of as the technical means for commodity exchange. This deception equally fraudulently denies the existence of the other elements of capitalism. Even though it is under the omnipresent control of the state, production is not geared towards the satisfaction of social needs, but has as its first priority the satisfaction of the voracious needs of capital. It is not simply goods which are produced but goods in the form of commodities. These are sold at a price which depends on the portion of capital invested, not the consumption needs of the workers. Since

both capital proper and its aspect in the form of wages act dialectically inside the whole social organisation, all the typical economic characteristics of capitalism exist, even though they are coordinated by a single superior body, the state entrepreneur acting as the "collective capitalist". But at the end of the day it is history, that chronicle of ugly events, which destroys the flimsy basis of false ideologies. The devastating economic crisis which has burst out in post-Stalinist Russia and which threatens to split up the empire is just the manifestation of the economic crisis from which state capitalism, like that in the West, can no longer escape.

Hundreds of political commentators are spouting from all sides on the political significance of perestroika. Either it is presented as a process of socialist reform, cautiously opening up the market but still firmly anchored in the defence of October, or it is portrayed as the clear defeat of an idealistic political venture which is being forced to fall into line with reality and is now discarding the trappings of an impossible egalitarian society in favour of bourgeois pragmatism.

But we can dismiss these stupidities. The real question which must be answered and which sweeps away the analytical errors of both sides, is, "How has an economic crisis of such vast proportions come about?" and "What are the mechanisms which created it?" And there can be only one reply. That is - the crisis of capitalism; the crisis of state capitalism. This has appeared even without the traditional methods of capital accumulation.

The Russian economy, like every capitalist economy, is suffering the combined effects of low productivity and a high organic composition of capital. With a falling rate of profit, slowdown in productive investments, inflation and unemployment the picture is complete. Just as state capitalism managed to disguise the contradictory development of capital for almost an entire course of the accumulation cycle, so today that same state capitalism magnifies the contradictions which are reaching maturation point. Any other way of analysing events in Russia is destined to fail.

Only by using Marxist economic concepts is it possible to explain today's crisis in these societies, as well as yesterday's defeat of the October revolution. It is no coincidence that bourgeois political 'scientists' themselves have to resort to the laws of determinism or the dialectic (albeit in a distorted form) in order to sharpen and deepen their own critique of the complex events which are unfolding in Russia. The lesson to be drawn from what is happening is that Marxism is not dead (even if we don't hear much about it) and that

the validity of its methodology and political goal is destined to hold for capitalism's entire historical existence.

THE OTHER ASPECT OF THE CRISIS

The economic profile of Western capitalism has been clear for at least fifteen years. Since that fateful year of 1973 which signalled the beginning of a period of crisis, its convulsions - though attenuated and circuitous - have periodically broken out in various sectors of the financial and commercial markets. Despite this the leading lights of bourgeois "science" are not disheartened. For Western analysts the worst is over. The two recessions of 1973-76 and 1979-82, which occurred at the same time as the two oil shocks, have definitely been overcome. In the past seven years there has been an economic revival, headed by the USA and unmatched by any other period since the 2nd World War. Everything is growing: industrial output in the EEC countries, investments and international trade are both up (even if the latter hasn't yet reached pre-recession levels).

TABLE ONE

INDUSTRIAL PRODUCTION IN EEC COUNTRIES (Percentage change on previous year)

	1984	1985	1986	1987	1988	1989
Belgium	2.5	2.4	1.0	2.0	3.25	3.0
Denmark	10.5	4.1	4.3	-2.7	1.75	2.75
France	1.7	0.8	0.6	2.0	5.0	4.25
W.Germany	3.4	5.4	1.8	0.3	3.0	2.5
Britain	3.9	2.9	0.9	5.8	6.5	3.75
Greece	2.0	3.6	-0.8	-1.6	4.5	3.75
Ireland	12.2	2.4	3.4	9.8	11.0	7.0
Italy	3.3	1.2	2.7	4.0	4.5	4.0

TABLE TWO

GROWTH IN GDP IN EEC COUNTRIES (Percentage change on previous year)

	1984	1985	1986	1987	1988	1989
Belgium	1.6	1.4	2.0	2.1	3.25	2.75
Denmark	3.5	3.7	3.3	-1.0	0.0	0.75
France	1.5	1.7	2.1	2.3	3.5	3.0
W.Germany	3.0	2.0	2.3	1.8	3.75	2.5
Britain	3.0	3.6	3.2	4.3	4.25	3.0
Greece	2.8	3.0	1.2	-0.4	3.25	2.75
Eire	1.8	-0.8	-1.3	4.8	1.75	3.5
Italy	2.8	2.9	2.9	3.1	3.75	3.5

TABLE THREE

FIXED CAPITAL INVESTMENT IN EEC COUNTRIES (Percentage change on previous year)

	1984	1985	1986	1987	1988	1989
Belgium	2.2	1.1	3.8	7.6	9.75	5.25
Denmark	12.9	11.8	17.3	-9.0	-4.5	-2.75
France	-2.6	2.8	2.9	3.4	6.5	5.25
W.Germany	0.8	0.0	3.3	1.8	7.0	3.75
Britain	8.6	3.8	0.9	5.5	10.5	6.75
Eire	-5.7	-6.6	7.3	-1.1	0.75	5.0
Italy	5.3	2.5	1.5	5.2	5.75	4.75

For the USA the relevant figures appear even better. From 1983 to the present the American economy has experienced an annual growth in industrial output of around 3%. The two deficits - in trade and in the domestic budget - have been substantially reduced, bringing them each down to \$150 milliards. Domestic demand has increased alongside investment.

So, is everything as before or even better than before? Having overcome the bitter years of the two recessions in the Seventies, is a new period of accumulation now opening up for Western capitalism as the figures now being bandied about appear to indicate? The answer is "No". International capitalism, especially American capitalism, hasn't ceased being a victim of its own contradictions, nor has it escaped the decline which was only recently being talked about. Certainly, the marked contrast with the crisis in the East makes things look better in the Western heartlands. The collapse of the Eastern empire has occurred well after the outbreak of crisis in the West and just at the point when "private" capitalism seems to have regained its health.

Yet there is no question of the crisis being over, or that we are witnessing the start of a new period of development of unknown speed and intensity. The real question is how far the international bourgeoisie can control and decentralise the contradictions involved in the process of accumulation of world capital. So far they have succeeded in saving capitalism's financial and commercial strongholds, though this has been at the expense of the weaker sectors which are now more vulnerable to competition and whose economies have been drained to disastrous levels. Even a superficial glance at this other aspect of the international situation reveals how four-fifths of the world is reduced to mere survival, if not outright hunger and misery, on account of the handful of economies which dominate the world market.

This poses another problem. Basically the question is not just whether capitalism has succeeded in containing its own contradictions, but "How has it managed to regain some of its strength and achieve a kind of 'revival' (albeit a temporary one)?"

The problem itself is not new. Nor has capitalism found new mechanisms to help it survive. This is despite the fact that the temporary control capital acquired over the Seventies crisis has highlighted a more sophisticated capacity for intervention by financial and other general economic means. Such methods were little used in the Fifties and Sixties, not to mention the period before the 2nd World War. Today, though, tendencies such as domination by finance capital, parasitism, internationalisation of capital - which have always been part of Marxism's investigations and analyses of capitalism's changing productive relations - have become fully operational. When Lenin wrote "Imperialism, the Highest Stage of Capitalism" in 1917 he anticipated present-day capitalism very well. The parasitic role of finance capital, the interdependence of investment and productive activity, the international nature of capital accumulation; sixty years after Lenin's original elaboration we are seeing the full development of all these features. Not that they didn't exist then: only that it has required two world wars, crises and the present accumulation cycle for what was embryonic at the beginning of the century to reach maturity in the Seventies and Eighties.

Put simply, this shows that, in the absence of great social convulsions and direct attacks by the proletariat, it has been easier for capitalism to adjust and refine its techniques for controlling its own contradictions: adjusting the former at the cost of magnifying the latter. It must be understood that 'to control' does not mean either 'to resolve' or 'to reduce' the antithetical and contradictory aspects of the capitalist relations of production. All too often in recent years the apparent versatility and capacity of modern capitalism to play hide and seek with the damage caused by the economic cycle has led sections of the "left-wing" intelligentsia to argue that capitalism is an indestructible economic form. As such, the argument goes, it can only be changed by reforms to create greater equality of income distribution by allocating areas of investment and controlling excess greed for profit. In any event, for them its fundamental economic being is not open to question.

Managing is a most necessary art which has always accompanied the life of capitalism. This art has become ever more refined as it has developed dialectically with the growth of capitalism's contradictions. If this were not the case, if the art of management were to decline or should one of

the myriad delicate parts become jammed, putting the whole possibility of capital accumulation at risk, then the solution would be the violent destruction of capital values; that is to say, war.

Capitalism knows no other way. Just as it realises the need to refine its military weapons and make them more sophisticated, so it also realises the necessity to provide itself with the means to "administrate" its peaceful existence.

An important historical example of "crisis management" can be found in the years immediately following the 'Great Depression'. American capitalism, like that in Europe, was literally caught by surprise by the violence and depth of the crisis and was brought to its knees. The rigidity of the economic system, distinguished by the tight links between financial and industrial capital, by production mainly oriented towards internal domestic markets and yet relatively too much internationalisation of the commercial market, ensured that when the centrifugal effects of the crisis did not find adequate escape routes they eventually burst upon the very market which had engendered them. The new characteristic which followed after all this was the development of the theory and practice of state intervention in the economy. The gravity of the 1929-33 crisis was reflected in the "revolutionary" Keynesian theory of the necessity for state intervention in the operation of the market economy. Before the Keynesian revolution bourgeois political economy faithfully maintained that only the independent strength of the market was capable of averting the danger of economic crisis. However, should a crisis ever occur it was unnecessary to do anything but wait for the market itself to automatically re-establish a new equilibrium and discard the causes of the crisis like an organism rejecting a foreign body. From a totally bourgeois perspective, Keynesian theory argued that crises are an integral part of the capitalist economic cycle and that they should be managed by means of intervention from a body outside of the productive sphere. This outside body was to be the state in the shape of regulator of aggregate demand. Thenceforward the so-called anti-cyclical policies implemented by governments have involved a sort of invasion of all the institutions and vital nerve centres of the economic machine.

This new economic phenomenon has certainly not saved capitalism from the inevitable convulsions of the market; it certainly hasn't banished the spectre of war as the ultimate solution to the irreconcilability of its socio-economic contradictions; but equally certainly, it has contributed to a widespread and more efficient administration of all aspects of the economy, including the market for labour power.

Bourgeois science arrogantly claimed to have found the panacea for all ills - present and future; to have resolved once and for all the cyclical nature of its economic being. This only depended on understanding the correct dose of state intervention: sometimes as aggregate demand, sometimes with the state acting as entrepreneur, sometimes with the state as welfare insurer or as the administrator of various social services on the basis of deficit financing. At times the medicine included a mixture of all these in set proportions.

In its turn the 1970's crisis posed another series of problems. First of all it showed that the established techniques of crisis management hadn't resolved the basic contradictions in the capitalist productive system. Though they had worked for a time and softened the effects of the crisis, the crisis itself refused to go away. In short, the evolution of capitalism brought with it new manifestations of crisis which made the old techniques for managing it obsolete. Yet the development of the crisis itself brought with it potential means for developing new techniques of "crisis management", more in tune with the needs of capital accumulation. And that is what happened at the beginning of the Seventies.

For world capitalism the accumulation cycle which opened up with post-war reconstruction had now entered its downward phase. This meant the beginning of the crisis: a crisis which brought with it sharpening competition and conflict between productive areas and the absolute internationalisation of the financial market. The partial autonomy of the worlds of finance and productive capital became more pronounced. Meanwhile, the crisis has provoked refinements in credit mechanisms and the management of the world's most important stock markets and has exacerbated financial speculation to the point that this is now the international fulcrum for the parasitic division of the world's surplus value.

Today a rise or fall in the price of any strategic raw material (e.g. something required by almost every productive operation) leads to the growth or decline of entire economic areas. A single point rise or fall in the interest rate of a central bank in one of the world's major financial centres determines the shifting of thousands of milliards of dollars from one continent to another, with incalculable repercussions for the weakest economies and those who are not in a position to influence the process as a whole.

Every physical and economic restriction has been broken down by the internationalisation of the commercial market. Big dealers buy and sell whole cargoes in a matter of seconds while they are still being transported from one country to another. The

most important stock markets are equipped with computers which can check and update the prices of raw materials coming onto the international market. The same thing goes for the currency and money markets. Internationalisation and the subsequent concentration of production, commerce and financial activity has reached the point where a single deal made in one part of the market can end up having repercussions for the rest of the market. The effect is that all these economic and financial tendencies are expanded and accelerated. This is why current attempts to manage the crisis lead to new ways of controlling the market and a further centralisation of capital.

THE AMERICAN EXAMPLE

Yet again it is the United States which has been in the vanguard of the process of "crisis management". The reasons for this are threefold. In the first place, the United States has been the leading power in the West's economy for seventy years. All the conditions for the maturation of capitalist contradictions were to be found in the US economic and financial set-up. Production, control over the market and the parasitic expansion of finance capital had all been able to develop here more than anywhere else. In the second place, the end-of-cycle crisis had appeared in the USA as early as 1971, posing all the typical problems associated with its administration some years ahead of the rest of the Western capitalist market. The third and most obvious point is that where the crisis of modern capitalism begins and is at its most virulent the measures for dealing with it will most fully develop.

The activities of the American government during the so-called oil crisis of 1973 are a prime example. Given that the impetus for any substantial rise in the price of oil came from OPEC's relationship with the rest of the international commercial market, the USA had every interest in seeing such an increase. They could thus to penalise all the other Western economies which depend almost exclusively on OPEC oil by raising their costs of production. At the courts of King Faisal of Saudi Arabia and the Shah of Iran US official and unofficial diplomatic forces (Kissinger and Colby) convinced the two major oil-producing countries to be more bold about implementing measures which would trigger higher prices. In exchange they were promised military and civil technology on top of the financial advantages which would accrue from the price increases themselves.

Given the importance of oil and the insatiable demand for it, the consequences of the manoeuvre were quickly felt. It weighed heavily on the OECD economies which with about 8% inflation were

already experiencing an incipient internal crisis. The American objective had succeeded. They had regained the competitive edge for their own productive apparatus which had hitherto scarcely been able to compete (in traditional areas of production such as steel, metallurgy and chemicals this apparatus was quasi-obsolete). In the second half of the Seventies Europe and Japan found themselves having to cope with serious internal economic problems, including two-digit inflation - higher than at any time since the 2nd World War. Thus, a simple market manoeuvre had enabled the centre of Western imperialism to breathe again but had made life more difficult for its economic partners who were obliged to pay for the effects of the US crisis. Another consequence was that the peripheral countries were also forced to submit to the effects of this manoeuvre, with the added disadvantage that they were already starting from an overwhelmingly handicapped economic position.

But the best example of present-day capital's handling of the crisis is in the financial sphere. The enormous centralisation of finance capital, the huge power of the central banks and the centres of international speculation have now reached the point that at every moment they influence all aspects of the world economy. The big financial houses which began at the turn of the century and which were still dominant in the Fifties and Sixties pale into insignificance against contemporary firms. Today the central banks themselves operate incomparably more effectively than in the past. The close ties between them and the State have given them the power to influence the mass of money, to intervene during fluctuations in currency reserves, to agree in fixing the price of money and consequently to influence - via inflationary or deflationary policies - the economic cycle itself. Manoeuvres with interest rates, deals on the open market (state purchases and/or sales by means of public shares, treasury bonds, stocks) and modifications to the official reserve rates of credit institutions are the sort of instruments now resorted to daily in order to regulate monetary flows which in their turn affect production.

