

Militant

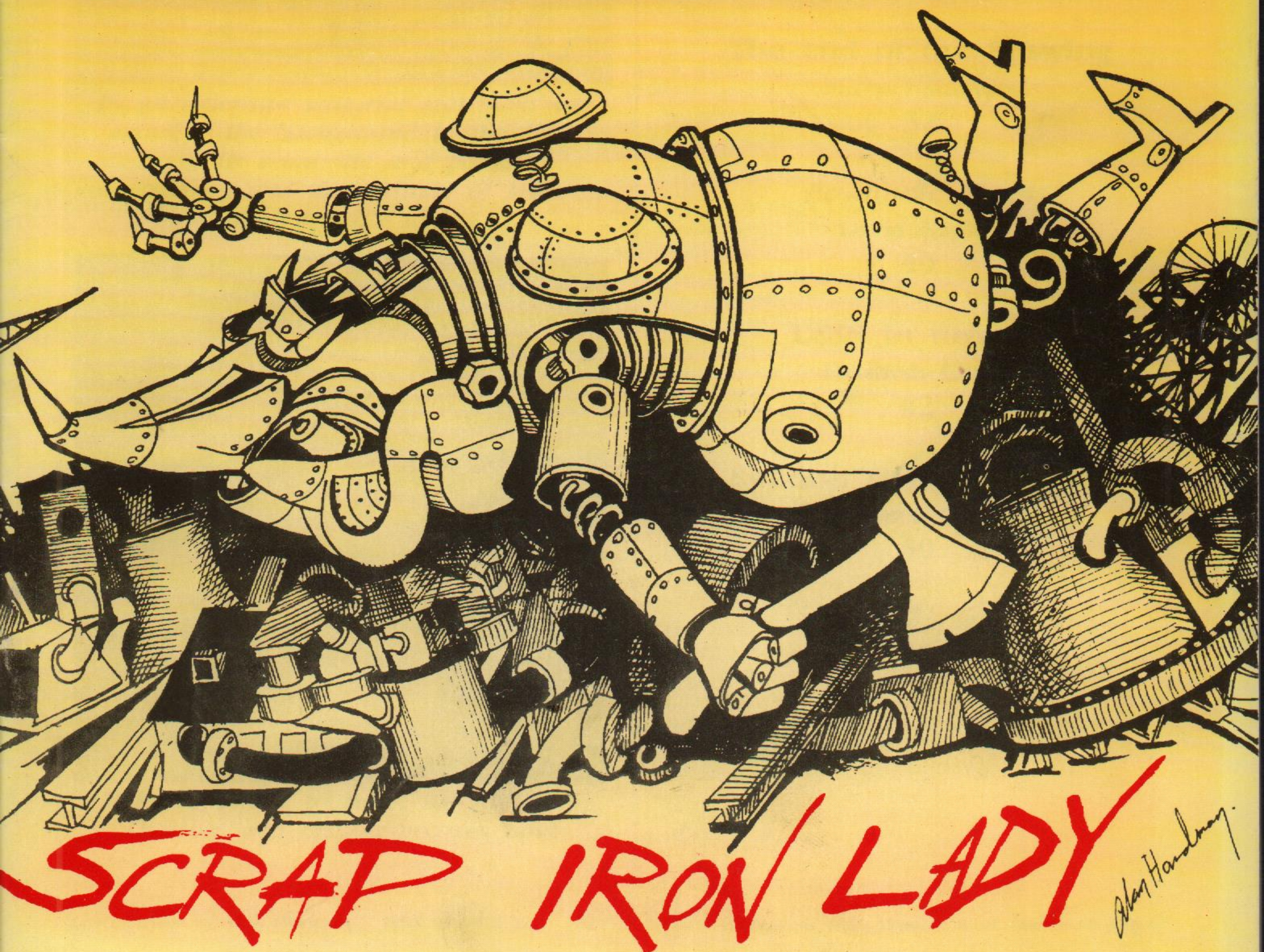
International Review

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CRISIS in the GULF After Thatcher?



Militant

International Review

New Year 1991

Issue 45

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In an extensive editorial statement we examine the background to the Gulf crisis, its economic and political consequences and the attitude of Marxists to a possible war.



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After Thatcher

Peter Taaffe analyses the reasons for the fall of Thatcher and looks at the perspectives now.

**Never before
had the tops
of the Tory
Party been
so openly at
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throats**

"TORY MPS LIKENED each other to rats, vipers and vultures." (*The Independent*, 25 November, 1990.)

IN THE *MILITANT INTERNATIONAL REVIEW* in Spring 1989 we wrote that "the more serious strategists of capital are terrified of the long term consequences of Thatcherism. It is not accidental that the *Financial Times*... ruminated on the comparisons between Thatcherism and the De Gaulle 'regime'. For a decade the so-called 'strong state' of De Gaulle rode roughshod over the... French proletariat. The stoked-up anger burst out into the streets in the immortal May-June days of 1968... The downfall of De Gaulle left in its wake the break-up and splintering of the bourgeois parties." (*Militant International Review*, Spring 1989).

At that time Labour reformists, demoralised refugees from 'communism', as well as bourgeois observers, were reconciled to Thatcher remaining as Tory leader and possibly storming to another election victory. Some, like the ingrained sceptics and organic defeatists gathered around journals like *Marxism Today*, organ of one wing of the 'Communist' Party, foresaw a whole historical epoch of Thatcher triumphalism.

All were agreed that a new political ice age now confronted the labour movement and the ideas of socialism. Only the Marxists, gathered around the *Militant* and *MIR*, pointed to the subterranean revolt in the factories, on the estates, in embittered working class communities the length and breadth of Britain, which would shatter this rosy perspective.

The poll tax battle, and particularly the huge demonstrations earlier this year, widened the visible fault lines dividing the government and Tory

Party into a yawning chasm. Masonry began to drop off as one minister after another sought refuge in his 'family' or 'business'. The scene was set for the violent convulsions within the government.

Never before have the tops of the Conservative Party been so openly at each others' throats as in the incredible drama surrounding the toppling of Margaret Thatcher. Her replacement as prime minister, John Major, like Humpty Dumpty and 'all the king's horses and all the king's men', will find that the unity of the Tory Party cannot be easily put together again after the bloodletting of the Tory leadership contest. Prime ministers have been removed before: in 1916 when Asquith was forced out and in 1940 when Chamberlain was forced to resign. In 1922 also, Lloyd George, the Liberal leader, was deposed as the Prime Minister when Tory backbenchers revolted and brought down the Liberal-Conservative coalition government. (The Tory backbench committee which organised Lloyd George's overthrow became 'the 1922 Committee'.)

Yet these occasions were mere family spats compared to the vituperation and personal bitterness so visible in the weeks leading up to and after the anti-Thatcher coup.

The resignation of the Deputy Prime Minister, Howe, came on the heels of Thatcher's *volte face* over the Exchange Rate Mechanism followed by the Eastbourne, Bradford and Bootle by-election catastrophes. This signalled the death rattle of the Thatcher regime. We then learnt from the *Financial Times* in the wake of Howe's departure, that "the Prime Minister could not stand being in the same room as her deputy". Referring to Howe's legendary docility, this journal commented, "the punch-bag hits back". The Cabinet reshuffle that



ensued was the eighth in just over a year and the eighteenth since the Conservatives came to power in 1979. Thatcher was the sole survivor of her first cabinet. Gleeefully, *The Independent* printed a photograph, recalling the infamous picture of the original Bolshevik Central Committee showing Stalin as the sole survivor.