Staying with the American example, the measures taken by the Federal Bank from the end of 1979 to the beginning of 1980 (the start of the Reagan administration) are significant. These were proposed in order to combat a worsening situation in the domestic economy. This was characterised not only by a slowdown in production but also by a crisis of capital accumulation as a result of the difficulty in compensating for the fall in the rate of profit with an adequate rate of productivity.

The measures involved a substantial increase in the central bank's rate of interest which in turn

obliged America's major credit institutes to increase their rates proportionally. (In 1981 alone borrowing rates jumped from 7% to 22%.) This created the best conditions for the USA to set itself up as the pole of attraction for worldwide speculative activity and for the recycling of petro-dollars on the international finance market. At the same time, this manoeuvre was assisted by complementary factors such as the relatively low rate of domestic inflation, the existence of an already tried and tested practice in the financial world and the use of outright imperialist instruments such as the multinationals and a semi-monopoly in high technology. The declared objective was to attract capital to the American market where it was becoming increasingly difficult to invest profitably in the traditional economic manner, even at the cost of subsequently penalising the US productive apparatus with a high price money policy. In fact, between 1980-85 there was a sharp increase in banking profits accompanied by a worsening in the competitive position of American industry. During this period the trade deficit also peaked to reach an historic high.

But even here, despite the contradictions and dangers involved, America succeeded in keeping afloat by making use of the mass of finance capital which couldn't be produced in sufficient quantity inside its own productive apparatus. Moreover, to the extent that the high interest rate policy has given renewed life to the major centres of Western imperialism, it has withdrawn it from the periphery of the system, from the so-called under-developed countries which were hit like a bolt from the blue by the sudden increase in debt service payments. These countries now found themselves in the very disturbing situation of buying manufactured goods and technology from the OECD countries and having to pay four times more as a result of the combined effects of the increase in the amount of their debt and rise in interest rates.

As if this wasn't enough, the Seventies' crisis (which was prolonged into the early years of the Eighties) visibly diminished productive investments and the demand for raw materials, traditionally produced in the periphery, contracted. When the blackmail of further loans from the industrialised countries, the USA at the fore, is taken into account it is clear that the high interest rate policy has taken only a few years to create not only the conditions for the debt explosion in the periphery (\$1,400 billion to date) but also their virtual bankruptcy. In effect, a piece of financial manipulation which has allowed the major imperialist centres to resist the agonies of the international market has thrown the already tottering economies of three-fifths of the globe on their knees.

You might think that this is a just normal

imperialism. Certainly, ever since capitalism made itself the planet's dominant productive form, its outright arrogance and oppression are burdens humanity has had to bear. Above all, in periods of crisis, the big fish eat the little fish, the stronger capitals crush the weak with an increasing intensity only matched by the growing difficulty of finding profitable outlets for capital. But what is happening today on the international capitalist market is unparalleled in terms of the sophistication of the means adopted, the speed of their execution and the repercussive nature of their effects.

Moreover, the financial administration of the crisis has accelerated another tendency of American imperialism: the decentralisation of production. Here bourgeois sociological experts, who are particularly likely to be influenced by any kind of modernism, have been charged with the task of defining this phenomenon in highly positive terms. As if the decentralisation of production was somehow leading back to a positive development of modern society, to a further progressive development of capitalism.

In other words, when these official spokesmen of the bourgeoisie speak of the "technological revolution", and "post-industrial society" they imagine a capitalism which has resolved all the technical and technological problems associated with the production of machine tools and food and consumption goods, where the only thing left to develop is the service and information sector. As if to say that, once in possession of finance capital and technology production can be geographically established - either in whole or in part - on the periphery of the system. Meanwhile the old centres of industrial power transform themselves into new kinds of social agglomerations based on hi-tech production and an advanced tertiary sector with all the social and economic changes this implies.

Over the last decade a growing section of the left has become attracted to this notion: Theories such as the disappearance of the proletariat, resulting from the gradual extinction of industrial production and a corresponding rise in the tertiary sector; or, the natural corollary of this, theories that deny the political centrality of the proletariat in the class struggle; all show how the dominant bourgeois ideology develops in line with the changing requirements and metamorphoses of the ruling class. In a historical period where 5% of producers dominate 80% of the market, where financial centralisation has reached limits unthinkable only a short time ago, and where financial parasitism and speculation seem to be the most important expression of modern capitalist society, it is clear to Marxists that the most

advanced and intelligent sector of the international parasites will produce a neo-ideology capable of reflecting the times and perpetuating justification of their own position.

In fact, behind the theory of a post-industrial society there lies the subliminal message that modern capitalism is really sweeping away all the economic and social problems which afflicted it in the years of its youth. Now we have a very different and technologically superior system to the old industrial society with its fundamentally troublesome characteristics. Marx, 'Capital', the irreconcilability of social contradictions, the proletariat, its exploitation in the production process and the class struggle itself are the remnants of a recent past. Today, in post-industrial society, the most consistent profits are obtained from the tertiary and not the productive sector. Therefore, capital accumulation is the fruit of technology and not of exploitation of the labour force which, moreover, is progressively diminishing. This is what ruling class ideology is pedalling. Of course it is true that this has been the tendency for some time in some sectors of international capitalism. A relative decline of the industrial proletariat in the technologically advanced areas is statistically verifiable, as is a proportional increase in profits from activities not strictly linked to production. But it is equally true that decentralisation of production, when it involves the periphery of the capitalist market, also creates a neo-proletarianisation of these areas, thus containing, if not absolutely cancelling out, the opposite tendency of deproletarianisation at the centre. It is one thing to establish that modern technological production, based on an enormous increase in exploitation of the labour force, either expels unproductive elements from the restructured economies or else employs proportionally less manpower in the new industrial settlements of the periphery. It is another to blabber on about the socio-economic miracle of the post-industrial society and the supposed extinction of the international working class. To say that profits are the fruits of the application of technology to the tertiary sector is an insult to the Marxist labour theory of value, and is also somewhat laughable. If anything, the contrary is the case. The tendency of contemporary capitalism is both towards increased centralisation and control by finance capital and at the same time towards further investment abroad, where the best opportunities for capital accumulation exist. It is not important for capital where the surplus value is extorted. What is fundamental is the intensity and speed of its realisation.

But basically the question should be posed in different terms. We are not dealing here with a

period of positive evolution by certain advanced sectors of capital, but with its opposite. Both deindustrialisation and decentralisation of production are a response to the downward phase of global capital's third accumulation cycle. The shifting of investment from areas with a high organic composition of capital to the periphery demonstrates how, despite the productivity increases, it becomes increasingly difficult for capital to compensate for the fall in the rate of profit. In Latin-America, Asia or Africa, however, capital is able to reduce its costs of production: Here it is closer to raw materials and, above all, it has at its disposal a labour force at about a seventh of the cost at home.

Even this is not new. In the Fifties and Sixties capital moved outside its traditional areas of production to places with higher profit margins. But while yesterday the export of finance capital was limited to investments in places where a combination of cheap raw materials and a labour force to assemble parts produced elsewhere could be exploited, or even where artisan skills developed, today capital is forced to export more than capital but also sophisticated technology, entire production units and capital equipment. The difference between a high organic composition of capital with a relatively high cost labour force and the same organic composition exported to the periphery in the form of industrial plant containing high technology - but with an infinitely cheaper labour force - is self-evident. This is what has happened over the last decade in newly industrialised countries like Taiwan, Singapore, Hong Kong and South Korea, and what is happening today in Thailand, Burma, India and China.

The consequences of the progressive shift of the productive axes from the centre to the periphery will have to be dealt with on another occasion. Suffice it to say that the development of new technology and tertiarisation, technological unemployment in the old centres of production (Europe, USA, Japan) and neo-proletarianisation in the periphery, the explosion of financial speculation (both private and state), are all part of the downward phase of the accumulation cycle.

The paradoxical dialectic of capitalism means that the more it develops the more the contradictions nature. The more refined the financial and commercial weapons for managing the contradictions become, the more developed these contradictions on a planetary scale. Reaganomics is an obvious example. From 1980-88 the starting point for American policy was survival via financial speculation, foreign debt, the export of capital and productive investment in the periphery. The result was that the developing countries were buried under a mountain of debt which contributed

to, if not directly determined, the outbreak of uncontrollable social tensions.

It is no accident that the food riots which have erupted in various Latin American countries (e.g. Venezuela), in the Middle East (Jordan) or in Asia (Pakistan, Sri Lanka) have been in countries which are deeply indebted to the IMF or American credit institutes. Indebtedness, insolvency, the undermining of industrial development programmes, hunger and social misery, are the price the periphery of capitalism is paying for the attempt by the advanced sections of the imperialist line-up (headed by the USA) to manage the international crisis.

DEREGULATION

We have seen how Reaganomics developed as a response to the crisis, as part of the attempt to control its effects. New theories, and to a certain extent a new practice, about the relationship between the state and the economy, between the market and the leading institutions of the administration, have flourished. Deregulation, for example, is essentially about giving back complete autonomy to the laws of the market and thus reducing outside intervention to a minimum. The theory is that the state is thereby absolved from a suffocating presence within the productive and financial apparatus.

This is a blow at Keynesianism, but above all at the Left which reproaches capitalism in general for running unnecessarily from one crisis to another. Their solution is the indiscriminate concentration of the means of production and financial centralisation, accompanied by an increased intervention of state bodies in the economy. However, Reaganism, immediately followed by Thatcherism in Britain, tried to present itself as an experiment which would miraculously get the economy out of recession simply by relying on the free market. Once the state withdrew and the laws of supply and demand were allowed universal freedom of operation the problem would solve itself.

Apart from the implementation of new policies, one of the objectives of deregulation was ideological - to demonstrate that capitalism can go down more than one road. Despite its ups and downs, its contradictions are manageable and this doesn't necessarily mean going the same way as before. In other words, if over the last forty years a fence has been built up around the domestic and international market, leading to a phenomenal process of concentration, and if the capitalist state itself has ended up investing in a good part of economic activity, today it is possible to give autonomy back to the market by privatising firms, by supporting the primacy of the private over the

public sector and by posing the "healthy" laws of profit and private initiative against management passivity and parasitic bureaucracy. If such a reversal were really possible then it might be true that capitalism could overcome the contradictions of its very economic being.

But the reality is not quite like this. According to statistics put out by government bodies the world economy still shows a constant increase in the concentration of production. In 1980 650 large firms dominated the international commercial market. By 1987 this number had been reduced to 200, with proceeds equalling \$3,414 milliards and representing 30% of total world production. More than a third of the above national and transnational firms are "made in the USA". In the USA there has also been a dramatic centralisation of finance capital, in both banking and the stock market. A handful of banks, among them Citicorp, America Bank Corporations, Chase Manhattan and JP Morgan, dominate the credit markets. It is the same for stocks and shares, where amongst the twenty major dealers five of them have proceeds equal to 40% of all the others put together. Merrill Lynch, Shearson, Lehman Brothers, Salomon Brothers, Hutton Financial Services and Dean Witter Financial Services determine the good or bad times on the US markets. The same process of concentration and centralisation can be read into the figures showing the distribution of wealth. In 1949 1.1% of the population held 20% of total wealth, in 1962 the latter figure had become 27%, in 1983 34.3% and by 1988 the concentration of wealth accruing to the same 1% of the population had leaped to 38%.

The statistics also confirm increased government intervention in the economy. In the ten years from 1920 to 1930 there were 31 government acts relating to the economy. In the following decade which included the Great Depression, the figure had jumped to 48. Between 1960-70 there were 73 government economic decrees and 125 in the following decade. At present, after eight years of deregulation and only one year short of the decade, there have been 189 decrees whose regulatory content applies to every sector of the economy from production to finance, from the distribution of goods to the stock and money markets.

These are just a few facts but they are sufficient to show how the tendency towards more and more concentration is ingrained in the contradictory nature of capitalism's economic mechanism and that this has not lessened, even in a period of deregulation. The organisational form of a monopolistic market, the absolute predominance of financial cartels, the requirement of a centralised management of production and distribution on a par with intrusiveness of the state in the vital sectors of the domestic and international market, are the necessary consequences of the impossibility

of capitalism to regulate itself.

Thus, although to some extent we are talking about the collapse of the Keynesian myth, if we remain in the precarious world of bourgeois political economy's conceptions we'll never get to the bottom of the problem. There are more convincing explanations for the rise of privatisation and deatification on both sides of the Atlantic.

In the first place the false notion that the state sector is subject to different economic laws than those operating in the private sector has been abandoned. It is now recognised that the laws of return on capital are identical for the state and private sectors and it is no accident that once the crisis began to make itself felt the process of privatisation began with the least rewarding sectors of the economy. In other words, the state has behaved just like every other capitalist in a crisis.

Moreover, the policy of cutting out "dead wood" has made relatively little impact on the totality of state interventions. Despite the theory of disengagement, the much-acclaimed reversal of the tendency hasn't produced a great deal in global terms. In many countries, for example, the key sectors have remained untouched by the "danger" of privatisation. Italy is a case in point, where amongst all the cuts, transfers and privatisations, 43% of GNP is still in the hands of IRI and ENI (the state investment and holding organisations) and their financiers.

In addition there are also financial and political reasons for the state's delicate disengagement manoeuvres. In the last few years almost all governments in the larger industrialised states have had to deal with the problems of restructuring and a budget deficit. In both cases, though for different reasons, privatisation has been seen as one of the most useful weapons to use in times of particular economic difficulty and social tension. The transfer of some state activities to the private sector has allowed capital to be drawn in from elsewhere. This was all the more necessary the deeper the abyss of public debt became. In itself such measures are inadequate but when the worst comes to the worst capital has no alternative! The same could be said about restructuring the productive apparatus and the social consequences involved.

Even the most stupid bourgeois policy has had to give some protection from competition to key sectors of production during reorganisation and has had to base itself on the acquisition of advanced technology, with a consequent reduction of the labour force. Not only that, it became clear that "technological" unemployment as the result of industrial restructuring would have to hit both

public and private sectors.

Where privatisation took place before restructuring there was the added advantage that the state would not have to take political responsibility for the lay-offs. At the same time it would save some of the welfare costs involved and its reputation in the process. The Italian example of rail privatisation is valid here. The 'Schimberni (Head of Italian Railways) Project', in typical private-managerial style, anticipated, and in part has already carried out, fare increases and the reorganisation of the management of the whole railway network, at the centre of which was the reduction of the workforce by 50,000-70,000.

In fact the railways never left state control. Privatisation has been a kind of pantomime, successful only in hiding who is really running the railways. Today state intervention is not under discussion, only the nature of that intervention. Those who believe deregulation is a symptom of a change in the direction of capitalism, or worse still, that a dialectical analysis is unable to coherently explain its causes, have understood absolutely nothing.

In the era of the domination of finance capital where the productive world itself has as its precondition credit, the cost of money, its mass and volume in circulation, the state has no alternative but to reflect the needs of the historic period and take this domination upon itself. The recent years of crisis have been years of heightening competition, of a savage process of restructuring and/or productive decentralisation, but above all of the most ferocious struggle for the domination of the financial market.

The role of the modern state is prevalently financial. This doesn't mean that it is in the process of completely losing its role as external stimulator of the market or as a real capitalist entrepreneur. Today, however, it is the financial role that the state is obliged to play which most closely reflects the evolution of capital. It is through measures such as manipulation of interest rates that the state expands or restricts credit and thereby monetary liquidity by influencing the cost of money. It is capable of taking on itself the burden of credit, at the same time as implementing deflationary domestic policies. More and more it is the state which assumes responsibility for the social amortisation of the crisis (via redundancy schemes, pension funds, etc.) and which thus supports the private productive apparatus. When the bourgeoisie talks about financial control of the economy they are really talking about the state's attempts to control finance capital, both on the domestic and international markets, in order to maintain competitiveness and financial liquidity.

It is simply laughable, therefore, to talk of the state disengaging itself from the economy. In the face of the state's withdrawal, albeit temporary and limited, from the traditional productive sectors and from certain aspects of social welfare (Public spending cuts in schooling, pensions, health, etc. as always hit the less well-off workers most.) its invasion of the financial sector has increased enormously. The basis of the recent revival in the major industrialised countries has been, in fact, the financial intervention of the state.

In the last decade the state's attempts to manage the crisis has resulted in the major problem of the budget deficit. Everything has a price - including the mechanisms capital develops for absorbing the shocks created by its own contradictions. Whilst on the labour front it is the working class everywhere who pays this price through unemployment, intensified exploitation, hunger, poverty and social degradation; on the financial front it is the state which takes upon itself the greatest burden, amassing intractable debts in order to 'assure' economic revival. There is hardly an industrialised country which doesn't have a budget deficit less than 50% of GDP.

TABLE FOUR

PUBLIC DEBT AS A PERCENTAGE OF GDP		
		%
ITALY	.....	98
CANADA	.....	72.5
JAPAN	.....	68.6
BRITAIN	.....	52.4
USA	.....	52.2
W.GERMANY	.....	44.4

If we ignore Italy and Germany who, for different reasons, are outside 'normal' limits of state indebtedness, most countries are in the grip of an economic problem which is difficult to resolve. Either the state stands above the fray, leaving the entire process of capital accumulation to market mechanisms and waits for an automatic recovery from the lowest depths of recession - so that the diminished capacity of capital for productive investment eventually jeopardises the whole economic system - or it must decide on intervention using public finances as the stop-gap for the deficiencies of the productive apparatus. In effect the state is making a sort of social security payment to crisis-ridden capital in the form of the budget deficit. This kind of financial control puts the state first in line to plug the most obvious leaks but it cannot solve the contradictions of the economic system. The crisis can be prolonged and its consequences pushed onto the weakest sections of the market but in the end the same problems

return and continue to develop towards a final explosion.

The serious problem worrying economists is that there is no such thing in the Western sector of capitalism as a state which is not forced to continually increase its debts in order to be able to honour the interest payments already acquired. The service costs of the debt end up increasing the mass of debt, driving the state to adopt further financial measures. This economic retribution is destroying the heart of the centre of world capitalism with the same 'cancer' which has annihilated the periphery. To be sure, the reasons for their respective debts are different, but they have in common the same matrix of financial management and circularity of the crisis. This is why the much-publicised economic revival of the last six years represents simply a moment in the management of the crisis rather than its surmounting.

To take another example from the US economy, both because it has been the lynchpin of these financial manoeuvres and because its revival was supposed to extend to the whole Western market. The same analysts who for years called on the American "locomotive" to start again and draw the rest of the world out of the tunnel of the crisis, in the second half of the Eighties have been shouting about a miracle. Glancing at the figures, it would seem that the Reagan administration has indeed resolved a number of the problems which afflicted the US economy in the Seventies.

TABLE FIVE

THE ECONOMY OF THE USA IN FIGURES

(Annual % change)	1986	1987	1988	1989 (Est.)
Private consumption	4.3	2.7	2.8	3.0
Public consumption	4.0	2.6	0.5	2.0
Gross fixed investment	-	2.0	5.8	2.7
Domestic demand	3.5	2.5	2.7	2.7
Exports	3.0	13.1	28.0	13.2
Imports	9.4	7.9	9.1	8.5
GNP	2.8	3.4	3.8	3.0
Unemployment (% of workforce)	7.0	6.2	5.5	5.5
Retail prices	2.0	3.7	4.1	5.5
(\$ milliards)				
Trade balance	-152	-170	-131	-134
Current balance	-135	-154	-132	-128
Federal deficit	220	150	155	148

Source: OECD, IMF

that the dizzy yet guided fall in the dollar on the exchange markets has led to a small increase in productivity, it is also true that the ceiling of the two deficits remains frighteningly high, that the domestic debt has leapt to \$2,600 milliards, the foreign to \$532.5 milliards, of which 350 milliards represents the amount owed by US business to foreign creditors. Only last year Paul Volcker, commenting on the "artificially stimulated revival", underlined the necessity of finding \$100 milliards a year on the international financial markets as a result of the internal scarcity of capital.

Meanwhile, on the trade front the last act of the Reagan administration, the Trade Act, imposed a harsh protectionist policy in order to try to put a brake on the invasion of foreign goods. It's not for nothing that the same economists who sang the praises of the remarkable figures showing economic revival are now obliged to calculate that for the US and Western economies in general, the future choice is only between a "soft landing" or a "depression".

We are not facing a real economic revival. There is no basis for a long-term revival of the accumulation cycle. In the present phase of management of the crisis based on indebtedness and financial speculation, the certain future is that of a new recession.

While it is true that the two deficits - that of the Federal budget and in trade - have been lowered and

THE ECONOMIC CRISIS AND THE WORKING CLASS: THATCHERISM AND THE BRITISH EXPERIENCE

Introduction

During the Eighties it has become commonplace amongst revolutionary internationalists to speak of the proletariat's inadequate response to the capitalist crisis. Yet despite all the articles analysing the effects of the crisis in the various 'national' publications of the revolutionary press, there has been little in the way of a general elaboration of the material reasons behind this truism. The following article by the GWO is intended as a first step towards solving this problem: A problem which has been defined as, "how have the social effects of the crisis, especially in the capitalist heartlands, been 'amortised' by the bourgeoisie?"

To some extent, of course, each local bourgeoisie has had its own way of responding to the crisis and dealing with the working class. But, given the international nature of the crisis and the economic intertwining of each 'national' capital, we must expect to find a common thread. The article here is necessarily limited to the situation in Britain. How far we are eventually able to paint a general picture, which also allows us to point to the specific aspects of each 'local' situation, will depend on our having available similar sketches of the crisis and its effects on the working class from revolutionaries throughout the advanced capitalist world.

It is perhaps appropriate that this first pen portrait should be of Britain. For the past ten years the crisis here has been overseen by a government whose policies have achieved worldwide renown under the namesake of its leader - Thatcher. Until very recently 'Thatcherism' has been held up by a large part of the international bourgeoisie as a way forward out of the economic crisis. Like Reaganism, it signalled the end of the bourgeoisie's illusions in the printing press and deficit financing as a solution to the crisis. Henceforth austerity and unemployment for the working class and submission to the "laws of the market" for industrial capital were the order of the day. Yet if the British bourgeoisie's policies over the last ten years have followed the general direction of capitalism as a whole, it would be a mistake for Marxists to see in their latest

response to the crisis the model for international capital as a whole.

For a start, by the time Thatcher came to power British capitalism was already declining in competitiveness in relation to its closest rivals. As the text here explains, when the international crisis hit Western Europe British capital had for years been struggling with its own imperial legacy of an archaic industrial infrastructure and a working class whose economic militancy (despite its lack of political consciousness) was making it difficult for the bourgeoisie to restructure industry to the extent required. Whichever party had come into power in 1979 would have had to adopt rigorous austerity measures and a ruthless attitude towards the archaically equipped and unprofitable industries. Although for the most part they did not have a North Sea Oil bonanza, other states in Europe possibly had more room for manoeuvre.

In the second place, 'Thatcherism' is not a coherent ideology but rather the rationalisations stemming from a set of pragmatic responses to the crisis of profitability and the class struggle. The original 'Thatcherite' panacea was supposed to be tax cuts. This led to higher inflation. Maggie then became a 'monetarist' and promised to bring down inflation by restricting the money supply, or at any rate government spending. The subsequent refusal to subsidise unprofitable firms and industries from the 'national' pool of surplus value led to the closure of a substantial part of manufacturing industry. The real reason for the drop in inflation was the reduced purchasing power of the working class as it suffered austerity and 4 million unemployed. During Thatcher's second term in office the government hit on the idea of privatising state-controlled industries. In the eyes of the world this has become synonymous with Thatcherism. As the accompanying article on the crisis in this issue says, governments worldwide have had to recognise that the same capitalist laws apply to statified as well as private industries. In this sense 'Thatcherism' is the course which all states have had to follow. But Thatcherism expresses not just a need to accept that in the long run capitalism needs to be profitable in order to survive but an ideological battle which aims to bury the class struggle. Just as Labour had promoted the myth in 1946/7 that its

nationalisation programme = a step towards socialism so the Conservatives in the 1980's promoted the myth that denationalisation = a step towards greater democracy and freedom. Part of Labour's myth had rested on the job security and high redundancy payments due to workers in the state-run industries (which made it costly and difficult to restructure on anything but a piecemeal basis). Now the Conservatives are trying to propagate the myth of a neutral state standing above the class struggle by disencumbering themselves from the compromising position of the employer, directly responsible for job losses, wage cuts, etc. At the same time the strategy has been expanded to incorporate the idea of the "shareholding democrat" - the worker who has a vested interest in his own exploitation. While its undoubtedly the case that states everywhere are trying to distance themselves from responsibility for the crisis and seek new ways of motivating alienated workers to accept increased exploitation, privatisation is not necessarily the only option available to the bourgeoisie. In fact, when the Tory government stumbled on privatisation as a way of creating British Telecom (previously part of the state-run postal service) the prime aim was not to win a victory in the supposed battle against 'socialism', but to raise capital for new investment on the international finance markets. At the same time the freeing of the telecommunications industry in Britain from the legal restrictions imposed on state-controlled monopolies allowed the newly privatised company to compete in markets outside of its 'home' area. And it is here, in the search for the huge mass of surplus value required to revolutionise capital equipment and plant, that the motive force for the UNIVERSAL TREND away from purely national monopolies (i.e. industries, either privately or state owned, producing almost exclusively for the domestic market) can be found.

It is the same motive force which is pushing capital to 'co-operate' in joint ventures across national boundaries and which has led to the worldwide domination of finance capital. It has nothing to do with democracy, the dismantling of socialism, or the withdrawal of the state from the economy, but it has everything to do with the desperate search for surplus value to fuel capital accumulation when domestic industry AS A WHOLE - whether in private or state hands - is operating at such a low rate of profit that it cannot generate enough surplus value for a further round of accumulation. It is this hunt for surplus value that Thatcherism shares with capitalism in general, not the ideological accoutrements it disguises it in. In those areas where state control of industries has acted as barrier to the penetration of foreign capital 'denationalisation' becomes a necessary step. But this is by no means always the case. The state can equally easily play a direct role in the promotion of links with foreign capital

and the expansion of the market beyond the home area. (Enichem, the Italian state chemical industry, for example, saw no reason to denationalise itself before embarking on a joint venture with ICI.) The point is that regardless of the formal ownership of this or that national monopoly, in order to remain profitable and survive they are obliged to spend money on research and development, modernise their capital equipment and for this they need more surplus value than they can generate themselves. Either they are taken over or amalgamate with a foreign company or they go to the wall.

In Britain a large part of industry has been allowed to do just that. The government talks about British industry being "leaner but fitter", implying that it is now able to compete successfully on the world market and produce 'healthy' profits. The facts say otherwise. In the past decade manufacturing's share of fixed capital has dropped from 18% to 13% but profitability, according to the 'Financial Times' is "still on the low side on international norms" (14.10.89) unable to find profitable outlets for investment at home, British industrial capital - in true imperialist fashion - has been fleeing abroad over the last few years (mainly to the USA).

This brings us to another specific aspect of British capital: its currency and financial institutions. Unlike its rivals in the rest of Europe, when restrictions on the flow of finance capital were lifted Britain had the initial advantage of a legacy from its imperial past. The Stock Exchange, which had come to reflect the fortunes of an insignificant part of British capital by the 1960's, has taken on a new significance in the Eighties as INTERNATIONAL financial speculation has blossomed. Similarly, the pound sterling has increased in importance since the floating and relative decline of the dollar. Given the peculiar role of the London market in international finance, it was relatively easy for the present government to follow the US example and open up its money market to the world. As in the US, the old restrictions on foreign exchange dealings have been lifted to provide the freest possible environment for the international speculator. As Thatcher is on record as boasting, "We have free movement of capital, no foreign exchange control. No other European country has that." (Newsnight, 22.5.89) The result has been a massive turnover of finance capital on the London money market: amounting to £40 billion a year. The fortunes of dealers and brokers - the so-called financial services sector - have thrived. But only a small part of this finance capital goes to industrial investment in Britain. Most of it is used for short-term speculation - attracted by the quick returns made available by the government's high interest rate policy. By the same token the

freeing of restrictions on the movement of capital has led to a massive outflow of long-term investment capital from Britain. (£6.3 billion in the first 6 months of 1989.)

Much more than in the rest of Europe, the British state has been in a position and prepared to sacrifice the interests of industrial capital to those of finance capital. In this respect the British bourgeoisie's response to the crisis has aped the USA and it is not just Anglo-American sentimentality which keeps alive the "special

relationship" between US and British capital. Although all the major capitalist states are now obliged to "open up" their economies to outside capital and deregulate their financial markets in the mutual search for possession of part of the international pool of surplus value, no other state (not even the USA) has been prepared to abandon so much of its manufacturing industry. It would be a mistake to assume that the rest of European capital will be obliged to follow exactly this "Thatcherist" road.

The Economic Crisis and the Working Class Thatcherism and the British Experience

June 1989 marked the anniversary of ten years of Conservative Party Government in Britain: the so-called decade of Thatcherism. For the first time in over a decade the Labour Party - once eschewed by the British bourgeoisie and its press barons as a faction-torn relic from a bygone era - was ahead in the opinion polls. There was a reason for this and it is not connected to Thatcher's "authoritarian style of government". As the decade wore on 'Thatcherism' came primarily to entail the defence of the interests of finance capital. So long as there were also advantages for capital in general, Britain's industrialists were willing to go along with the 'Thatcherite revolution'. And there were significant advantages:

- a) (After 1980) A reduced rate of inflation which lessened the uncertainties when calculating investment returns.
- b) (After 1984) A cowed and pruned-down workforce whose "rate of productivity" (read "rate of exploitation") was expanding at an average of 5% per year.
- c) A higher profit rate.

But by the latter half of last year these advantages were proving to be ephemeral. In the first place inflation was on the increase again (8% in June, the same as when the Conservatives began their decade in power) and much higher than in the rest of the EEC. Moreover productivity rates were slowing and being "outstripped" by wage increases while profitability was still below the international norm. As if this were not enough, there were signs of a revival of what the bourgeoisie use to call "the British disease": outbreaks of strikes by various sections of the working class (transport, health, car workers) doing their best to combat inflation.

On the trade front, the last few years have seen the build-up of a massive deficit: now standing at £20bn. In per capita terms this dwarfs that of the

USA. The decline of manufacturing industry coupled with the policy of maintaining a "strong pound" for the sake of attracting finance capital (making British manufactured goods relatively dearer on the international market), have both contributed to the massive rise of imports over exports. As an outright defender of finance capital, Nigel Lawson, until recently the government's finance minister, was prepared to tolerate an indefinite trade deficit so long as the value of the pound could be maintained by increasing interest rates. Even so, over the decade sterling has declined in value internationally - by 27% against the dollar and 56% against the yen. The fact that it was increasingly necessary to prop up the pound by raising the bank rate (and buying up sterling) is testimony to the weakness of the currency's domestic economy. A weakness which is compounded by high interest rates since, as we mentioned, exports are 'over-priced' and also because of the high cost of borrowing for domestic industrial investment. At the same time a further contradiction in the government's strategy is being exposed in that higher interest rates mean higher mortgages for the deliberately increased number of 'homeowners' in Britain. Whereas the expansion of the so-called property-owning democracy was supposed to build up permanent support for the Conservatives, the high cost of 'home ownership' is now a prime reason for the erosion in electoral support for the Tories. With industrialist complaining about the resurgence of inflation and workers demanding wage increases higher than the rate of exploitation, the government is being obliged to recognise the limits to its simple policy of propping up sterling via the bank rate.