But unlike Stalin, who surrounded himself with terrified bureaucratic zombies, Thatcher's new cabinet was stuffed with potential Cassius and Brutus figures ready, at the first opportunity, to plunge the dagger into her back and seize 'the imperial crown'. Following Heseltine's impressive first showing the cabinet, by 19 to 2, advised Thatcher to depart. One bourgeois commentator wrote: "history's pool attendant had said, 'time up'." In fact it was the prospect of electoral Nemesis for the Tories, if Thatcher remained, which prompted Heseltine's original challenge.

The split which led to Thatcher's overthrow came on the issue of the EC. But it is the underlying explosive economic, social and political situation which explains the venomous infighting within the ranks of the Tories and Thatcher's resignation. This in turn reflects the divisions within the ruling class — on Europe, the economy, the poll tax and many other issues.

All the resentment at Thatcher's virtual one woman rule — parliamentary bonapartism — well-ed to the surface when Heseltine challenged her. She had spoken less times in the House of Commons than any previous prime minister for 100

years. *The Observer*, 25 November, revealed that Peter Walker, who was a cabinet minister at the time, "was greeted with surprise one Thursday by a backbencher who found him drinking coffee in his room: 'Why aren't you in cabinet?', he was asked. 'Oh', joked Walker, 'we don't have them any more'."

Thatcher ruled through her own court *camarilla*, presided over by her press secretary, Bernard Ingham, which screened her off from reality, particularly from the growing and open class hatred towards her and her government. Tory MPs in her last days compared her to Hitler in his bunker, summoning up phantom divisions to repel the 'enemy'.

THE ISSUE OVER-RIDING all others, however, in accounting for Thatcher's downfall, is the poll tax. The contenders for Thatcher's crown competed with each other in putting as much distance as possible between themselves and the poll tax. Former Tory chancellor Lawson also revealed that he not only opposed the poll tax in Thatcher's cabinet but had proposed an alternative scheme which suggested amending the rates system. The levels of non-payment have stunned the government as well as all the so-called 'experts' who calmly assured one and all that after the few initial protests, the tax would be made to 'stick'.

David Begg, a Labour member of the Lothian Regional Council, has admitted: "People just realise it is uncollectable" (*The Economist*, 8 Sep-

It is the underlying explosive economic, social and political situation — above all the poll tax — which explains Thatcher's resignation

**At the
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proceedings
for poll tax
non-payment
in England
Wales**

tember, 1990). This worthy had spent the previous two years denouncing the non-payment campaign in Scotland, predicting that it would collapse. Yet fourteen million people are not paying the tax, with the Institute of Public Finance predicting that local authorities could suffer a deficit of £1.7 billion by the end of the year. Levels of non-payment have reached 40-50 per cent in inner-city London and a real figure of 60 per cent in Liverpool.

Every attempt at cowing non-payers has failed. The magnificent campaign of the Scottish Anti-Poll Tax Federation prevented the Scottish equivalent of the bailiffs, the sheriffs, from carrying through a single seizure of goods in all those cases where the Federation was informed. They have turned the sheriffs into hate-figures in working class communities of Scotland alongside Thatcher herself.

In England and Wales, the government added the extra dimension of court procedures to obtain 'liability orders' to the powers they have in Scotland. But up to the beginning of September, a mere one-quarter of local authorities had begun court proceedings. It will take months, if not years, to process all outstanding cases. This will be so even if those 'hanging judges' who sit on the magistrates benches process thousands of cases in one sitting.

These 'guardians of the law', in seeking to do the bidding of the government, have often transgressed the very principles of the law which they are pledged to uphold. The net result has been to open the eyes of many workers who naively attend the court believing that they uphold 'justice'. The experience of the courts, the class bias of the overwhelming majority of the magistrates, their imperviousness to the pleas of ordinary workers that they 'just cannot afford' to pay, has radicalised those sections who have gone through court proceedings.

The other string to the bow of the government has been the ultimate threat of imprisonment. Yet, at the first serious test, in the case of Cyril Mundin in Northampton, and the Marxist Labour MP, Dave Nellist, the 'friends of the government' have intervened to prevent imprisonment. The strategists of capital understand that any attempt to imprison non-payers will just widen the circle of discontent and stir up mass demonstrations and protests on the scale witnessed earlier this year. The spectacle of the Freedom Association, who were behind the vicious anti-union Grunwick management, rushing to pay the poll tax of Dave Nellist must have considerably unsettled the supporters of the poll tax.

On the other hand, any attempt at widespread wage arrestment will provoke a resistance in the factories, including strike action. In the inner-city areas, the poll tax has merely added to the smouldering resentment at dilapidated housing, collapsing schools and the general squalor and neglect which typifies these areas. Even the Audit Commission, a semi-autonomous government agency, has warned that in these areas a 'pretty

inflammable situation' exists.

There are not enough police to safeguard the bailiffs (numbering 1,000 in the whole of England and Wales) seeking to implement the poll tax in these areas. Even in genteel Bath, the constituency of the former Environment Minister, Chris Patten, non-payment is an issue not just for workers but for big sections of the small business community.

The Independent, 3 November, reported that in Bath "shop keepers that would once have been pillars of the Tory establishment have been turned into anti-government activists, marching through the city on demonstrations against the poll tax". It points out that in this city, a symbol of the seemingly sedate South, gangs of homeless beggars have gathered in the city centre "with Mohican haircuts, rat-like dogs and bottles of cider". This threatens Bath's reputation as a tourist attraction — 85 per cent of tourists who visit the city have been approached by beggars. The favoured method for extracting money is to threaten to vomit over them!

The imposition of the business rate alongside the poll tax has resulted in "Dickensian torment for bankrupt Bath shopkeepers who have lost everything: their homes, their savings, their dreams. 'It makes me laugh that this is all happening under a Conservative government. My vote is for Neil,' one local businessman said — a sentiment that is echoed by many disenchanted retailers."

The petty bourgeois opposition to the government will be reinforced if the ten per cent increase in the business rate for next year goes ahead. Patten, with a wafer-thin 1,400 majority, faces the prospect of political extinction, along with other Tory ministers, on the basis of the present trends.

In desperation, he announced measures allegedly to hold down the level of poll tax for next year. In effect, he has imposed 'universal capping' of local authorities, which will result in the savaging of local authority services and jobs. The effect of this is to take decisions on local spending out of the hands of local councils. Yet 'local control' was one of the declared aims of the poll tax. Now greater powers are concentrated in the hands of the government through the Department of the Environment.

Heseltine has accepted the 'poisoned chalice' of the Minister of the Environment responsible for the poll tax. Tinkering will be insufficient to derail the mass non-payment campaign. Only its complete abolition will do that. If the government merely injects a further £2-£3 billion this will not substantially cut poll tax bills next year. It would take sums of £10 billion or more to possibly produce a mood of 'reluctant acquiescence'. This would mean however that any reserves the government has for pre-election tax bribes would evaporate. Moreover it would not be certain that mass opposition to the poll tax would die down even then.

If nothing is done, the poll tax will still be increased in March and therefore the revolt on non-

payment will be joined together with that of local authority workers moving to save their jobs and community groups fighting to retain already depleted services. The usual tactic of 'divide and rule' will not work.

The attempt of the Tower Hamlets Liberal-dominated (read Tory) council to deny services to 'poll tax defaulters' has collapsed. Workers who have paid the poll tax have in the main done so reluctantly and sympathised enormously with the non-payment campaign. Moreover, many who pay this year, once they see that resisters are not intimidated, fined or imprisoned, will join in the non-payment campaign.

The mass non-payment campaign is not only the most successful example of mass civil disobedience this century; it is also a demonstration in practice of the superiority of the strategy and tactics of the Marxists around the *Militant* and the *MIR*.

The savage attacks on living standards was a guarantee of resistance on the part of some workers. But without Marxist leadership, this would have been inchoate, disorganised and scattered. This would have allowed the bourgeois and its agencies to intimidate millions into reluctantly paying at least part of the tax. The non-payment campaign has not only to confront the Tory government, with its full panoply of powers. It has also had to counter the denunciation and outright sabotage of the right-wing leaders of the labour and trade union movement. They have acted as Thatcher's front-line troops on this issue.

Yet the campaign and its leaders have established a colossal reservoir of support amongst millions of workers. No other organisation in the recent period has moved more people into action on such a scale as the All-Britain Federation. There have been two mass demonstrations this year alone, 250,000 in London and Glasgow in March, and 35,000 in London in October. This is quite apart from the numerous regional and local demonstrations. At the same time, the national and local anti-poll tax organisations have generated the resources to produce millions of leaflets, thousands of posters, which have informed, organised and stiffened the resolve of millions not to pay.

The government underestimated the generalised opposition that would develop towards the tax. But its greatest blunder was to underestimate the capacity of *Militant* supporters to provide the organised backbone to mass non-payment. *Militant* supporters have supplied the strategy, tactics and organisation to the campaign. The bourgeois strategists are well-informed of this fact.

It is this which lies behind the recent attempt to link *Militant* to alleged 'land deals' in Liverpool, with *The Sunday Times* making the ludicrous suggestion that Wimpey had unwittingly supplied funds to assist the *Militant*. They claim that this allowed *Militant* to "come from nowhere" as the major force in the All-Britain Anti-Poll Tax Federation.

Bourgeois journalists can be astonished that a seemingly small force such as *Militant* could generate such self-sacrifices from its supporters, over-

whelmingly ordinary workers, to finance its activities. Soaked in cynicism, if not alcohol, they are incapable of understanding the sacrifices which ordinary workers are prepared to make on behalf of their cause. The week-in week-out, day-in day-out task of raising money on the streets, on the estates and in the factories by the supporters of the Federation is on a different planet to that which they inhabit. Moving from pub, wine bar and club to editorial offices, how is it possible for them to understand the bitter class hatred and suffering of ordinary working people?

The strategists of capital, however, while encouraging the 'black propaganda' of *The Sunday Times*, understand and fear the ideas, programme and organisation of *Militant*. Not for the first time in history, they have probably penetrated sections of the anti-poll tax campaign with the purpose of disrupting and disorientating the movement. Both on the March and October demonstrations there were forces at work which have sought to present the All-Britain Federation as a force 'for violence'. They have been assisted in this task, perhaps unconsciously, by puerile 'anarchist' groups which have attempted to batten on to the anti-poll tax movement.

Ultra-leftism is always a payment back for the opportunism of the labour and trade union movement. Eleven years of Thatcherism have created in all the major cities a layer of de-classed, homeless and embittered youth, harassed and intimidated by the police. They have been joined by a section of middle class youth, repelled by the greed and gross materialism of Thatcherite capitalism.

These layers have provided a breeding ground for all kinds of confused 'anarchist' ideas. A tiny minority of these have linked themselves to such weird and wonderful formations as the 'Class War' group. Instinctively hostile to the organised and disciplined forces of the working class and Marxism, they have linked up with every stripe of sectarian group to oppose the Marxists on the issue of the tactics to be deployed to defeat the poll tax. Combating capitalism is for them reduced to the simple and infantile slogan of 'confronting the police'. The first rains of spring always produce in the forest some weird and wonderful plants.

The deadlock and seeming paralysis of the official labour movement has allowed anarchist and pseudo-anarchist ideas to develop amongst a layer of the youth. Once the heavy battalions of the working class move into action however, such ideas will become completely marginalised. And in the situation opening up in Britain such a movement is inevitable. It is the dim recognition of this, of the underlying explosive situation in Britain, which has provoked the splits within the ruling class.

THE DIVISION AMONGST the Tories on the issue of the EC mirrors that amongst the bourgeois as a whole. The 'Chingford Skinhead', Tebbit, in his usual blunt fashion, declared: "The differences between us, who see the consequences of a single currency, and those who want to rush blindly



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ahead, are huge." (*The Independent*, 3 November) Thatcher, Tebbit, and their wing of the Tory Party, wish to locate Britain in a future which will see British capitalism firmly wedded to American imperialism as the latter's semi-satellite.

The Heseltine, Heath, and Howe wing, on the other hand, fear the economic and political consequences of British capitalism being shut out of 'fortress Europe' or condemned to the 'slow lane' of European economic development. In or out of the EC, economic catastrophe looms for Britain. Entry into the EC has merely meant that in the last ten years the trade deficit with West Germany, for instance, has increased eight-fold. The British bourgeois as a whole undoubtedly feels colossal resentment at the economic weight now exercised by the German giant.

This was given expression in the crude, jingoistic outbursts of Ridley which led to his sacking from Thatcher's cabinet. Nevertheless, in the more sophisticated language of the Foreign Office, the British ruling classes hostility to its German cousin was expressed in the leaked document summing up the discussions in Chequers on Britain's future in the EC.

Complete economic and political unity is impossible on a capitalist basis. The process of integration, so long as a world economic upswing continues, can be taken a long way. The EC is itself an expression of the fact that the productive forces — science, the organisation of labour, technique — have outgrown the narrow limits of private ownership on the one side and the nation state on the other.

Neither the British, French nor the German bourgeois are capable of completely eliminating the nation state in one European 'super' state. Economic integration can go a long way. It is highly unlikely on a bourgeois basis, however, to result in the establishment of one 'single currency' for the whole of the EC. The German mark in effect holds sway over Europe, which expresses the economic domination of German capitalism within the EC.

It is possible, on the basis of an economic upswing for the capitalists, like thieves sharing out the swag, to co-operate in lowering tariff barriers, seeking to co-ordinate and harmonise tax, customs duties, laws etc. But once the upswing turns into stagnation, never mind downswing, it will be every man for himself and the devil take the hindmost.

The battle-royal which now ensues between Britain and France on agriculture merely foreshadows future, inevitable conflicts. The British bourgeois will at a certain stage seek to forge a counter-weight to Germany in an alliance with Italy and France. In the past, these have been the traditional allies — in the case of Italy, a former semi-satellite — in British imperialism's policy of a 'balance of power' on the European continent.

But British capitalism no longer possesses the economic weight which allowed it to play the independent role of the past. The entry into the ERM, with the pound being tied to the German

mark, was a striking illustration of the weakness of British capitalism vis-a-vis their traditional rival, German imperialism.

Against all her instincts, Thatcher was persuaded by Major to enter the ERM, seeing it as a 'quick fix' to the economy which in turn would lay the basis for another election victory. With lower interest rates, and therefore lower mortgage repayments, the much commented on 'window of opportunity' would be presented to the Tories. This, it was calculated, would ensure further electoral glory in 1991.

Leon Trotsky once remarked that in the past it took years, sometimes decades, for a prognosis to be borne out or falsified. Such is the speed of events in our epoch that months, weeks and even days is all that it takes to shatter the rosy perspectives of the spokesmen of capitalism. The *Financial Times* commented in relation to ERM entry: "The initial euphoria following Britain's entry into the ERM... lasted the weekend."