After a decade of the 'Thatcher revolution' the familiar economic problems of the 60's and 70's have reappeared. The rumblings of dissatisfaction (particularly from the CBI - Confederation of British Industry - the mouthpiece of industrial capital) are now extending to the class struggle

front. Ironically, the government which has staked much of its claim to success on having tamed the class struggle is now being asked what it is going to do about the present trend for workers to demand wage rises without the necessary 'rise in productivity'. (It intends to put a ban on 'unofficial' strikes.) In terms of its industrial structure, British capital's manufacturing base is certainly leaner but it is hardly fitter. The prospect of flourishing new sunrise industries has so far proved to be a false dawn and as we have already said, profit rates are lower than the international average. At a time when the dearth of surplus value generated by the accumulation process is forcing every national capital to seek out international finance capital, the City of London has provided a short-term bonanza from financial speculation for a section of the British bourgeoisie. But as other capitals, operating from a stronger industrial base, expand their own financial 'services' and open up their finance markets to international competition, the role of sterling is bound to decline.

In the economic sphere 'Thatcherism' has worked no miracle. In social terms, however, there has been a dramatic change. Most obvious is the existence of a permanent pool of unemployed which would have been unthinkable in the framework of the post-war welfare state settlement. The boundaries of the class struggle have changed. How has this been achieved without a major rupture in the social peace? By reviewing some of the experiences of the past decade we hope to throw some light on how the working class in Britain has come to accept the cost of capitalism's economic crisis.

THE THATCHER DECADE IN HISTORICAL PERSPECTIVE

The British economy emerged from the Second World War in a worse condition than that of its rivals. It was heavily in debt to the USA, had lost most of its merchant marine which had been the origin of its domination of the world market from the 17th century and was faced with antiquated productive methods and a working class which demanded some rewards for its sacrifices of the previous decades. The first 'reward' came in the shape of the nationalisation programme of the 1945-51 Labour Government. Contrary to the mythology propagated by Labour, this was not an attempt to deliver industry into the hands of "the people", but the implementation of the regulated capitalism which Labour had always stood for.

The second 'reward' came when the British bourgeoisie continued to act as though Britain were still an independent imperialist power. Troops were sent to the Korean War and the cost of British participation brought negative growth in GDP at a

time of general post-war reconstruction. It was only after the Suez crisis in 1956 that British capital accepted its subservient role to the US and released itself of the costs of colonisation. Thus, although the post-war period eventually saw historically higher levels of growth than ever before (prompting Prime Minister Macmillan to announce in 1959 that the British working class had never had it so good), in relative terms Britain fell from being one of the world's richest countries to 19th in per capita terms by the mid-1970's. At the same time industrial and commercial profit rates had fallen (from an estimated 8.3% after tax in 1951 to just 3% in 1975). By 1963 it was obvious that living standards were falling in relation to the rest of Europe. The Conservative's attempted 'dash for growth' led to what was then the worst balance of payments crisis in history. With the slogan "13 years of Tory misrule" Labour was brought in to implement the credit squeeze and supervise the restructuring of industry in what Wilson termed the 'white heat of the technological revolution'. But though the old industries were further pruned by Labour (in the coal industry alone 200 pits were closed down between 1966-70) the technological revolution hardly arrived and cars, chemicals and the traditional heavy industries remained the backbone of the economy as growth rates declined from 3.2 to 2.4 per cent. This, despite the fact that both Labour and Tory governments had continued to cut down nationalised industries' share of GDP (from 20% to 10% between 1951 and 1976). During the Sixties the myth of permanently rising living standards still held sway over the working class. As real wages began to 'bottom out' and then decline by the end of the decade workers still trusted in the tactics of 'money militancy' to defend their living conditions.

At first the ruling class bought off its adversaries by the Keynesian tactic of the printing press which cancels out apparent wage rises by devaluing money. The consequence of this in an economy where output is slowing is inflation. Keynes argued that inflation was a safer way to reduce workers' wages than direct wage cuts. Even so, inflation (of 6-8 per cent!) in the early 70's (compounded by the floating of international currencies and the onset of the world capitalist crisis) led to a massive series of strikes, including two miners' strikes. Although the Conservatives, led by Heath, had promised a "new style of government" much like that of Thatcher today - with 'free collective bargaining' instead of an incomes policy, control of public expenditure and no support for "lame ducks" - his famous U-turn after the bankruptcy of Rolls Royce and Upper Clyde Shipbuilders (both bailed out by the state) reflects the fear of the class struggle. Between 1971-2 there was an increase by half in

unemployment but the strikes continued (24 million days were lost in '72). Despite capital's need to restructure the government didn't dare face the consequences and manufacturing output continued to decline.

In 1974 Heath lost the election after instituting a 3 day working week in the face of a power workers' strike. The Tory slogan had been "Who Rules Britain?" (The implications being the unions had too much power and were not controlling their members.) Having miserably failed to curb the class struggle and allow unprofitable firms to go to the wall as restructuring required Heath's Government was dispensed with by the British ruling class and Labour again stepped into the breach. For five years Labour did a relatively successful job for capital. Despite its interventionist stance - bankrupt firms like British Leyland, aircraft, aerospace and shipbuilding industries were nationalised - millions of jobs were axed. The 1 million unemployed barrier was passed in 1975 and a post-war high of 1.6m reached in 1977 (after state spending cuts imposed by the IMF loan conditions of 1976). By 1979 manufacturing output was growing again (although without reaching the previous high of 1973) but already the "Post-war Settlement" (based on the assumption of full employment) was in tatters and Keynesian policies were being

abandoned, as Callaghan made clear at the 1976 Labour Party Conference:

"It used to be thought that a nation could just spend its way out of recession and increase employment by cutting taxes and boosting government spending. I tell you in all candour that that option no longer exists."

In 1975 Britain (along with Italy) was bankrupt and had had to go to the IMF. The IMF's conditions for bailing out the Government were massive cuts in government borrowing and spending. Thus, it was Callaghan, not Thatcher who was first obliged to pursue monetary targets. The last years of the Labour Government saw the beginning of a new strategy which, though not consciously adopted, was to be stumbled on as the economic truth of the 1980's. However, as yet the class struggle refused to be tamed and in '79 workers in engineering and low-paid public services (who had seen massive pay erosions) gave the Callaghan Government what we described at the time as "a warm January" in the biggest series of strikes since '74.

This was the signal for the bourgeoisie to bring back the Tories. When Thatcher came to power she was only too well aware that despite massive redundancies in basic industries the working class

TABLE ONE

U.K. ECONOMIC INDICATORS 1979-86

	1979	1980	1981	1982	1983	1984	1985	1986
GDP (Gross Domestic Product) 1980 = 100	102.3	100	98.8	100.3	103.7	106.6	110.2	113.1
Manufacturing Output 1980 = 100	109.5	100	94.0	94.2	96.9	100.7	103.8	104.1
Redundancies (Thousands)	187	494	532	400	327	245	235	225
Total Employment (Millions)	22.6	22.5	21.4	20.9	20.6	20.7	21.0	21.1
Manufacturing Employment (Millions)	7.1	6.8	6.1	5.8	5.4	5.3	5.3	5.1
Manufacturing Investment (£bn - 1980 prices)	7.5	6.5	4.9	4.7	4.8	5.8	5.9	5.8

All figures are averages (annual) except for employment figures which are for June, "seasonally adjusted".

Source: Economic Trends, Department of Employment Gazette, Treasury Economic Progress Report, Department of Trade and Industry.

had fought every attempt by British capital to restore profitability at its expense. In 1974 and 1979 class struggle had led to the downfall of Tory and Labour governments alike. The situation for capital was desperate and the ruthless measures imposed in the first 3 years of the Thatcher regime reflect that desperation.

DESPERATE MEASURES

The Tory Government's adoption of 'monetarism' - the attempt to control the money supply via the bank and interest rates in order to keep down inflation - reflected the growing alarm of the British bourgeoisie about the usefulness of Keynesianism. Far from preventing class struggle, inflation, it seemed, promoted it. The Government, of course, blamed wage increases and the unions for inflation. At the same time, however, it recognised that the real culprit was deficit financing by the state and pledged to hold down state spending. At first there was no talk about "dismantling socialism", but simply of reducing inflation by putting an end to "spending beyond our means". Implicitly this meant the recognition that British industry could no longer generate sufficient surplus value to restructure industries which were once considered essential to the national economy. Like her European 'partners' Britain was obliged to leave the bulk of shipbuilding and steel manufacture to places like Korea and Japan with much more advanced production techniques. Meanwhile unemployment rose to unprecedented levels (from 1 to 2.5 million) and manufacturing 'growth' rates became minus figures. In short, 1979-81 saw the worst recession ever - much deeper than in the Thirties.

THE IMPACT OF RESTRUCTURING

Given this, the obligation to restructure has not only been imposed on the old state-run heavy industries. Every branch of manufacturing has been affected and, without state subsidies, many have succumbed. Between 1979 and 1982 there was a 19% drop in the number of workers in manufacturing industry. The impact of this on some of the major manufacturing firms is illustrated opposite.

This list is by no means exhaustive and only covers the first few years of the decade but it serves to show that for the most part workers have accepted job losses without a specific fight against imminent unemployment. Why?

The first reason must be that many firms have managed to 'slim down' their labour force by so-called natural wastage - simply not recruiting new workers and encouraging early retirement amongst the older employees. Tied in with this is

TABLE TWO

U.K. EMPLOYMENT IN LARGE MANUFACTURING COMPANIES
1977-83

	1977	1983	% decline
British Steel	209,000	81,100*	-61
GEC	156,000	136,944	-12
British Leyland	171,943	81,261	-53
Courtaulds	112,009	56,336	-50
ICI	95,000	61,800	-35
British Shipbuilders	87,569	62,583	-28
GKN	73,196	33,600	-52
Lucas	68,778	49,042	-29
TI Raleigh	61,777	25,100	-59
Dunlop	48,000	22,000	-54
Vauxhall	30,180	20,527	-32
Talbot	22,800	7,109	-69
Massey Ferguson	21,486	13,066	-39

* 1982-83 figure. In some cases (British Leyland, British Steel and TI Raleigh mainly) the full scale of the reduction partially reflects a sale of subsidiaries to other firms.

Source: Financial Times, 11.6.84

the enticement of redundancy payments which since 1965 have been a legal entitlement for anyone who has worked for 2 years full-time with the same employer. The basic legal rate in itself is not so much of an incentive (A maximum of £3,900 for someone over forty years old who has worked for a company for at least twenty years; for a younger worker who has been employed for fewer years the sum would be much less). However, many of the larger firms, and especially the old nationalised industries, had their own redundancy schemes and though the press made exaggerated claims about the amounts involved there is no doubt that a substantial section of older workers accepted their redundancy payments gratefully and tempered their militancy accordingly. (In the last instance of a strike to defend the old conditions of employment, the dockers strike which took place last summer, it was clear that the threat of dismissal and thus the loss of entitlement to the special redundancy payment - as much as £35,000 for the older men - was one of the reasons for its collapse.) At the heart of all this, of course, are the trade unions who in their role as not-so-honest brokers between the employers and the workers have negotiated away thousands of jobs and agreed to the introduction of new 'working practices'.

TABLE THREE

U.K. CHANGING PATTERN OF EMPLOYMENT, 1951-84 (%)

	1951	1961	1971	1981	1984
Workers employed					
in manufacturing	39	38	36	29	26
Women workers	33	34	35	43	44
White-collar					
workers*	31	-	44	48	52
Part-time workers	4	10	16	21	22

* Figures are for 1948, 1973, 1979, 1984

Source: Department of Employment Gazette, Abstract of Historical Labour Statistics and Labour Force Surveys.

By 1984 the percentage of the British workforce in manufacturing had dropped to 26% while the portion of workers in the service sector had risen to 52%: a dramatic acceleration of a general post-war tendency. Whilst we do not join those who speculate about the 'post-industrial society' and the absence of class struggle it is clear that the structure of the working class has been profoundly altered. Despite the colour of their shirt collars, (not all of them are white as the table above implies) the majority of workers in the tertiary sector are wage earners and objectively belong to the working class. It cannot be denied though, that there can be problems regarding the subjective appreciation of this fact.

While the accelerating decline in proportion of UK workers employed in manufacturing in the early years of the Thatcher decade is clear the significance of this for the class struggle and eventual emergence of a class political consciousness is more debatable.(2) We cannot go here into the minutiae of the changed composition of the British working class and the various arguments and counter-arguments of the tertiarisation and de-industrialisation debate. Let us simply state here that it is no argument to assert the CONSEQUENCES of restructuring as an explanation for the working class accepting restructuring in the first place. Thus, statements about the declining proportion of manufacturing workers, the increased participation of women in the labour force, increasing significance of part-time work and the growing numbers of self-employed are not acceptable as implicit or explicit arguments for the absence of a class-wide response during the height (or depths) of the restructuring process. It is true that all these trends have accelerated during the past decade, particularly in the 1979-82 period: they are part and parcel of the restructuring process and capitalism's attempts to reduce the cost of its

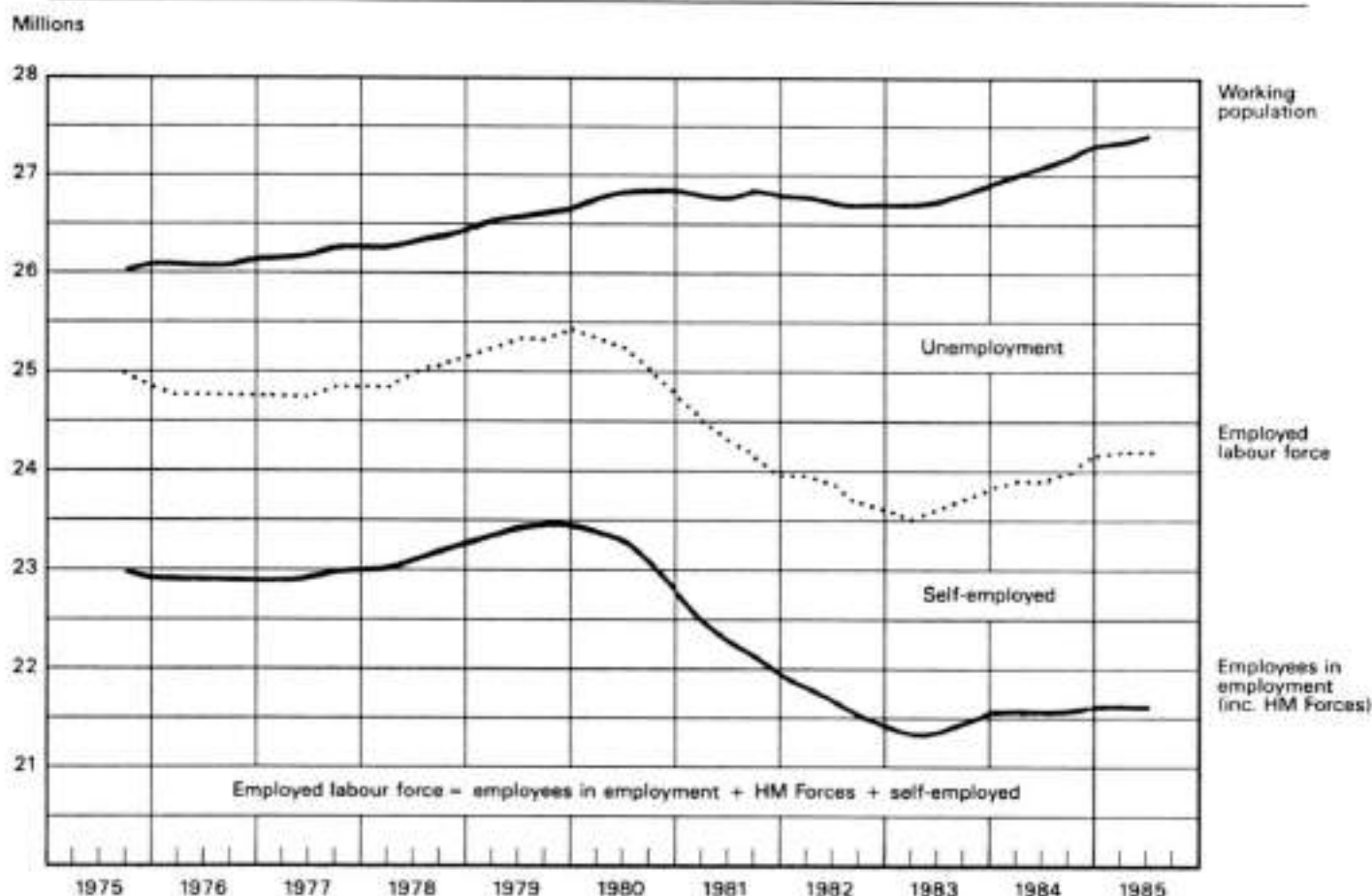
variable capital. Female labour power, Sex Discrimination Act notwithstanding, is still generally cheaper. Part-time work - again predominantly female - is not only cheaper but involves less obligations on the part of the employer. (By 1985 part-time workers comprised 32% of manufacturing industry and 66% of service sector workers.) As in the 1930's self-employment has increased (it now stands at around 12% of the labour force). And just as in the Thirties, we can safely assume that a substantial portion of the self-employed are simply workers who have taken away the burden of national insurance tax from larger employers.