The technical reasons for ERM entry, the return to more or less fixed exchange rates, has proved to be one of those seemingly accidental events in history which bring to the surface deep-going changes in the position of British capitalism. The Keynesian economist, Douglas Jay, has correctly compared entry into the ERM to the Tory Chancellor Churchill's return to the gold standard in 1925. He pointed out, in the *Financial Times*, 10 October, that: "all the arguments used for joining the ERM were used from 1920-25 for fixing the Dollar-Sterling rate of exchange at the historic \$4.86. This would, we were assured, achieve 'stability', and a 'strong currency'. For a few months in 1925, the fixed rate was greeted with euphoria. But by the end of that year, the economics of the coal industry collapsed, and 1926 brought not stability, but a six month coal strike, the General Strike, long, drawn-out unemployment and an irresistible run on Sterling in 1931. Keynes had estimated the over-valuation in 1925 as ten per cent, much less than it is today."

British capitalism was still a major economic power and player on the world arena in 1925. Today, it has been reduced to a second and possibly even a third rank economic power, a mere appendage of American imperialism. But entry into the ERM at a fixed rate of DM2.95 is, as most bourgeois economists recognise, a 20-30 per cent 'over-valuation' of the pound. This means, as in the last recession of 1979-82, British exports will be priced out of world markets.

Rees-Mogg, monetarist guru, has argued in *The Independent* that this will require a reduction in wages of 20 per cent. Douglas Jay indicates the consequences of these policies when he pointed out that similar measures in the last recession resulted in "the sharpest fall in UK real output in a three-year period since 1850." Real manufacturing output fell 20 per cent in three years. Unemployment rose 60 per cent in the 18 months up to January 1981, and for the first and only time in UK history, the rise continued for seven years.

Britain cannot expect to share a different fate

than France, which was forced to enter the ERM in the early 1980s. The consequence of this was meagre growth rates of between one and 1.5 per cent even during the 1980s boom, and a doubling of unemployment.

British capitalism has entered the ERM at the beginning of a recession, certainly as far as Britain and the United States are concerned. It is, moreover, in the most parlous state economically it has ever been in history. There are no precedents for such a collapse.

Manufacturing industry is still the bedrock of a modern economy. In 1900, British capitalism cornered one-third of world manufacturing production. Even in 1954, its share was 20 per cent. This had collapsed to a paltry ten per cent in 1979 when Thatcher came to power. Despite Thatcher's claim to an 'economic miracle', this had dropped to eight per cent of world manufacturing production by 1989.

Incidentally, Thatcher's claim to have been the champion of small business is destroyed by the statistic given by Gordon Brown, Labour's economic spokesman, in *The Observer*, 28 October, when he pointed out that in the last ten years, 133,000 manufacturing companies had ceased trading. This month, according to Brown, one man or woman will lose their job every two minutes in manufacturing industry and three small businesses will go into receivership every hour.

On present trends, a further 1.4 million jobs in manufacturing industry will be lost in the 1990s to add to the 1.8 million that were lost in the last decade. And it is not just in the old and dilapidated industries that British capitalism has been beaten in its own back yard. In electrical and electronic engineering 'import penetration' has increased dramatically. Britain only produces one-third as many cars as France, less steel than Italy and less manufactured goods than France. And this is before taking account of the effects of either a world recession, a slow down in the rate of growth, or even a slump, on the feeble British economy.

Already, for manufacturing industry in Britain and the USA, a recession has been a reality for months, as it has been for retail and other sections of industry. It is, for instance, expected that 30,000 jobs could be lost in manufacturing industry in the next three months.

The economy could grow by a mere one per cent or even less this year and next. Even Major thinks that a recession 'may be' beginning. This recession, however, is likely to be different in character from 1979-82. Even if it is not as deep-going as then its effect will probably be more generalised. Thus, the South East in September-October suffered a higher increase in unemployment than anywhere else in the country. It is precisely in the South East, the Midlands and East Anglia, where service industries are concentrated, which have been mostly affected.

During the boom, the capitalists were able to buy 'social peace' on the basis of increased profits and massive bank borrowing. Profits rose dramatically, while at the same time the financial deficit



of industrial and commercial companies reached £24 billion, or five per cent of Gross Domestic Product in 1989. This will probably reach well over £30bn this year.

Now, however, the profits have begun to contract, with even giants like ICI reporting a drop. Entry into the ERM and a tightening on bank lending will, as Major has urged the capitalists to do, result in employers being forced to reduce 'wage costs'. This in turn means job losses and a cut in real wages. It is a formula for intensified class struggle.

Undoubtedly, one side of the 1980s boom was that those with jobs, in the main, saw a rise in real living standards. The other side was that this was at the expense of intensified exploitation of the working class with a deterioration in the health, social and personal lives of workers. Fords, for instance, was forced to pay out £6m at its Dagenham plant for hearing loss suffered by workers.

At the same time, the reign of terror in the factories, combined with the abolition of wage councils, the weakening of the factory inspectorate etc, has resulted in horrifying tales of exploitation of workers without trade union rights. Those within unions, particularly the traditionally low paid, have not fared that much better. Four out of ten Nalco workers earn less than the Council of Europe's decency threshold. 250,000 Nalco workers earn less than £8,000 a year! In all the advanced industrial countries, the gap between rich and poor — the class gulf between the working class and the ruling class — has deepened and widened. According to a recent survey: "The gap between the pay of the highest paid and lowest paid employees (in Britain) is now wider than at any time since records began in 1886, the government new earnings survey shows. Over the last decade, the best paid group has enjoyed a real pay rise 16 times as large as the worst paid group." (*The Ind-*

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ependent on Sunday, 30 September) The authors commented: "The divergence is remarkable because pay differentials were so stable before Margaret Thatcher came to power in 1979."

The stored-up bitterness amongst the working class which lies behind these statistics will shape the course of events in Britain and internationally in the period that we are going into. The 1980s were supposed to have buried the very idea of classes along with socialism. The pendulum, we were told, had swung irrevocably and permanently to the right. Thatcher and Reagan were supposed to have guaranteed a 'golden age' of a reborn capitalism. Reagan was fortunate enough to leave the scene before the consequences of his policies were fully felt. The hapless George Bush is now paying the price of Reaganism with the welling up of enormous resentment of the US workers against the rich and 'their government'.

In the US mid-term Congressional elections, the cry went up: 'Kick out the bums.' Although not as many Republican 'bums' were kicked out as anticipated, this was due to the disdain felt by millions for the US electoral system. Only 35 per cent of registered voters bothered to turn out. The election results, therefore, grossly understate the growing class polarisation of the USA. In addition, intent on saving their political skins, Republican candidates scrambled to put distance between themselves and Bush. His popularity has plunged by 20-30 per cent in a few months. Moreover, three quarters of the population believe the country is 'heading in the wrong direction'.

A movement against all 'incumbents', in America directed against Republicans, seems to be an international phenomenon. With the exception perhaps of Germany and Japan, for special reasons, an international mood, which is at bottom class resentment at the consequences of capitalist retrenchment and austerity, has developed against the 'powers that be'. In New Zealand, it resulted in the massive rejection of the Labour government (which attempted to out-Thatcher Thatcher). The New Zealand Labour Party received the lowest number of seats since the 1920s — a cautionary tale for the leadership of the British Labour Party!

In Britain, this crystallising mood is developing in an underlying but powerful movement to the left. Recognising that the tide had turned against the government, the *Financial Times*, ruminating on Bush's problems over the budget deficit, warned: "A president who won a landslide victory in 1988 on his rigid opposition to tax increases, was driven to bargaining with his political opponents, not on whether to tax the rich, but how to do it. This is a warning to Conservative regimes everywhere."

The Tory leadership contenders recognised, perhaps unconsciously, that the tide of history has begun to change when, like the Charles Dickens character, Uriah Heep, they sought to play up their 'Umble' backgrounds. Unsuccessful candidate, Douglas Hurd, complained that people could be forgiven for thinking that the contest was for

some 'Marxist outfit' rather than the leadership of the Tory Party!

At the time of ERM entry, Thatcher could dream of the 'golden scenario' — reduced interest rates, reduced mortgages, an election before the recession really hit home. This was shattered by economic developments and the split over the EC. With Thatcher in the picture, it became the 'tarnished scenario'.

The 'golden scenario' has been resurrected... minus Thatcher! Major, after a honeymoon period, will probably go for an election in 1991. But the CBI now expects a drop of one per cent in GNP in 1991. This could completely undermine the hopes of the Tories for an election victory if the election is delayed until the end of 1991.

This in turn is dependent on world economic and political developments, not least the prospects of a Gulf War. A war may see a rallying behind 'Our boys in the Gulf' which would temporarily redound to the credit of the government. But the inevitable spiralling upwards of the price of oil would deepen the recession, with more factory closures and increased unemployment. This would undermine the government and lead to a growth in support for Labour, notwithstanding the inept Labour leadership. It cannot be completely ruled out, however, that the Tories could creep back to power with a reduced majority. If it was left to the labour and trade union leaders the Tories would storm home.

The right-wing Kinnock leadership of the Labour Party, bereft of any policies which clearly differentiate themselves from the capitalist parties, have done everything to dampen down expectations of a Labour government. Thatcher's entry into the ERM and the reduction of interest rates by one per cent stripped Neil Kinnock bare of two of the three major demands which he put forward in his speech at the Labour Party conference. The other one was 'exchange controls'.

Labour's lead in the opinion polls up to the removal of Thatcher was not an expression of enthusiastic support for Labour. It was the 'agin factor' at work, primarily an anti-Tory mood. The role of the Labour leaders in attacking the poll tax non-payment campaign, in distancing themselves from every section of workers who go on strike, have undoubtedly disillusioned a layer of advanced workers.

The youth are repelled by the slavish support of Labour's frontbench for imperialism's intervention in the Gulf. Also the poll tax has effectively disenfranchised an unquantifiable section of voters, who have refused to register as a means of evading payment of the poll tax. And the Tories have given themselves, with Labour's acquiescence, an electoral bonus by allowing predominantly Tory ex-patriates to vote in the general election.

Yet, notwithstanding the distaste and opposition felt by many towards the leadership of the Labour Party, it will be the determination to get rid of the Tories that will motivate the overwhelming mass of the working class. While a Tory victory cannot



be excluded, a Labour victory still cannot be ruled out particularly if the election is delayed.

If the Tories win, the working class could first of all be stunned. This will give way, however, to a growing anger, not least against the summits of the labour and trade union movement. They will be blamed for a Tory victory. A period of turmoil and upheaval will take place in the labour movement. Kinnock would probably go, but the right wing, with its 'in-built' majority, would seek to replace him with one of their own, with either John Smith or Gordon Brown or a similar figure.

The anger of the working class would be directed at those who held the stewardship of the labour movement in their hands and who permitted another Tory victory. In the factories and in the trade unions, a new layer will come to the fore to push aside the tired elements who have been incapable of arresting the decline in the living standards of working people.

Gradually a left will begin to form in the trade unions which will be reflected within the Labour Party itself. Depending upon world economic and political developments, a mass left wing, within which the Marxists will play a critical role, would develop.

A Labour victory, which is still possible, would first of all be greeted with joy and a sense of relief. A certain time would be extended to a Kinnock government to carry out its promises, or what workers imagine are its promises, on pensions, housing etc. The right-wing Labour and trade union leaders would move in the direction of

another 'incomes policy', although strenuously denying such an idea.

As the *MIR* has pointed out many times, a right wing Labour government working within the framework of diseased British capitalism, would not be able to deliver the goods. It would be caught between the hammer of the capitalists and the anvil of an aroused and expectant working class. Opposition would be inevitable at a certain stage.

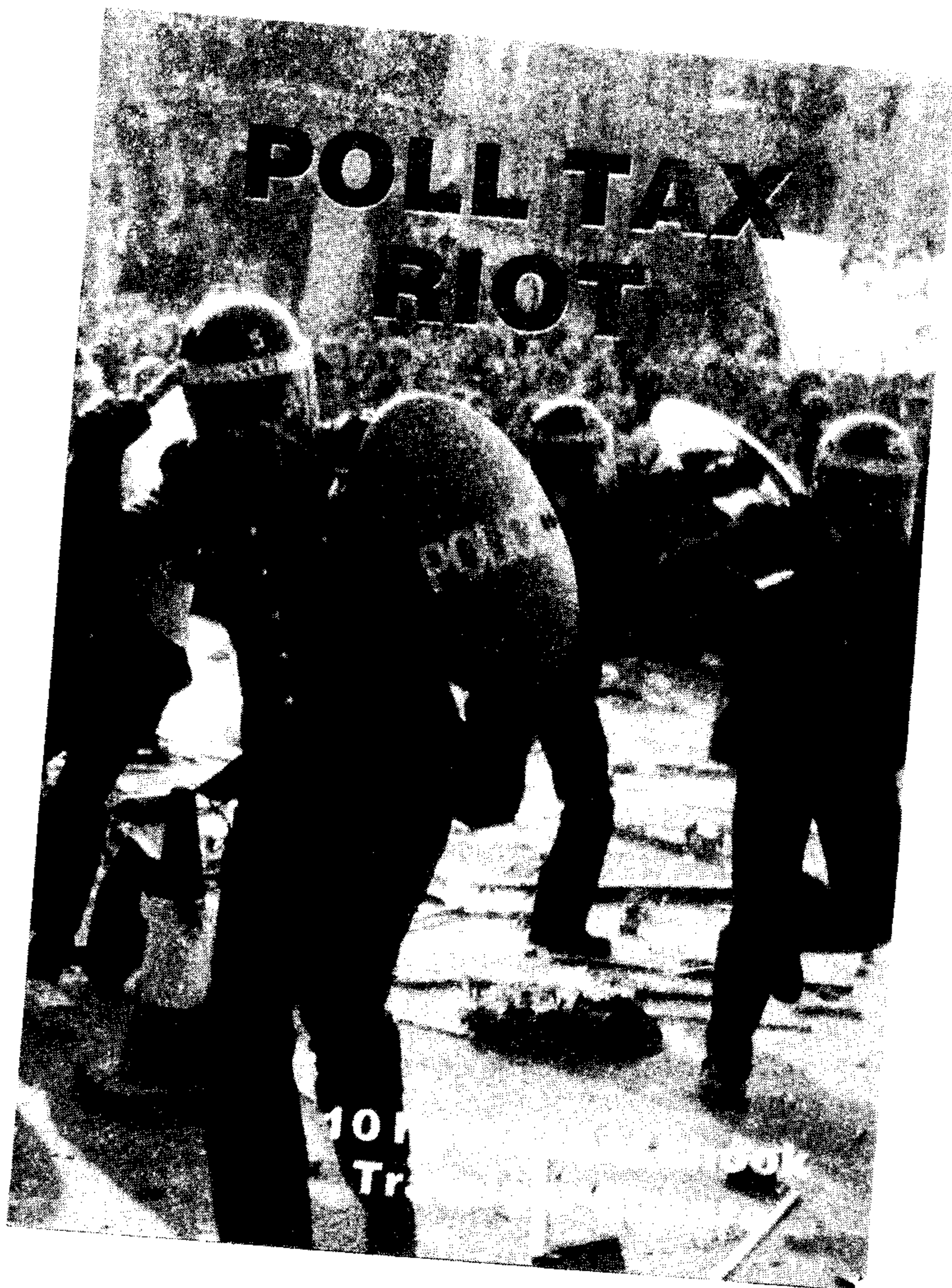
Moreover, the Marxists will provide the catalyst for such an opposition. It is the desperate attempt to prevent precisely such a development that lies behind the constant vilification of *Militant* and the futile attempts to drive its supporters from the Labour Party.