In so far as restructuring has been experienced as an ACCELERATION of already existing post-war trends it can be argued that the working class as a whole has not been in a position to appreciate the full significance of what has been happening. Indeed, the measures adopted by capital to reduce the cost of variable capital have often been perceived in a positive light rather than as attacks by capital. (Redundancy pay as a nest-egg for early retirement; part-time work for women as liberating; self-employment as 'independence' - promulgated by the official ideology of Thatcherism and supported by state subsidies for those entrepreneurial workers who are ready to sink their redundancy pay in some petty bourgeois endeavour.)

Yet it is impossible to disguise every aspect of restructuring in such a positive light. Over the last decade much of the social cushioning previously associated with the 'Post-war Settlement' between capital and labour and made possible by the economic boom has been torn away. Workers in jobs not only have to work harder but the terms of employment have drastically worsened. At the same time welfare services which were supposed to be 'free' under the Post-war Settlement (actually financed by taxing workers' pay) have been reduced and often have to be paid for. Workers are being encouraged to pay for private health insurance and to provide security in their old age - on top of the taxes which once paid for all these. Above all, of course, remain the unemployed who, despite 28 changes in the official definition of unemployment since 1979, still number around 2 million. For them their "rights" and material support have dwindled steadily in a process which began with the slashing of Earnings Related Benefit and continues today with the humiliating harassment of unemployed workers who are obliged to prove they are "actively seeking work". As for a roof over one's head in the property-owning democracy, the number of people 'owning' their homes (i.e. largely in debt to the building society) has risen to 14m (1985 figures) alongside the homeless whose real numbers are unknown (local authorities accepted responsibility for 120,000 homeless

TABLE FOUR

U.K. WORKING POPULATION AND EMPLOYED LABOUR FORCE, 1975-85
(seasonally adjusted - quarterly figures)



Source: Department of Employment, Employment Gazette, Historical Supplement, April 1985;
Department of Employment Statistics Division, March and June 1985.

families in 1986) and building society reposessions. When the evidence for all this cannot be denied (people sleeping in cardboard boxes in the heart of London, beggars on the streets) and when the EEC produces figures to show that the percentage of 'poor' people in the UK has doubled (between '73 and '85) the Government replies by changing the official definition of 'poverty'.

In another sense too the framework of the class struggle in Britain has changed during the Thatcherite restructuring. With the recognition that the enormous amount of surplus value required to fuel further accumulation in the largest industries (the so-called critical mass) cannot be generated inside national boundaries alone has come the opening up of the economy to outside capital. The slump of the Thirties was accompanied by restructuring behind national tariff walls. In the slump of the Eighties capital is becoming more and

more internationalised with the boundaries between the interests of 'national' and international capital ever more blurred. British capital investment abroad (notably in the US) is much larger than the amount of foreign capital invested here but a substantial part of industry in Britain now owes its existence to the investment of surplus value from abroad (not just from Japan). To this extent the working class in Britain will have to face up to the fact that the class struggle is not just a cosy dispute about sharing of the cake with British bosses but joining an international fight against world capital.

It is difficult to find direct figures showing the extent of foreign investment in manufacturing in the U.K. As we noted in the introduction, in general it is more profitable for British capital to invest abroad than at home. The following figures, give some indication of the growing trend for U.K. investment capital to move outside

national boundaries. At the same time, however, there is a much smaller, though growing rate of

foreign capital investment which is drawing surplus value out of the U.K.

TABLE FIVE

U.K. IMPORT AND EXPORT OF INDUSTRIAL CAPITAL

	£ million										
	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987
Income from abroad	3,712	4,522	7,097	7,234	8,964	9,233	11,290	14,355	15,384	15,778	18,040
Profits due abroad*	1,997	2,229	3,992	4,769	4,695	4,659	5,258	6,264	7,398	5,105	5,509

* After U.K. tax

Source: Annual Abstract of Statistics, 1989

Yet, despite the welcoming arm and state subsidies extended to foreign investors the British industrial scene is not proving as attractive as the government had hoped to outside industrial investors. (4) Now, after all the closures, redundancies and 'improved productivity' by local capital manufacturing output has only recently reached the 1979 level (itself lower than that of 1973). Inflation is rising again and the bosses are worried about loss of competitiveness as wages begin to rise faster than output (after a period of massive productivity increases per worker). The miracle of Thatcherism is not that it has found a real solution to the economic crisis - patently it has not - but that an historical breathing space has been bought for British capital with a relatively small disruption in the 'social peace' and without provoking a unified class response.

How has the working class come to accept this situation? While the fear of unemployment has certainly played its part this is by no means the complete answer. During the rapid increase in unemployment under Callaghan workers stepped up their resistance to the bosses' attacks and in the early years of the Thatcher Government protests and demonstrations against unemployment were the norm. But this brings us to the trade unions: number one culprit for undermining a unified class response.

TRADE UNIONS ENEMY NUMBER ONE

Whether it be a Labour or Tory government in power, a struggle of the unemployed or employed workers, the unions' role has always been to CONTAIN the class struggle, isolate workers according to industry or sector and channel their anger onto acceptable ground for capital. Paradoxically,

although the unions failed to prevent strikes when they worked openly hand in glove with the government - in the period dubbed the era of 'beer and sandwiches at no. 10' (1974-9) - their commitment to a legal struggle (even when the Government changes the boundaries of legality) ensured that the massive anger against the government and bosses' attacks in the Eighties was dissipated and isolated. Whether it was the unemployed who found themselves caught up in a re-run of the Jarrow marches, newspaper workers engaged in a fight to save jobs in the face of new technology or workers in dying traditional heavy industries fighting for their livelihoods, the unions were always there to organise and direct the struggle into almost ritualistic acts of pseudo-militancy and provide a suitable slogan to prevent workers combining for a united fightback. ('The Right to Work', for example, effectively excludes employed workers.) It was the unions too who called off the strikes in the south coast ports during the Falkland War and helped to orchestrate a nationalist response.

In the most significant struggle of all: that of the miners' strike, the unions played the same insidious role. This strike might have been the focus for a massive response by the whole working class against the austerity brought by restructuring. But while the government fought according to a carefully worked-out plan (the Ridley Plan) the striking miners blindly trusted the NUM. The slogan 'Coal Not Dole' instantly isolated mine workers from the unemployed and put the battle firmly on the ground of corporatism - i.e. defence of the miners' 'own' industry. Other workers who were moved to solidarise were informed by their unions that they were not to 'sacrifice themselves on someone else's altar' (Bill Sims of the ISTC) or that they were only striking

against their own bosses (dockers). A momentous fight which drew the instinctive sympathy of the great part of the working class, not just in Britain but round the world, was isolated and allowed to fizzle out by union tactics. As we said at the time, "the failure of the miners' strike to throw back the austerity plans of the bourgeoisie has been a set-back to the working class, not only in Britain but internationally" ('The Miners' Strike and the Tasks of Communists' in REVOLUTIONARY PERSPECTIVES 22). Though the class struggle was to continue the balance of class forces had tilted in favour of the ruling class.

THE CLASS CONSCIOUSNESS OF THE BOURGEOISIE

The unions' success in preventing a collective class response has only come about because the working class as a whole has been insufficiently conscious of its own class interests. This cannot be said of the bourgeoisie. The present Tory Government came to power without a coherent programme except that of cutting the taxes on the wealth of their own class. However they had learned clear lessons from the past. Keynesian inflation did not end the class struggle and that all the policies of trying to use the unions to tame the class struggle had not only failed but had brought down the Heath and Callaghan Governments. The most lunatic of the Thatcher aides in the Cabinet was Nicholas Ridley. He had advocated building up coal stocks at power stations, using private road haulage companies rather than British railways to move coal and oil. Once this was in position then the Government could take on the miners or any other large section of the working class (but significantly not the power station workers who were paid a massive wage increase a few months before the miners' strike).

However Ridley's Plan was at first considered too crazy to be adopted. Two factors changed this. One was the successful struggle against a thirteen week steel strike in 1980. The steelworkers received little help from other workers and this gave the Government hope that other sectors could be picked off one by one. Legislation against solidarity action was now brought in so that solidarity strikes would have to be political from the beginning - something British workers have consistently shied away from.

The second factor was the Falklands War. In 1982 the Tory Government was the most unpopular in British twentieth century history. The Falklands War, which partially came about because of the diplomatic bungling of the British Foreign Office (they let Galtieri think they were not really interested in the islands - one of the few occasions when the Foreign Office has ever told the truth!) was turned into a massive propaganda

success for the Government. Since then there has been a massive extension of state interference in the media. The Party which came into power after being marketed by the biggest advertising agency in the world was not slow to realise the potential of the media for "moulding public opinion". The Falklands War was a significant milestone in this respect. Not only did press censorship become an acceptable fact but the language of rampant chauvinism revived. To be a 'Brit' and a 'patriot' are now considered positive virtues. What chance the spirit of proletarian internationalism against the enterprising Brit of the Righties? Just to hammer home the message the Government took to denouncing the "left-wing bias" of the BBC (e.g. over a television report on the Libyan bombings which showed that the Americans had hit a hospital) as well as the ITV (the independent television network) over its investigation of the murder of the three IRA members in Gibraltar. However it did not stop at browbeating the press and soon turned to outright censorship. Television documentaries have been seized by the police and the politicians of Sinn Féin, the political organisation of the IRA cannot be heard on television (though they can be seen!). All this adds up to a campaign of censorship unprecedented in peacetime.

But just as the "Thatcher miracle" on the economic front is beginning to be exposed as a myth there are signs amongst the bourgeoisie that the Thatcher Government is now seen to undermining one of its own cardinal principles. In the struggles with the steelworkers and the miners the Government have been very clever at preserving the myth that the struggle was not one of a fight with the state. But, despite the propaganda about "popular capitalism" and a government "above the factious disputes between industries, companies and individuals" (4) the state cannot hide its role as agent of the capitalist class. Thatcher has achieved her aim of "rolling the frontiers of the state" by removing restrictions on exploitation (minimum wages councils have been scrapped, for example) but the heavy hand of increased state repression of the working class is now too obvious for even some Conservatives to stomach.

GOVERNMENT SPENDING

Much has been made by Labour of the Government's squandering of North Sea Oil revenues (totalling £10bn annually). Despite this Government's withdrawal of support from industry (not agriculture!) the return to the laissez-faire economy of capital's golden age has not come about. Money saved by cutting unemployment benefits and welfare services and from ridding the state of its 'dead ducks' has been offset by the dramatic growth in the number of unemployed. Much as it would like to, the Government has feared the social

consequences of a complete axe of the dole (and old age pensions). Thus, the oil revenue has been used to contain the class struggle and government spending as a percentage of GDP is still running at something like the 1969 level of 39%. Although this is a significant achievement for capital in the present circumstances - indicating the extensive inroads made on the living standards of the unemployed and the standard of welfare services - it is nothing like the low level of pre-World War 1 days (13.5% in 1913). Even the Government which promoted "a new sense of realism" in the working class has to buy off social discontent. As one study reports:

"The British Government is acknowledged to be more committed than all its post-war predecessors to a "free labour market" and reduced intervention in it. Yet, as unemployment has risen to levels not experienced since the worst years of the 1930s, it has spent a vast amount on interventionist schemes through the Manpower Services Commission (MSC), steadily raising its budget from £800 million in 1979 to £2,100 million in 1984-5 and extending its role with a wide variety of selective policies. By the mid-1980s the MSC had become a major component of government strategy, with a staff of over 20,000, and was scheduled for further expansion in 1986." (5)

In addition, since the explosion of unemployed

youth on the streets in 1981 a clever policy of social containment has been used to contain the anger of jobless young people, especially black youth who are worst affected. Under the guise of community schemes for ethnic minorities the young unemployed are kept off the streets in the pool rooms and music workshops run by the soft cops from the black 'communities'. For the youth unemployed in general the enforced period of employment training is not just a ploy to reduce the unemployment figures or even an excuse to employ cheap labour, it also serves a deeper purpose of preventing young workers from acting together to change the situation. Combine this with local council palliatives such as job clubs, drop-ins, etc. and the end result is a non-political, atomised and isolated section of the working class whose room for protest is limited to that of individual lifestyles.

PROSPERITY FOR SOME

These tactics could never have worked without some degree of material prosperity. For those in work, despite higher rates of exploitation, wages have improved in the last few years. The division between workers in jobs and the unemployed is wider than ever before. As the table below shows (albeit on the basis of averaged earnings) real wages have generally risen since 1982.

TABLE SIX

AVERAGE GROSS WEEKLY EARNINGS 1975-86

	1975	1979	1980	1981	1982	1983	1984	1985	1986
£ current: whole economy	54.0	89.6	110.2	124.9	136.5	147.4	159.3	171.0	184.7
£ current: manufacturing	53.6	92.5	110.9	122.5	135.9	147.0	160.8	174.7	188.6
Retail Price Index (1974=100)	129.1	214.2	260.8	292.2	319.7	332.5	349.7	373.9	385.3
Index of real earnings: whole economy (1975=100)	100	100.0	101.0	102.2	102.1	105.0	108.9	109.3	114.6
Index of real earnings: manufacturing (1975=100)	100	104.0	102.4	101.0	102.4	106.5	110.8	112.5	117.9
% change on previous period: whole economy	—	0	1.0	1.1	-0.1	3.8	2.8	0.4	4.8
% change on previous period: manufacturing	—	4.0	-1.5	-1.4	1.4	4.0	4.0	1.6	4.8

Source: New Earnings Survey

Until recently this rise in earnings was offset for capitalism by a higher rate of increase in productivity in manufacturing which meant that 'unit wage costs' hardly rose at all. Here, more than anywhere, lies the basic material foundation for the working class' acceptance of restructuring. Though class divisions in Britain are the sharpest since before the 2nd World War (with the top 10% of 'income earners' share of total income now representing more than the bottom 50% of earners' income put together) and though the unemployed have been marginalised as a sort of social under-class, the majority of workers have not experienced

serious material deprivation. For those of us who wonder at the trade unions maintaining their grip on the working class after so many examples of lost battles fought under their banner it may be of more than passing interest to note that in Britain unionised male manual workers apparently earn increasingly higher wages RELATIVE to their non-unionised brothers. (This, even when manufacturing workers' wages were in general going down around 1980-81: see table six above.)