Neither this, nor the slanders of Murdoch's newspapers, will succeed in their declared task of separating Marxism from the labour movement. Events, not only in Britain but internationally, will push the working class on to the road of struggle. In action, and before audiences of tens and hundreds of thousands, all ideas will be put to the test. The poll tax battle has been a dress rehearsal for the even greater dramas that will ensue in the 1990s.

In the course of set-backs, as well as victories, the ideas of *Militant* will become the property of first of all the advanced workers and through them the mass of the working class. Once armed with these ideas, the mighty British labour movement will be invincible. □

In the trade unions new fighters will come to the fore.

Poll tax: Are riots the way to win?



Louise James answers a recent pamphlet which argues that rioting is 'a positive and constructive contribution to the anti-poll tax struggle'.

Attempts were also made to pin the blame on the *Militant* for the violent clashes and rioting that occurred at the end of the March 31 demonstration. But who was really responsible for what took place? Evidence on and after the demonstration makes it clear that plans were laid down in advance by senior police officers to sabotage the demonstration, and to enable punitive action to be taken against the leaders of the anti-poll tax movement in the aftermath. Agreements previously made between the Federation and the police were broken. Coach dropping off points were changed for no reason, so that stewards from the regions could not reach the main stewards' point and as a result received no instructions on the day. The police disregarded guidelines laid down with the Federation that stewards would deal with sit down protests. Instead the police waded in, using one such protest as a pretext to attack the demonstration. This provided the spark to the initial fighting, which then escalated, undoubtedly to the surprise of the police, into serious clashes and then a full-scale riot.

Significantly, immediately after the demonstration, a NOP opinion poll was commissioned. Stating that "some people have said the Militant Tendency and other anarchist groups (!) may be behind this violence," it asked whether "the Government should take legal action or not against such groups." NOP refused to say who commissioned the poll and the government refused to say if it was them.

THE 200,000 STRONG demonstration organised by the All Britain Anti-Poll Tax Federation last March sent shock waves through the British ruling class. The growing mood of anger over the poll tax had crystallised in a massive national demonstration, referred to by Tony Benn as the biggest demonstration in a hundred years. In the build-up local Anti-Poll Tax Unions (APTUs) had organised over 6,000 lobbies, demonstrations and public meetings in just two months. Before their very eyes the Tory government saw their support collapsing. Predictably they responded with a 'red scare' campaign that violence was being 'orchestrated' outside council meetings, principally by *Militant*.

Were the ruling class planning to use March 31 as a pretext to take further measures against leading anti-poll tax activists? Certainly, following the demonstration the unprecedented police 'Operation Carnaby' led to over 500 arrests. Early morning raids took place on the homes of anti-poll tax activists in Islington, Hackney and the East Midlands.

But the attempt by the Tories to disorientate the movement through provoking a 'riot' situation backfired. A poll sponsored by *The Sunday Correspondent*, (8 April, 1990) showed that three times as many people blamed the Tories than blamed the Labour Party for the riot. Too many people had been touched by the campaign: the Tories' attempts to create a red scare failed. The mass non-payment campaign, lifted by the scale of the magnificent demonstration, went on from strength to strength. It was the inability of Thatcher to successfully impose the poll tax on the working class, because of the organised campaign, which was overwhelmingly responsible for her removal as prime minister.

However, the violent clashes and looting which took place at the end of the demonstration have been used by various 'anarchist' groups to provide a theoretical justification for rioting as a method of struggle against the tax. A pamphlet has appeared, entitled *Poll Tax Riot – Ten Hours That Shook Trafalgar Square*, which has gained a certain currency on the fringes of the poll tax movement.

Produced by the anarchist publishing house, *Acab Press*, *Poll Tax Riot* purports to be a collection of individual accounts of the riot which were "anonymously passed to *Acab Press* in the weeks following March 31st after an appeal was circulated" (p4). In fact, it is nothing of the sort. Some of the twelve different authors admit they are connected with anarchist groups, and while *Acab Press* claim to have acted "with the sole intention of giving the other side of the story" to that which appeared in the capitalist media, they did not circulate their 'appeal' to the real 'other side' – the Anti-Poll Tax Unions which form the backbone of the mass non-payment campaign.

This is not surprising. The vast majority of those actively involved in the struggle against the poll tax would not agree with the pamphlet's assertion that, to win "there's only one way forward... extreme violence, a series of escalating confrontations between 'workers' (their inverted commas – LJ) and the state, ie the police..." (p27). They would not accept that the scene at Covent Garden – "the whole street had been wrecked. Glass everywhere, the banks smashed, the shops smashed... a frenzy of ecstatic smashing and looting" – was "the perfect scene to end the day with" (p8).

Yet *Poll Tax Riot* does not just applaud the "rioters' violence" and "mass looting sprees"

(p3) but actually advocates this as a means of struggle, "a positive and constructive contribution to the struggle against the poll tax in particular and the ongoing class war in general" (p61). Consequently, notwithstanding the limited support for these ideas in the anti-poll tax movement, it is important for Marxists to examine the question: is looting and 'a series of escalating confrontations with the police' a serious strategy to defeat the poll tax?

The anarchists' foremost justification for rioting is that "if there had been no riot then the demonstration would have got no more than a few lines in the papers and a brief mention on the telly" (p61). Even if this were true, are they seriously saying that people on the demonstration would have paid their poll tax, despondent at the lack of media coverage? Of course not!

In fact, they defeat their own argument a few lines later when they say "remember the Glasgow demonstration against the poll tax in April 1989? Over 20,000 people were on it, a massive display of defiance that was quietly censored." Have they not noticed that non-payment in Scotland has continued despite the lack of bricks thrown and shops looted?