The bourgeoisie is interested in this with regard

to Thatcher's claim to have curbed the power of the unions. For revolutionaries it helps to provide a material explanation for the ideological hold of trade unionism over at least part of the British working class.

TABLE SEVEN

UNION EARNINGS AS % OF NON-UNION EARNINGS
(Male manual workers)



Source: Midland Bank Review, Spring 1985

CONCLUSION

To be able to provide a definitive answer as to why the British working class has not responded to the attacks of capital during its restructuring process with anything like the same ferocity would require a more extensive study than we are able to undertake here. From what we have said in the text we can now point to the following main factors which have prevented the social fabric of British society from being torn apart over the last decade:

a) Capital's attacks on the working class have often not been seen as such. Instead they have been disguised by various kinds of bourgeois ideology. In addition they have often been introduced in a piecemeal or gradual manner which has made it difficult for particular groups of workers to see the overall significance of changes in their own workplaces.

b) Where a more extensive class battle potentially existed, as during the miners' strike, the power of trade unionism and trade union tactics of struggle meant that this potential was never realised.

c) Capitalism's restructuring has resulted in a more divided working class, particularly between the employed and unemployed. Whilst the latter have become marginalised from the rest of the class the

former have experienced a general growth in real wages, thus precluding the material basis for a generalised fight against capital.

The success of 'Thatcherism' has not been in providing an economic "miracle" for the bourgeoisie. (As we have said, Thatcher's decade provided a breathing space for capital but at the cost of destroying a large part of manufacturing industry without replacing it with an extensive modernised infrastructure.) What the Thatcherite decade has seen though is a change in the boundaries of the class struggle. Gone for ever have the old assumptions that capitalism must provide 'full employment', and that employment must necessarily entail a living wage. And though the framework of the welfare state still exists the boundaries of what are considered as "basic human rights" are being perpetually limited. In short, the so-called Post-war Settlement, which was supposed to guarantee permanently the "right to work", to a decent standard of living and a roof over one's head, to automatic care of the old and ill, has been finally ditched in the Eighties. The capitalist crisis demanded no less. On the other hand, the typically fractionalised, 'money militancy', shortsighted struggle of the British working class was no defence against such a generalised attack from the capitalist class who had the full back-up of the state. Unfortunately the present signs of revival of the class struggle show no signs that the working class in Britain has learned from the experience of the last ten years. We can only conclude that the economic crisis has to get much deeper and its effects much more generalised (as for instance the working class in the periphery is experiencing with sky-high inflation and shortage of basic foodstuffs) before we can realistically see a break in the bourgeoisie's manipulation of the social peace and a different kind of class struggle which will provide more fertile ground in which the seed of revolution can be matured.

Footnotes

(1) The dockers - or at least the diminishing number who still work in the appropriate registered ports - were one of the last sections of the British working class to be protected by a special scheme against unemployment. Brought in as a result of the dockers' struggle against the notorious system of daily casual work, the Dock Labour Scheme, has now been dismantled by an Act of Parliament while the Government and Port Employers were assured of a toothless fight from the dockers whose union delayed any strike for 3 months whilst satisfying the increasingly arbitrary conditions demanded by the 'law courts' for a legal strike to take place.

(2) During the second half of Thatcher's decade this decline has slowed down considerably. According to the Treasury's own employment index UK manufacturing employment dropped from 100 to 80 between 1980-84 while, according to the same index, the decline between 1984-87 was only one point (80 to 79). In numerical terms the manufacturing workforce stood at just over 5 million in 1988, compared to 7.25 million in 1979.

(3) The table opposite gives some indication as to why this is the case. Even with revived profitability UK manufacturing industry remains less profitable than many of its closest rivals.

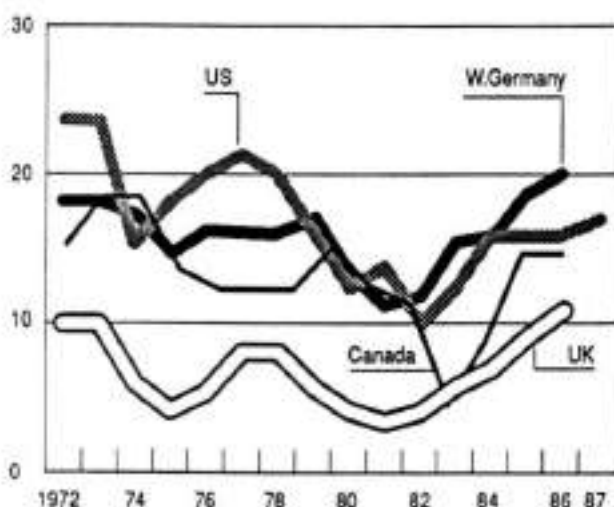
(4) John Redwood, "Popular Capitalism" p.25. Redwood was Head of Thatcher's Policy Unit, now a Tory M.P.

(5) "Unemployment and Labour Market Flexibility: the United Kingdom", Guy Standing. International Labour Organisation, Geneva 1986. The same study points out that MSC spending has continued to increase, rising to £2,416.2 million (£2,151.4 million in constant prices) by 1986-7.

Profitability in manufacturing

Net rates of return to fixed capital

Percent



Source: British Business

FROM MYSTIFICATIONS TO MASSACRES: 40 YEARS OF THE CHINESE PEOPLE'S REPUBLIC

On October 1st, 1949 the People's Army swept the Kuomintang of Chiang Kai Shek from the Chinese mainland and set up the Chinese People's Republic. On June 3rd, 1989 the same republic led by the same "Communist" Party provided, in Tiananmen Square, an appropriate celebration of forty years of lies and oppression.

When the "Great Helmsman", Mao Tse Tung, and the Chinese Communist Party announced that the Chinese revolution was part of the "world-wide proletarian-socialist revolution" they were only serving up the first course of a diet of mystification. The CPR was neither proletarian, nor socialist.

In fact the CPR was the result of a war of national liberation carried out by an inter-classist bloc (Mao's Bloc of Four Classes). This had emerged from the massacre of the revolutionary communist proletariat of Shanghai and Canton in 1927. Mao rose to prominence as the leader of the peasant faction of the CCP. His victory within the Party was the clearest evidence that there would be nothing proletarian about the Chinese October in

1949.

Nor did it contain anything socialist. Any system which is based on the wage labour relation, no matter what it CLAIMS to be, is capitalist. This China was after 1949. Even reconstructed Maoists recognise the difficulty of explaining the difference between China under Mao and China under Deng. There was no revolution between the two governments so the fundamental economic basis of the regime was not changed. The main difference was in rhetoric rather than in actions. Who, having repeatedly announced that "US imperialism is the most ferocious enemy of the world's people", invited its President, Nixon to Peking in 1971?

By then the Chinese state capitalist regime's drive to accumulate autarkically had ground to a halt. Neither massive state centralisation of basic industries on the Stalinist model, nor homespun furnaces in every people's commune, had brought about a "Great Leap Forward". At the death of Mao the per capita output of the Chinese harvest was no better than the best years of Chiang Kai Shek's Kuomintang rule in the 1930s. In short, despite its

own specific problems China was discovering that it shared the same crisis of accumulation as its wealthier competitors in the West. The same crisis which has forced on the USSR Gorbachev's glasnost and perestroika also led to the massacre at Tiananmen Square.

DENG: DARLING OF WESTERN DEMOCRACY

When Deng Xiaoping emerged victorious from the power struggle that followed the death of Mao he was immediately adopted as the West's man. He would open up China for trade (called "democracy") after the "madness" of Maoism. The "Four Modernisations" launched in 1979 were in fact another programme to solve the capitalist crisis in China by adopting measures of privatisation and deregulation which were soon to become the orthodoxy in Thatcher's UK, Reagan's USA and Gorbachev's Russia.

Deng's statement that "to get rich is glorious" made him a darling of the Western governments which fell over themselves to get deals with China. For a time he could claim massive growth rates which reached 11 to 12% in 1988. However, despite this apparent restoration of the profitability of Chinese capitalism the crisis did not go away. Inflation was 35% and the Chinese external debt grew alarmingly. Most particularly the Chinese proletariat were beginning to reject a policy which gave cheap consumer goods to the rising bourgeoisie and petty bourgeoisie whilst rural and urban unemployment and the cost of basic necessities rose dramatically. There were over 100 reported strikes in 1988 in a country where the CCP heavily polices the working class in the factories and living areas.

It was this sign of unrest amongst the urban working class as well as the nationalist unrest in Tibet which led to the victory of the hardliner Li Peng over the so-called liberal Zhao Ziyang in the power struggle within the CCP in May. It was Li's policy of increasing the price of consumer goods which led to the students occupying Tiananmen Square. At first the students had few real demands, and certainly few which the regime found too "extreme". The tone of their movement was that of a petty bourgeois pressure group asking its own government to remain firm to the policy of promoting their privileges and opportunities for increased wealth. Only the intransigence and indecision of the CCP plus the intervention of the Western press turned the student's protest into a "democracy movement". And everyone in the West expected "their man" Deng to agree to some of the demands and to end the occupation peacefully.

THE WORKING CLASS AND THE MASSACRE OF TIANANMEN

Why did it not end this way? The instant "experts" from the West who frantically ran round Peking trying to find Chinese who spoke English were the most surprised by the massacre. They could not understand why the liberalisation programme towards bourgeois democracy could not proceed. This was partly because they believed their own propaganda.

According to the Western journalists the occupation of Tiananmen Square was a movement for democracy which swept the Chinese proletariat along with its demands. Although this contains a degree of truth it does not explain everything. In fact the Chinese proletariat were at first hesitant and played little part in the movement. As the demonstration carried on they began to support it by going to join the students and by holding strikes. At first these were of limited duration but gradually some began to take on more permanent character. All this the Chinese leadership could tolerate. However when the workers began to form their own organisations of struggle for their own demands (on living conditions) this was a different matter.

Just before 3 June we were faced with a typically inter-class social movement which was the response of the various strata of the population, for different reasons, to increasing hardship.

The petty bourgeois and bourgeois stratas, initially hopeful about their prospects when the 1979 reform began, were soon disappointed and found themselves in an even weaker situation in comparison with the very rich few. This was what lay behind the students' denunciation of "illegal" enrichment based on corruption and their demand for a speeding up of reform, particularly more free trade and more democracy.

The proletariat, on the other hand, has been further impoverished by these reforms, facing wage squeezes and unemployment. Their increasing poverty at a time when the rich Red bourgeoisie were going in for Western luxuries pushed it onto the streets.

The strata of sub-proletarians (unemployed ex-peasants) who have moved to the cities have seized the opportunity to demonstrate their potential for rebellion. They have no particular interests to defend beyond expressing their anger and despair which means they could be used by utilised by any victorious class.

This was too dangerous a framework for the regime

which therefore decided on the massacre.

The working class became part of an already existing movement which led to a complicated phenomenon, too difficult for those who lack a firm grasp of marxist method to understand. Thus even various elements of the proletarian vanguard couldn't see beyond what the bourgeoisie was saying. Every movement in society which springs from material causes tends to take on ideological and political overtones which do not always express the chief material grievances of the actors. What the Chinese working class did was to take up the slogans and demands of the movement which expressed immediate opposition to the regime which created their misery. Thus the workers in the USSR follow every bourgeois nationalist or workers in Jordan rioted against poor living conditions under the banner of Islamic fundamentalism. In short the absence of a revolutionary class reference point means that the struggles of the masses, even those of the working class, will, at least initially assume the political garb of whatever is available at that moment - mainly more or less radical petty (and not so petty!) bourgeois tendencies.

It is thus not by the ideological veneer a movement adopts that Marxists judge its real causes. If they did they would have to abstain from all intervention in them since all the really great workers movements in history have started from a more or less bourgeois terrain and faced the recuperative tactics of bourgeois "opposition" groups to divert them away from their own goals.

To those communists who think that Tiananmen Square was just an internal matter for the bourgeoisie should ask why therefore the response was so savage. The Chinese CP and the Chinese state did not fear a few thousand students. It was only when the workers also began to move that the People's "Liberation" Army cracked down. It was not students but workers who were the first to be put on trial (in Shanghai) and shot in the aftermath of the massacre. We should not allow the bourgeois nature of the main movement in China to obscure the fact that there was also the beginnings of a proletarian response to the capitalist crisis. Failure to understand this leads only to abstractionism and abstentionism. This is not the role of the communist vanguard. Its task is to recognise the real material situation and to seek to develop the consciousness of the class by linking its immediate demands with its historic programme - the communist programme.

DEMOCRACY AS DICTATORSHIP

Today order reigns in Peking. Today, despite the hypocritical tears for the crushing of "democracy" and the pseudo-embargos of the democratic leaders of the West, the Western companies who pulled out

in June are slowly crawling back to Canton, Shanghai etc. Whilst Deng has lost his golden halo in the West, the West does not intend to give up the profits it will make from this trade. Nor do the Western governments intend to miss the chance to hammer home the virtues of "democracy". They have not missed an opportunity to point out to the wage slaves of the West how lucky they are to live in the "free world". Tiananmen Square, the new government in Poland, the nationalities struggles in the USSR, even the fight against the Medellin drugs cartel are all about the struggle to extend "the idea of democracy". And an idea is all that it remains since it has no real substance. Whilst workers thought that by struggling for democracy last century they would create the conditions for the overthrow of capital we now know that democracy was only conceded once the ruling class had the institutional apparatus (Social Democratic and Labour parties which opposed revolution, total control of the media etc) in place to preserve their own dictatorship. It is no accident that democracy has its surest foundations where the rule of capital is strongest.

The proletariat of the entire world should draw an important lesson from the events in China. They cannot fight under the banners of bourgeois democracy or by using the petty bourgeois begging methods employed by the students of Tiananmen Square. Only a revolutionary class response can defeat the mystifications and repression of the world capitalist order. Such a struggle is not on the immediate agenda but every partial military defeat suffered in the initial struggles of the proletariat can lead to a step forward for the prospect of a successful revolution. But this in turn can only be achieved if their vanguard draws the political lessons necessary for strengthening their revolutionary organisation and giving it firm roots in the working class.

But, however well prepared it is, no national section of the working class can win alone. As the gallant failure of the Russian working class shows the workers revolution has to be international or it will be nothing. The central task of revolutionary organisations in all countries is to regroup into an international party of the proletariat. Only such a centralised world party of the proletariat can give political leadership in the revolution against all the democratic and other ideologies which aim to preserve bourgeois rule including the so-called Communist and Labour Parties. Only such a party can ensure the victory of the revolutionary programme inside the working class. It is this perspective and to develop this process that the International Bureau for the Revolutionary Party exists. The bourgeoisie of both East and West have already celebrated too many anniversaries of their rule.