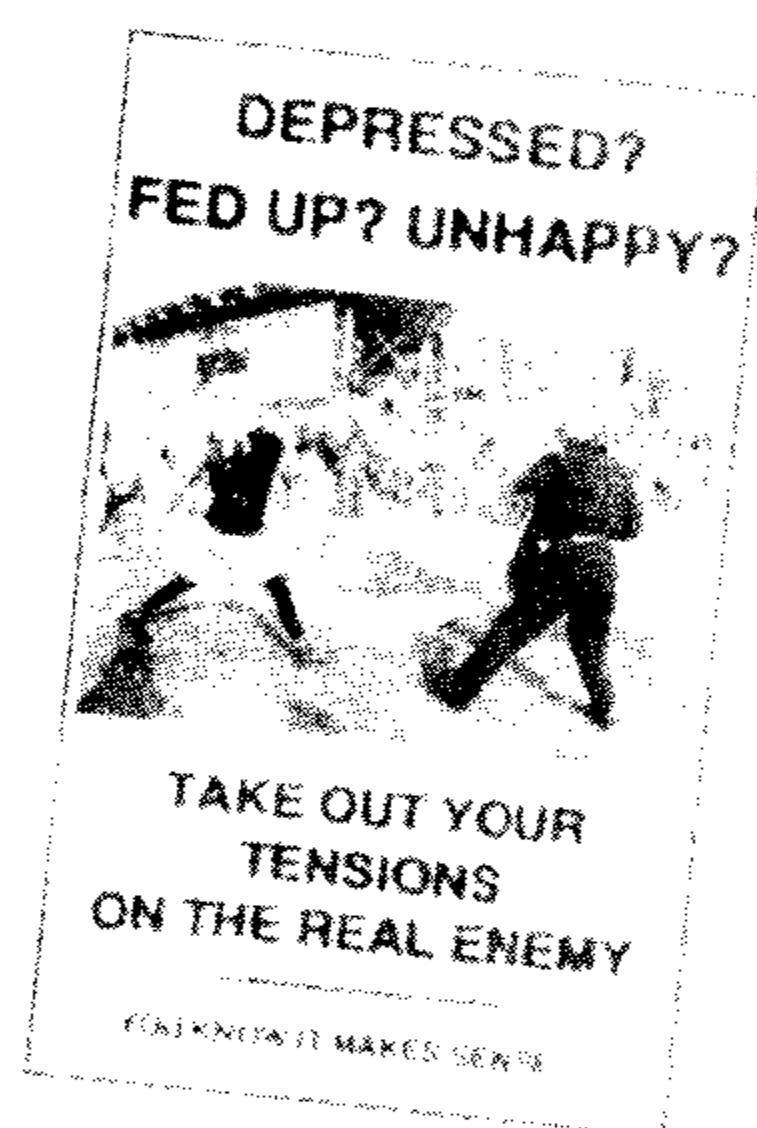
The anti-poll tax movement has developed far beyond reliance on the capitalist media for relaying its message. In Scotland, for more than three years the press ignored the mass non-payment campaign. But this conspiracy of silence failed to prevent the campaign spreading to England and Wales. The movement has built its own structures and developed its own methods of relaying information. The demonstration on 31 March was built for by the 1,500 APTUs who distributed over one million leaflets and 100,000 posters.

But even the demonstration, magnificent as it was, was only part of the campaign to build mass non-payment. The daily activity of door-to-door leafletting, the setting up of bailiff-busting teams and other organised actions, determines the real strength of the campaign. But this aspect of the struggle is hardly mentioned in the pamphlet.

Instead they go on to state that because the riot was shown on TV it "of course can only help to build mass non-payment of the poll tax" (p61). How? What lessons would be learnt by those who watched the events on their TV? That bailiffs can be defeated if disciplined 'bailiff-busting' squads are established on every estate? That wage arrestment orders can be stopped if non-payers at work organise together to pressure their trade union to take a stand? That to achieve all this needs consistent activity, regular meetings, the production of leaflets, bulletins and posters etc?

Of course not. In contrast to an organised non-payment campaign, a riot is not an effective method of struggle. It is an explosion of frust-

A riot is an explosion of frustration, anger and despair, not a collective struggle with a planned strategy



But is it a
way forward?

ration, anger and despair. It is not a collective struggle with a planned strategy.

Our anarchist authors, however, dispute this. The events after the demonstration were, they claim, a collective struggle, an 'organised riot'. One author states boldly that "we started the violence and we're proud of it. To do, rather than being done to. That's how March 31, 1990 should be remembered, not as a police riot but as our riot" (p60).

This is completely false. True, a handful of people did go on the demonstration with the sole intent of provoking a confrontation — including the authors of *Poll Tax Riot*. One describes his attitude at the start of the demonstration, then still peaceful: "sitting on the sidelines (!), pondering the possibilities inherent in the day's proceedings, *contemptuous so far*, but soon to be uplifted as events far surpass our expectations" (p28). Yet our side-lined cynic and his friends were not responsible for the events which unfolded. This is inadvertently confirmed by another author who, arriving at Kennington Park, "went to that part of it which had been suggested as the anarchist meeting place. When we got there, there were only 150 of us..."! (p47).

The reality was explained by *Militant* immediately after the events. If there had been any organising taking place then it was by the senior ranks of the police. It was "the use of police horses, the driving of vehicles at 50 miles per hour into the crowd, the lashing out by riot squads at innocent and peaceful demonstrators, (which) absolutely infuriated a section of the demonstration, particularly the youth." (*Militant*, 6 April, 1990) Many youth risked life and limb to hit back at the police attack on the demonstration. There was nothing consciously planned by these youth, however, to 'organise' a riot. Indeed, that is in the very nature of a riot. Far from being a conscious act, it is a cry of despair and frustration.

This awkward fact is even acknowledged by one of the anarchists. Forced to concede that "amongst the crowd there was opposition to the attacks (on a police van). There were cries of 'stop'...", the author tries to justify his actions. Yet he does this not by explaining exactly what could be achieved by the anarchists strategy of 'escalating confrontation' and looting, but by correct yet completely abstract references to why "quite a few people fucking hate the police" (p39). That hatred "stems from simple dispossession, from powerlessness arising from marginalisation, from despair, from past meetings with the guardians of law and order... all the accumulated anger, hatred, frustration and powerlessness came boiling out in a torrent of fury... It was about the individual humiliation of surviving under capitalism" (p40).

All this is correct. But it deliberately avoids

the real question. How is rioting the way to end 'the humiliation of surviving under capitalism'? Rioting is not a conscious method of struggle but a dead end. Understanding why a section of youth 'riot' does not change this fact. Those who aspire to transform society can not be mere cheerleaders but have a responsibility to say which methods of struggle take the class forward and which methods are a blind alley.

Rioting is not in any way a 'positive contribution' to building mass non-payment. Mass non-payment is about united class action, not a collection of individual heroic acts. The same author who is bursting with pride about how he "started the violence" declares a few lines earlier how, having 'confronted the state' for a few hours, he strolls off "home to the welcome comforts of a bath, bed and normality" (p60). As an individual the author may well be able to opt out of the class struggle when he sees fit. But the tasks of organising mass non-payment must go on. Defence of non-payers from the bailiffs, wage arrestments, etc has to be organised in collective action. Our individual 'hero', however, having done his bit, goes home with nothing changed.

Or perhaps the authors are not so 'heroic'. Many of the accounts detail what each author managed to pick up from looted shops on the day. One even complains that by the time he got to a music shop and pulled "the shutter up a bit (to) see what's left... there's nothing here that I want" (p13). Another had a bit more luck: he explains how "a sunglasses shop is attacked (and) £150 Georgio Armani's lifted; rioters not only furious but now cool!" (p31). Is this really the way to build mass non-payment? And if it is, how many sunglasses do APTUs need to loot to bring down the government?

At one point, the authors attempt to place the events on March 31 in a "very long and honourable tradition of violent struggle against the state and the bosses," (p18) including in their list the riots that took place in 1981. Interestingly, while they mention the riots in Toxteth — alongside the Chartists, the General Strike and the miners' strikes of 1974 and 1984-85 — they forget to mention the struggle of Liverpool City Council from 1983-85.