BOURGEOIS BARBARITY IN CHINA: ANOTHER FACE OF CAPITALIST DECADENCE

The 'public' bourgeoisie of 'People's' China is protecting 'people's' democracy (socialism?) by a mass massacre of 'students'! Apparently peace has returned under cover of the firepower of the People's Liberation Army's gun barrels. The fleeing students, workers who dared to raise their heads against capitalist appropriation and state repression have been trampled over by swarming convoys of tanks - the last resort of power. Peace has returned to her haven over the dead and blood-drenched plaza called Tiananmen (i.e. "the door to heavenly peace") and via the stained streets of Shanghai, Nankin et.al. Thus Deng Ziyao Ping, Li Peng & Co. have retained political power. Now state terrorism rules over the land.

But how long will it last? It's difficult to answer. However, it's certain that it won't last forever because class struggle has yet to die, since class society hasn't died out. How might the next social explosion break out in the factories, farms and fields, school, colleges and universities of China? That will depend on what lessons are being learnt by the proletariat of China from the intra-class and inter-class clashes during May-June, 1989.

The butchery and broadcasting of patently false stories by a totally subdued publicity media have shocked many people worldwide. The cry of shame "on this ugly ghastliness" (1) echoes on all sides. Nevertheless, some people have been caught by "surprise", (2) some are "very much ashamed" and might "hang down their heads in shame" (3) while yet others claim, "in view of the mediaeval brutality of the Chinese leaders, in the name of saving socialism, the toiling mass of workers and all other men of benevolence in the world are bending their heads in shame and scorn." (4)

We, the communists, are neither caught by "surprise" nor put to "shame", but, certainly, we are caught by our class contempt which prevents us finding appropriate words and ways of expression. Why should the working class and their vanguards be "surprised" if our class enemies - all factions of capital of right and left - should pave the way towards barbarism by doing their best to keep capital alive, to get it into their possession and to maintain their grip on the same? What is there

to be ashamed of? Our task is rather to confront the problem of transforming this class hatred into communist consciousness by explaining the causality of events and drawing the lessons from them. We must march forward with our heads high, baring our breasts with valour. Only those credulous fools who think that anyone can become a communist simply by adopting a communist name, who cannot recognise the bourgeois ravens who plume themselves with the peacock tails of communist names, are put to shame when they get a glimpse of the deplored person; when they come up against the ranks of bourgeois imposters who pretend ignorance they are caught by "surprise".

WHAT IS SOCIALISM?

According to Marx and Engels socialism is "the period of the revolutionary transformation" (5) of capitalism into the higher phase of communism. It is the first phase of communist society, "just as it emerges from capitalist society; which is thus in every respect, economically, morally and intellectually, still stamped with the birthmarks of the old society from whose womb it emerges." (6) Here the transitional form of the state "can be nothing but the REVOLUTIONARY DICTATORSHIP OF THE PROLETARIAT". (7) In the proper sense of the word the state will not remain a state. "... with the introduction of the socialist order of society the state will dissolve itself ... and disappear. As, therefore, the state is only a transitional institution which is used in the struggle, in the revolution, in order to hold down one's adversaries by force, it is pure nonsense to talk of a free people's state: so long as the proletariat still USES the state it does not use it in the interests of freedom but in order to hold down its adversaries, and as soon as it becomes possible to speak of freedom the state as such ceases to exist." (8) Engels, therefore, on behalf of Marx and himself, proposed to Bebel "to replace STATE everywhere by GEMEINWESSEN (COMMUNITY), a good old German word which can very well represent the French word "commune". (9)

Isn't it, therefore, a vulgarisation of Marxism to present democracy - i.e. the dictatorship of the bourgeoisie - as SOME OTHER FORM of the period of revolutionary transformation, simply by decorating

the word with adjectives like 'new', 'people's', etc.?

Since "The proletarians cannot become masters of the productive forces of society, except by abolishing their own previous mode of appropriation, and thereby every other previous mode of appropriation", (10) THE SOCIALIST REVOLUTION CAN COMMENCE ONLY AS A POLITICAL REVOLUTION. It is only after the overthrow of the political rule of the bourgeoisie that the proletariat can use the political power it has won for the revolutionary transformation of the existing capitalist mode of production. This transformation must be directed towards destroying the system which has turned labour power into private property and where the necessity to transform it into value measured in terms of socially necessary labour-time reigns. Precisely, what is to be destroyed is the LAW OF VALUE: the fundamental law of capitalism. The existence of the production of value, in any form, implies the existence of class society and thereby capitalism, its last mode of existence. Whereas all non-socialist economic forms came into being naturally, spontaneously, the socialist economy will have to be brought into being and organised consciously. Hence the principle derived from the Paris Commune - of labour-time certificates as the basis for the new mode of production and distribution, within the framework of the dictatorship of the proletariat (democracy for the proletariat) - should be fundamental to the process of abolition of value, i.e. commodity relations. This can only come about through the USE OF DIRECT LABOUR-TIME as the necessary unit of measurement for calculating production. It is not in terms of money, that is congealed indirect (abstract and average) labour-time, but in terms of direct individual participation in overall social production that everybody is entitled to participate in distribution.

Those who assert that in his "Critique of the Gotha Programme", "Marx explicitly prescribed commodity relations under socialism" (11) to prove that the so-called socialist countries are really socialist, are undoubtedly either fools or hypocritical swindlers. For Marx the problem is not a moral, idealistic one of maintaining or abandoning something. Since "it is a characteristic feature of labour which posits exchange value that it causes the social relations of individuals to appear in the perverted form of a social relation between things", (12) the problem is to strip off the "mystical veil" and emancipate real human relations by dissolving the "content and form" of commodity relations. With the introduction of the labour-time voucher, as explicitly proposed by Marx in his critique of Lassalle's principles and tactics, the "content and form" of commodity production and the exchange system "are changed, because under the

altered circumstances no one can give anything except his labour, and because, on the other hand, nothing can pass into the ownership of individuals except individual means of consumption." (13) Does this mean the retention of commodity relations? Is this voucher a value? Or is it "labour money"? Yet aren't these the questions at the heart of Marx's most subtle analysis? And is it not true that Marx's labour-time certificate system is based upon his critique of Gray's "labour money" theory, as he elaborated in "A Contribution to the Critique of Political Economy"?

"Labour which manifests itself in exchange value appears to be the labour of an isolated individual". (14) The process of establishing a form of social production which turns this individual labour into "the direct function of a member of social organisation" by destroying the production relations which turn individual labour into "private labour and his product the private product of a separate individual" is the basis of socialism. Can it, therefore, be possible to sustain commodity relations when the necessity for abstract labour - "the direct reification of universal labour-time" - and exchange relations between value-equivalents determined by "abstract universal and uniform labour", is exhausted?

So long as the "form" of exchange of equal values survives in the shape of commodities within the metamorphic cycles of capital its "content" lives as "socially necessary labour" - "only in the average and not in the individual case". In the event of a change in the "content and form" what remains is only a principle: the principle of parity whose survival in the bourgeois sense is only transitional and is reflected by the calculation of labour-time as directly expended by the individual producer. What he gives to society is his "individual quantum of labour". "The social working day", on the other hand, "consists of the sum of individual hours of work, the individual labour-time of the individual producer is the part of the social working day contributed by him, his share in it." (15)

According to this system, after deducing from each producer's expended labour-time that portion which is necessary for the common funds, everybody is issued a certificate by society stating that they have furnished such and such an amount of labour. This certificate is then used to draw from the social stock of means of consumption. In other words, leaving aside the deducted amount, each producer receives back the same amount of labour s/he has given society.

From a bourgeois point of view this too appears as an "equal right" since, even here it is "an equal standard, 'labour' which is used for calculation.

But this labour is not indirect, average, abstract and uniform labour. This is the individual's share in the total labour in social production - DIRECT LABOUR. Obviously, equal labour-times of unequal individuals cannot be equivalents. - One is weak, another strong, etc. Yet everyone works for definite hours in the social working day and gets, save the said deduction, means of consumption containing the same hours as others. This is why Marx says, "This EQUAL right is an unequal right for unequal labour. It recognises no class differences, because everyone is only a worker like everyone else; but it tacitly recognises unequal individual endowment and thus productive capacity of the worker as natural privileges. IT IS, THEREFORE, A RIGHT OF INEQUALITY, IN ITS CONTENT, LIKE EVERY RIGHT. Right by its very nature can consist only in the application of an equal standard; but unequal individuals (and they would not be different individuals if they were not unequal) are measurable only by the same standard in so far as they are brought under the same point of view, are taken from one DEFINITE side only, for instance, in the present case, are regarded only as WORKER, and nothing more is seen in them, everything else being ignored." According to Marx, these are "defects". "But these defects are inevitable in the first phase of communist society as it is when it has just emerged after prolonged birth pangs from capitalist society. Right can never be higher than the economic structure of society and its cultural development conditioned thereby." (16)

THIS IS WHAT SOCIALISM IS. WE CAN GIVE NO CREDENCE TO ANY SYSTEM WHICH FALLS SHORT OF THIS - WHATEVER LABEL IT MIGHT ADOPT.

Therefore if we want to destroy the myth that the "socialist countries" are basically socialist we should ask the following questions: (a) Is the character of a society determined by its relations of production? (b) Is production based on the capital-wage labour relationship, and is this relationship itself based on the law of value? (c) Is it true that according to Marxist analysis the only transitional measure which can wipe out the system of commodity production is the labour-time certificate which forms the basis for calculating production and implementing distribution without restoring the capitalist law of value?

If the answer is "yes" to any of these questions, no matter what differences exist in the appearance of the markets, the "socialist" economies are conditioned by the laws of motion of capitalist society i.e. by the law of value. Is China, where the question of the independent political power of the proletariat was never even raised, where socialist relations of production were never implemented, not a capitalist society? Is it only

petty bourgeois naivety which labels China as socialist?

Well, not quite, since the matter becomes more serious when Marxism itself is directly attacked. And this is what the Chinese leaders did. On December 7th, 1984 a front-page editorial entitled, "Theory Must Be Combined with Practice" appeared in the People's Daily, the official organ of the Communist Party of China. Obviously un-Marxist since its birth, this paper now declared Karl Marx's works obsolete. Because "Marx died 101 years ago. His works were written more than 100 years ago" so, it was said, strict adherence to Marxist tenets was "naive and stupid" and detrimental to the nation's ambitious modernisation drive. So is the theory about to be abandoned? Can the antiquated capitalist relations of production in China, which pre-date the CCP's arrival in power be modernised (become socialist?) through the "open door" or "open market" policy? Is it not true that the people who proclaim that "the dictatorship of the proletariat" and labour time certificates are utopian also believe that socialism is utopian? And, whatever else they might be, are they really communist?

HAS THE CHINESE COMMUNIST PARTY EVER BEEN COMMUNIST?

Marx's method in "A Contribution to the Critique of Political Economy" is NOT TO JUDGE AN INDIVIDUAL BY HOW HE THINKS AND SPEAKS OF HIMSELF. In point of fact the CCP, since its inception, has never been an exception to this observation of Marx. A brief retrospective look at the immediate history of the CCP's origins and existence in China will bring out this fact.

In October 1917 the revolution began in Russia, but it was not long before it started to become isolated - both from without and from within itself: as a result of the lack of class consciousness of the world proletariat and the weakness of the class in action in Russia when faced with the most arduous but basic and urgent steps towards abolishing the system of value. Eventually though, in the face of a quickly falling rouble during the period of War Communism, the question of disposing of money and positing a labour time voucher system began to be considered in outline by the Party. However this never became an accepted part of the class' consciousness, the downfall of which was proclaimed by the so-called New Economic Policy. The fall of revolution implies the rise of counter-revolution. The Bolshevik Party had the choice of two ways ahead: to be crushed or to be caught in a compromise. The larger sections of the vanguard, working class militants, were killed in the civil war. The revolution became besieged. The Bolsheviks adopted

the mistaken view that in the near future there would be a European revolution which would open up a way out and thus they took the road of compromise. But the way was never to be opened. Eventually, in the course of abandoning the vanguard positions of the proletariat, by 1921, their party had to beat its final retreat and found itself with the positions of the bourgeoisie. Future mainstream "Communist" parties had to be bourgeois since their origins were conditioned by the very process of degeneration and transformation of the Russian Party into a bearer and hawker of Russian national interests and policies (which were synthesised in the theory of 'socialism in one country' and later, during the Second World War, in the plea that annexation of other lands was justified on the grounds of 'defending the fatherland'). Thus these parties had nothing in common with communism except their names and some choice phrases. In spite of their claims to be communist, no matter whether they believed it or not, they became the bearers of the counter-revolution. That is why they are recognised and publicised as "the Communists" by the bourgeoisie the world over.

Historically, however, the lessons of October, 1917 were not, and could not be, lost. The opposition to such a process of degeneration, the Italian, Dutch, German and other Left Communist currents kept alive the revolutionary lessons of the entire history of the working class. Despite their relative isolation they held high the banner of proletarian internationalism, in both theory and practice, until the present day when the renewal of the crisis has brought forth new forces to be regrouped on that foundation once again.

The 'long march' in China and the so-called 'Communist victory' of 1949 was, in fact, nothing more than the expedition of a new leadership and its armed followers belonging to the left-wing of the bourgeoisie itself. It ended with the totalitarian takeover of state power from the old ruling factions. Like other countries which were led down the road of independence at the downturn of capitalist development, China too was taken along the road of state capitalism in an attempt to 'develop' its indigenous resources by staying outside a world market dominated by the Western imperialist bloc. Since in this epoch of 'universal interdependence of nations', development in isolation is impossible, shortly after the Maoist coup, China opened its doors to Russian 'aid'. In this attempt to develop her national capital she was obliged to function virtually as a subsidiary of Russian capital. However, in less than a decade, after a transitory post-war reconstruction period, crisis raised its head. Economic and social failure combined with China's endeavour to protect her 'independence' and

'sovereignty' compelled her to simultaneously close her doors to the Russian bloc and open them for the only other alternative - the western bloc, again in the expectation of 'aid' for 'prosperity'. Thereafter Chinese capital's struggle for existence came under the influence of America and her bloc and assumed the shape of the "open door policy". But was China ever really closed?

The succession of events from the land reform of 1951-3, the crusade against the 'right-roads' of 1957, the introduction of the 'Great Leap Forward' at the end of the decade - the outbreak of famine (the human cost of which was around 27 millions!) and the withdrawal of the policy in 1961; the 'Cultural Revolution' that rocked China for years after Mao's call in 1966 for students to "bombard the headquarters" until the early Seventies. Then there was the strife around the "closed door" vs the "open door" policy caused by the change of imperialist camp, the purging of the 'Gang of Four' following Mao's death in 1976; and finally the 1986 student movement and the removal of its sympathiser Hu Yaobang from the post of General Secretary of the Party in January, 1987, etc - all this shows that the history of the CCP is nothing but the history of class struggle. Beneath it all is the capital-wage labour relation and above is the ideological hypocrisy and perpetual factional wrangling over the questions of political power and the method of economic super-exploitation.

For Marx, and for us as well, "wages are not what they APPEAR to be, namely the VALUE, or PRICE, of LABOUR, but only a masked form for the VALUE or PRICE, of LABOUR-POWER ... the waged worker has permission to work for his own subsistence, that is, to live, only in so far as he works for a certain time gratis for the capitalist." ("Critique of the Gotha Programme"). The whole system of capitalist accumulation only exists by perpetually increasing this gratis labour. It is just this that underlies slogans such as "voluntary labour" (extending the working day), "sacrifice" (decrease the value of labour power), "self-dependence" (distribute poverty) and "productivity improvement" (increase the intensity of exploitation of labour) and so forth, as raised by the leaders of China just like their counterparts all over the world. Moreover because the bourgeois theoreticians take "the appearance for the essence of the matter", they cannot see the value of labour power behind the appearance of wages nor the real relations between men hidden under commodity relations conditioned by the law of value. That's why they do not understand the "what and why" of communism and go around tagging the word 'communist' to their own marketplace vocabulary. In so doing they have piled up a mountain of 'vulgar' "communist" literature around the world: for instance,

"communist barbarity", "communist country", "communist state", "communist management", etc. For them, communism too is nothing but merchandise. Thus, they not only adulterate the goods which feed our stomachs but also adulterate the elements of thought which feed our brains.

DISCREDIT BEFORE YOU DESTROY

When it becomes impossible to conceal the class struggle bourgeois policy is always to vilify and discredit before moving in for the kill. There are many acceptable currencies in the market: 'anti-socials', 'thieves', 'rioters', 'robbers', 'terrorists', 'counter-revolutionaries', and so on. Although this is a business of the bourgeoisie as a whole, their factions nurtured in Stalinist-Maoist culture are, perhaps, better skilled at this. In China Hu, who was purged from power in 1987, died on April 15th, 1989. On April 23rd student agitation began with the demand for "political rehabilitation of Hu and more democracy". This was branded as a "conspiracy led by counter-revolutionaries" although the students had neither a united organisation nor a well-defined programme, and from the outset their movement was unarmed. Moreover the students - that is, mainly the sons and daughters of the petty-bourgeoisie - were not opposed to the CCP. For several weeks they believed they were saving the true face of the party and its general secretary, Zhao Ziyang, against its detractors when they demanded speedy implementation of the 'programmes of reform' initiated by the same party. Once these came into being they expected to be able to improve their economic situation and find a proper place for themselves in the political structure. In reality they found they had no place in the official power structure. Thus they protested against the "corruption" of the leadership, demanded the release of political prisoners, and only after Li Peng had openly condemned their movement, declared martial law and deployed army detachments, did they demand his resignation.

Despite the clamour about the statue of the "goddess of liberty" erected by the students, they also held Mao's picture in great reverence. Nor were they any less patriotic for holding aloft the red flag and singing the Internationale (no longer a revolutionary song but a "Communist Party" anthem). Clearly the movement was SPONTANEOUS AND CONFUSED. This sort of thing is happening, and is bound to happen, elsewhere in the periphery until the resurgence of class struggle and class consciousness. The petty bourgeoisie lack the method and knowledge to do anything other than demand reforms based on the form and content of Western democracy. This being the state of affairs, is it believable that a movement inspired by democracy and patriotism could "jeopardise the

security of the state"?

However, once it had been labelled "counter-revolutionary" the signal came: "Counter-revolutionary - violent - led from outside - anti-national - anti-communist! Hence, fit to be ruthlessly repressed? The running commentary of the press lackeys of Deng, Li and Co. went as follows: The students occupying Tiananmen Square are the "advance guard of a counter-revolution" led by "a very small group" conspiring to depose the "communists" from power. And so ...? Observing the ordeal of that bloody Sunday and the days which followed, the Indian Stalinist, anti-Stalin-Stalinist, Maoist chums and "comrades" were "surprised" by such "unthinkable"(17) events but at the same time took up the official chorus, declaiming that the "counter-revolutionary rebellion" was inspired by the West "to drag the socialist country into the mud pit of capitalism", (18) and had grown out of the failure to implant a timely "ideological education"! And so ...? There was more to come. This time in the form of an unashamed 'protest demonstration' in Calcutta against the "anti-socialist and anti-communist" propaganda initiated by the USA in China. (19)

Last, but not least, the fact remains that before the oppression fell upon them the students had been winding down their movement. Why then the resort to naked force? Because the movement not only drew on 'mass' support, but also began to be transformed piecemeal into 'mass' resistance, actively organised by workers, unemployed and the down-trodden, against the instruments of state repression. That the workers' intervention had become a "disturbing element" which deserved to be nipped in the bud is evident from the first publicly-administered state murder of three militants, two workers and one unemployed, in Shanghai on June 21st, followed by the national process of persecution.

Thus has the leader of such glorious achievements in the fields of exploitation and repression - the "Chinese Communist Party" - manifested its "communism". When the label "counter-revolutionary" ceased to serve as a lid on social protest it became instead an excuse for brutality. Hence the reason for the bewilderment of other sections of the world's bourgeoisie. Until the eve of the June carnage the Chinese leaders, judged in terms of their "open door policy towards the West" were being welcomed as "reform" incarnate - firmly walking along the "capitalist road" to "economic progress", "social peace" and "socialism", the capable trustees for Hong Kong's democracy. But, in no time, after being "surprised" by this gruesome incident and taking refuge in their respective democratic niches from where they shed crocodile tears about "communist barbarity", the "return to

communism", etc. the bourgeoisie has changed its tune. There is obviously a "great" reason for this - to keep down class struggle in the name of democracy; to convert the very name 'communist' into a loathsome thing. Nevertheless, the "great" business is not a monopoly of the Chinese leaders. During recent months to silence students in Burma and starving 'rioters' in Algeria, to break the workers' strikes in Korea and Yugoslavia, to chastise the rebels against misery and hunger on the streets of Caracas (the capital city of Venezuela) and the famished "criminals" who had taken to the streets in Argentina (60% inflation), to disperse demonstrating workers, farm labourers and other toilers on the Royal Road in front of Hussein's palace in Amman and the May Day procession in Turkey, to crush strikes, pickets and barricades of workers demanding wage increases in Santiago, Chile and further, in Nigeria, in Armenia, Georgia and Uzbekistan in Russia, the 'world leaders' have ordered army deployments and massacred thousands. In India too, the navy was set to put an end to the port and dock workers' strike.

Those who argue that the students of Beijing are importing "Western democracy" are obliged to answer whether or not the tanks which those 'democracy importers' were massacred with are US-made or not. Are they not part of a \$40 billion American arms and £200 million British high-tec equipment package imported by the Chinese "Communist" government over the past ten years? On the one hand they bring 'democracy', on the other, machinery of repression! Thus the blood of China has stained the hands of Bush and Thatcher too. Which only goes to show how quickly the boycott bragged about by the global 'Big-7' could be forgotten. Certainly, in not time at all! - As a consultant to British companies doing business in China revealed in the pages of the Wall St. Journal as early as June 6th: "As long as the profits come, who's going to pull out?"

So, while the Stalinist-Maoist factions are sweating buckets trying to obliterate the proofs of their barbarity with the 'Communism preservation' theory, others are busy pocketing the profits of their righteous indignation and anger by condemning the Stalinist, Maoist and other military dictatorships as repressive and painting their own democratic dictatorships as the portrait of peace and progress.

From right and left the success of the bourgeoisie's ideology is amazing. They might not agree about whether they're referring to "communist barbarity" or "communist preservation" but both sides agree - that's what "communism" is! Thus, if you want to hate, hate "communism". If you want to save, save "communism". So long as you don't suspect that there can be real communism! The net effect? - "Long live bourgeois barbarism"!

STATE CAPITALISM

In the epoch of capitalism's decadence the last resort of capital is the state. With the task of maintaining the life-cycle of capitalism, it is the state - "the committee for managing the common affairs of the whole bourgeoisie"(20) - which is now centrally managing value production. No matter if the legal face of ownership be INDIVIDUAL or JOINT, since property is essentially a relation, the private property of labour-power and the obligation to transform that property into value form is to be maintained. **THUS THE LAWS OF MOTION OF VALUE ARE TO BE KEPT ALIVE** through numerous and diverse formations of ownership. It is this system which stands to be 'reformed'. But when a system is deformed it cannot be reformed. The real objective of changing the FORM is to save crisis-ridden capital by fraudulently increasing super-exploitation (i.e. to cheat in terms of the value of labour-power) and increasing extra-profits (i.e. to cheat in the exchange process of values). In this the state neither becomes less state, nor capital less capital, rather both become more aggressive. 'Privatisation' in the West, 'glasnost' in Russia, 'economic liberalisation' in China, etc. are all aliases for the same process. That which has been set in motion in China is not the introduction of the market economy but the centrifugal separation of the various aspects of what has all along existed there - i.e. market-based value production. The demand for a freer and less corrupt society only reflects what is happening economically: The encouragement of private enterprises and introduction of a share market, the handing of more and more power to the bosses to make production units profitable as a result of the ending of centralised price controls, the competition to accumulate capital, to get richer, to become manager, administrator and party leader, in short, to get slices of profit and power. But we, the "citizens of the largest democracy in the world", know from our own experience that the charter of demands by the students of China can by no means improve the conditions of our class kinsmen. However, in places where nationalisation and totalitarian single-party regimes have been passed off as socialism the disparate effects of alienation from value production are bound to engender conflicting ideologies and political antagonisms. To counteract such developments 'perestroika' has come hand in hand with 'glasnost' in Russia and her followers in Eastern Europe. In China too, now, 'economic liberalisation' demands an umbrella of 'political liberalisation'.

Since capitalism, like all previous class societies, came into being spontaneously, the bourgeois revolution had to pass initially through the process of maturation of capitalist productive relations until they came to hold sway over the

economy and society. The severe act of seizing political power and overthrowing feudal sovereignty was the final part of the revolutionary process and in the eyes of the bourgeoisie it is this which is known as 'revolution'. Hence, even under capitalist order, a conflict over removing state functionaries from their posts is accepted and preached as a 'revolution'. In fact this amounts to nothing but a variation of bourgeois rule: whether the task is done by ballots or bullets matters little. Just as the bourgeois state is the instrument of exploitation and oppression of the proletariat by the bourgeoisie as a whole, so also it is an instrument for maintaining sectarian domination of the ruling faction over the whole society. The concern of this faction is to hold on to power and the rule is that the opposition, no matter whether they belong to their own class or to their class adversaries, is to be oppressed.

Thus, democracy is not, and cannot be, the antagonist of the instrument of repression because they form two poles of the same capitalist domination. The illusion of democracy and the terror of repression go hand in hand. There is no bar against a democrat being an oppressor or even against the same oppressor being a democrat, given the possibility of victory through ballots or bullets, or both, simultaneously.

THE PROLETARIAT WILL HAVE TO PROCEED ALONG ITS OWN PATH

When all of capitalism's policies are bankrupt, when nothing less than the whole system has become corruption incarnate, what is there to achieve by demanding 'more democracy' within "vulgar democracy" (Marx) and less corruption from corruption incarnate? Whether there is a single party dictatorship or a 'reformed' version which allows contending factions to form separate parties and put forward 'alternative' opinions and proposals, the movement remains embroiled in the quicksand of bourgeois politics.

It is power based on exploitation that corrupts. So, when persons and parties come and go, the system remains intact. Only fools can imagine that the arrival and departure of socialism and capitalism are conditioned by the arrival and departure of persons in power. Proletarians cannot act as the proletariat unless they get away from this politics of personal envy and factionalism.

Democracy, with its instruments of repression, regains all its expenses from the lifeblood of the working class. Hyper-inflation, unforeseen redundancy accompanying ever-growing unemployment, perpetually engulfing abysmal poverty, super-exploitative austerity packages coupled with despicable oppression, are becoming the order of

the day. This explains why, in China now, the official annual rate of inflation is 35% while money wages are kept stable.(21) The Deng-brand of 'development plan', with its encouragement to private enterprise and competition, adoption of modern technologies, development of productivity, etc., has enriched a few and impoverished all the rest. In 1988, in a country where more than 800 million depend on agriculture, the income of farm-owners has gone up 6%. This has been achieved at the cost of immense rural unemployment and eviction. Being driven from homesteads in search of a living, streams of rural unemployed are crowding into towns and cities. This migratory process, similar to that in other peripheral areas, is growing with the growing disparity between the few islets of dynamism - based on micro-chip technology, banks, share-markets and joint ventures - such as can be seen in the industrial belts of Shanghai, Canton, Hunan, etc. Via the "open door" international and Chinese capital are engaged in active intercourse for producing profits: while the vast interland stagnates with its anachronistic techniques. This is fuelling social tensions. The ruling class has had to take refuge in barbarism both as a means of dealing with top-level quarrels over 'alternative' policies for making Chinese capital more competitive in the "open market" and to quell the growing antagonisms and class struggle emerging out of the deepening crisis.

The degree of brutality is more severe in the periphery than at the centres of world capitalism. The centres are still able to protect their interests by distributing the effects of the crisis, in general, and by transferring the main load to the peripheral countries in particular.

Recycling of the crisis was signalled in the USA with the announcement of inconvertibility of the dollar into gold. First the load was released in Europe and Japan, who quickly managed to divert it through restructuring. By fraudulent terms of trade and the debt trap the crisis continued to engulf the periphery. Here there are naked attacks on the proletariat in order to appropriate the necessary funds to finance the austerity deals imposed by international capital. The social peace is being shattered and the resurgence of class struggle is ensured. Thus, we have observed that the heroic obstructions organised by the workers in China - at the cost of their blood and life - were not so much for achieving "vulgar democracy" as for opposing state repression. Our exploiters want us to believe that their mode of production remains hale and hearty and capable of bringing a peaceful future: as if existing movements, ranging from religious fanaticism to ultra-left republicanism, were isolated events! These various social outbursts reveal manifold ruling ideologies and at the same

time conceal the classes underneath. But can the fact always be concealed that the material source of revolts is nothing but the attacks by states on the living conditions of the proletariat? Marxists are not ideologues; they do not judge a revolt simply by its ideological-cultural form; they analyse the material content of them.

Those nationalists who would have us believe that the West is swallowing up the East or the North the South, are the people who want to conceal the truth that all nations are composed of classes. Capitalists of all nations are shareholders, large and small, in the system of international saving and investment. They can only get their capital by exploiting their respective workers and their calls for hard work at starvation wages, for sacrifices of back and belly, all aimed at the working class, will never end. But now the workers who find themselves being dragged down to live below the level of a beast; the hungry who see that the food produced by nobody but themselves is being thrown into the sea to enrich the rich; the hungry, who have nothing to lose but the chains of hunger and destitution, have started to say "It's enough, and no more!" The storm that has started to hit the periphery will not spare the centres. Eventually both will be equally hit and the balance of class forces overturned. Then the only alternative: imperialist war or socialist revolution will be posed before mankind. The task of communists today is to unite the forces of internationalism born out of the womb of these movements; to take in hand the work of emancipating the class struggle from its present impasse; to introduce the programme of revolution and develop its international political leadership.

Workers have no country,
Workers of the world unite!

LAL PATAKA

(Committee in India for the International Bureau
for the Revolutionary Party)

Calcutta, July 1989

(Revised English version: October, 1989)

Footnotes

1. Rabindranath Tagore - the poet.
2. Official Stalinists in India.
3. Mazdoor Mukti.
4. R.C.P.I. (Soumen Tagore).
5. Karl Marx, "Critique of the Gotha Programme" (Foreign Language Press, Peking 1976) p.27.
6. *ibid* p.15.
7. *ibid* p.28.
8. *ibid* pp.42-43.
9. *loc.cit.*
10. K. Marx and F. Engels, "Manifesto of the Communist Party" (Moscow) p.57.

11. Arun Bose "The Statesman", 18.7.89.
12. Karl Marx, "A Contribution to the Critique of Political Economy" (Moscow, 1978) p.34.
13. K. Marx, CGP, p.15.
14. This, and the following quotations in the paragraph are from K. Marx, CGPE p.85, 34, 34, 36, respectively.
15. K. Marx, CGP, p.15.
16. *ibid*, pp.16 and 17.
17. CPI(M) Polit Bureau member and West Bengal Chief Minister: from Jyoti Basu's speech at the London School of Economics.
18. CPI(M) General Secretary: E.M.S. Namboodiripad's statement.
19. CPI(M-L) and Indian People's Front: report in "The Statesman", 21.6.89.
20. Manifesto of the Communist Party.
21. See "Workers Voice" No.47.



চীনদেশে বুর্জোয়া বর্বরতা :
পুঁজিবাদী অবক্ষয়েরই চেহারা

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