Possibly this is because a comparison between the actual results of the Toxteth riots compared to the results achieved by the Liverpool struggle, with *Militant* supporters to the fore, are a crushing argument against the idea of rioting as 'the only way forward'. The Toxteth riots achieved for the people of Liverpool 500 temporary summer jobs at the International Garden Festival and a few trees planted in the Toxteth area by Michael Heseltine! In contrast, the organised mass struggle led by Liverpool City Council resulted in 5,000 council houses being built — 1,000 of them in the Toxteth area

— 1,000 council jobs saved with 1,000 jobs created, YTS trainees taken on with trade union rates of pay and rights, nurseries and sport centres. The fight for these services and jobs touched everyone in Merseyside.

But it is their comparison of the March riot with the 1926 General Strike which provides the most graphic illustration of these peoples' thinking. The General Strike was the greatest movement of the British working class, defeated only by the total failure of the TUC leaders to match the determination of the workers with a fighting programme and strategy. It was a conscious struggle involving millions of workers in councils of action which ran whole cities, taking the power out of the hands of the bosses for a period of time. It was an extremely disciplined movement, with the workers' committees that were set up organising everything from transport to control over the distribution of food. The councils of action did not invite workers to loot shops, fighting with each other for the best pickings. They organised distribution for the masses and, in many cases, set up their own 'peace pickets' to stop sporadic looting.

This feature is repeated in all general strikes, the latest but not the least being the Soviet miners' last summer who again organised in workers' committees and also showed the discipline of the movement by banning alcohol. Alcohol, by contrast, seems to be a problem for our anarchist friends. One author criticises some fellow 'fighters' for being "pissed up prats" who "couldn't throw properly" as a result (p24). This admonition is solemnly endorsed by an editorial insertion of 'handy hints' for rioters including the advice, "Don't get pissed" (p22). Unfortunately, six pages later, another author, presumably one of the 'pissed up prats', approvingly records the "magic sounds of smashing glass, an off licence goes in, cleared within minutes... hundreds refresh themselves, illicit alcohol for all!" (p28). This continues the traditions of the General Strike?

In fact these people sully the traditions of genuine anarchism when it had a base within sections of the working class. In revolutionary Barcelona, in the early days of the Spanish civil war, the anarchist CNT set-up flying squads to deal with looters! Certainly, the authors of *Poll Tax Riot* have nothing to do with the real traditions of the working class in struggle.

Their contempt for the organised trade union movement is revealed when they argue that "all photographers, all TV crews, all journalists are legitimate targets" (p26). It is ironic that BETA, the film crews' union, is the only national trade union affiliated to the All Britain Federation and that the NUJ is one of the few unions which supports mass non-payment. Is bricking people the method they really believe will persuade union members to refuse to collaborate with

police inquiries? In reality, strike action by trade unionists is the only way to defend press freedom from court orders instructing photographers to hand their films to the police. But a brick to the head is far quicker — and it only takes one 'hero' to do it.

The authors display even greater hostility to another method of the organised working class — a labour movement inquiry. Indeed the proposal for an All-Britain Federation inquiry into the events of March 31 is highlighted to prove that *Militant* is a "state-in-waiting" and fundamentally "opposed to the working class fighting back" (p64). The evidence? A quote from All-Britain Federation secretary, Steve Nally, on ITN news, proposing to "hold our own internal inquiry" into the events "which will go public and if necessary name names."

There is nothing new about a labour movement inquiry. Indeed, how else, to borrow the words of *Acab Press*, can 'the other side of the story' be assembled? How could lessons be drawn for future demonstrations about pre-march preparations, how to negotiate with the police, stewarding tactics etc, except by a full appraisal of the events of March 31 and an open discussion throughout the movement? Undoubtedly, there were undercover police provocateurs on the demonstration, as is conceded by one of the authors (p42) — apart from the provocative actions of sections of the uniformed police! Through what other means could they be uncovered and exposed before the movement, except by naming names? Or is it that the anarchists fear that most anti-poll tax activists would find their actions indistinguishable from those of agents provocateurs?

This is the key. An inquiry would have to include an examination of the perspectives, programme, strategy and tactics of the different political currents within the anti-poll tax movement and open them up to debate. *Militant* would be confident that our approach, which has predominated in the anti-poll tax campaign to date, would stand up to any examination. Our strategy and tactics, despite the complete opposition to the non-payment campaign of the leaders of the labour and trade union movement, have led the campaign to the position today where a stunning victory is in sight.

For the authors of *Poll Tax Riot*, however, open debate and discussion is an irritation. Throughout they reveal their contempt for the discipline and democratic norms of an organised movement. One author reveals his favourite method of debate as "beating the left scum (preferably with a big stick)" (p22).

An open inquiry would force them to defend their strategy of rioting and looting and 'a series of escalating confrontations with the police' as 'the only way forward'. On the evidence of this pamphlet, they have no defence. □

MIR □13
New Year
1991
Poll Tax Riot



Are riots really 'continuing the traditions of the miners' strikes?

Crisis in the Gulf

We print here an extensive editorial statement, originally drafted in October, which examines the background to the crisis, the economic and political consequences in the region and internationally, and the attitude of Marxists to a possible war. A brief update follows on page thirty.



**Now
capitalism is
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history**

THAT WE ARE living in an era of 'sharp turns and sudden changes' is demonstrated beyond dispute by the sudden advent of the Gulf crisis. The 'Red '90s', ushered in by the wave of political revolutions in Eastern Europe, have begun with the prospect of the most serious military conflict since the Second World War. This came at a time when the ideologues of imperialism were basking in a newly-found euphoria at the extension of the boom and the collapse of Stalinism. Caricaturing the schema of Hegel, they were even describing what they misinterpreted as the triumph of liberal capitalism throughout the world as the 'end of history'.

Now they are facing the possibility of a simultaneous war and recession for the first time in history. This is part of the price they will pay for the last eight years' boom. The boom was based largely upon a cruel intensification of the exploitation of the colonial peoples, in terms of interest payments on their accumulated debts and of a sharp worsening in the terms of trade — not least a severe reduction in the price of oil.

The hypocrisy of the imperialists has reached new depths in their gutter propaganda justifying this threat of war. They have likened Saddam Hussein to Hitler, as if Hitler had personally invented invasions and annexations and Saddam were the first person to imitate him! Their rage has been incurred by the fact that Saddam has dared to do what they have been doing with ruthless cynicism, in the Middle East and throughout the colonial world, for more than a hundred years.

In the last seven years alone, the American imperialists have bombed Libya, sent troops to Lebanon, and invaded Grenada and Panama. In Panama alone 7,000 people were killed. In addition, they have given massive covert aid to counter-revolutionary military operations in Nicaragua, Angola, and elsewhere. In the Middle East, their NATO ally Turkey invaded Cyprus and annexed a part of it. The world's top recipient of American aid, Israel, established its state by military conquest of a part of Palestine and has since annexed the Golan Heights and occupied the West Bank of the Jordan and the Gaza strip, bombed Iraq, and effectively occupied a part of Lebanon through its proxy, the South Lebanese Army.

American imperialism made no protest at Saddam's use of poison gas to massacre Iraq's Kurdish population (killing at least 5,000 civilians in one single town), nor at his previous invitation to the Turks to send armies in to crush a Kurdish uprising in 1983. It turned a blind eye to his massacre of 10,000 Shias in villages north of Basra. It acquiesced in Saddam's invasion of Iranian Khuzestan, thus launching an eight-year proxy war on behalf of world imperialism to contain the Iranian revolution. It even tolerated an Iraqi missile strike on its own warship, the *USS Stark*, and exploited the incident to justify its own intervention in the Gulf war against Iran. Since 1985 the US Administration has extended a special military aid programme to Saddam. Over-ruling Pentagon objections, it has delivered 14 exports of sophisticated technology that helped Iraq develop its nuclear,

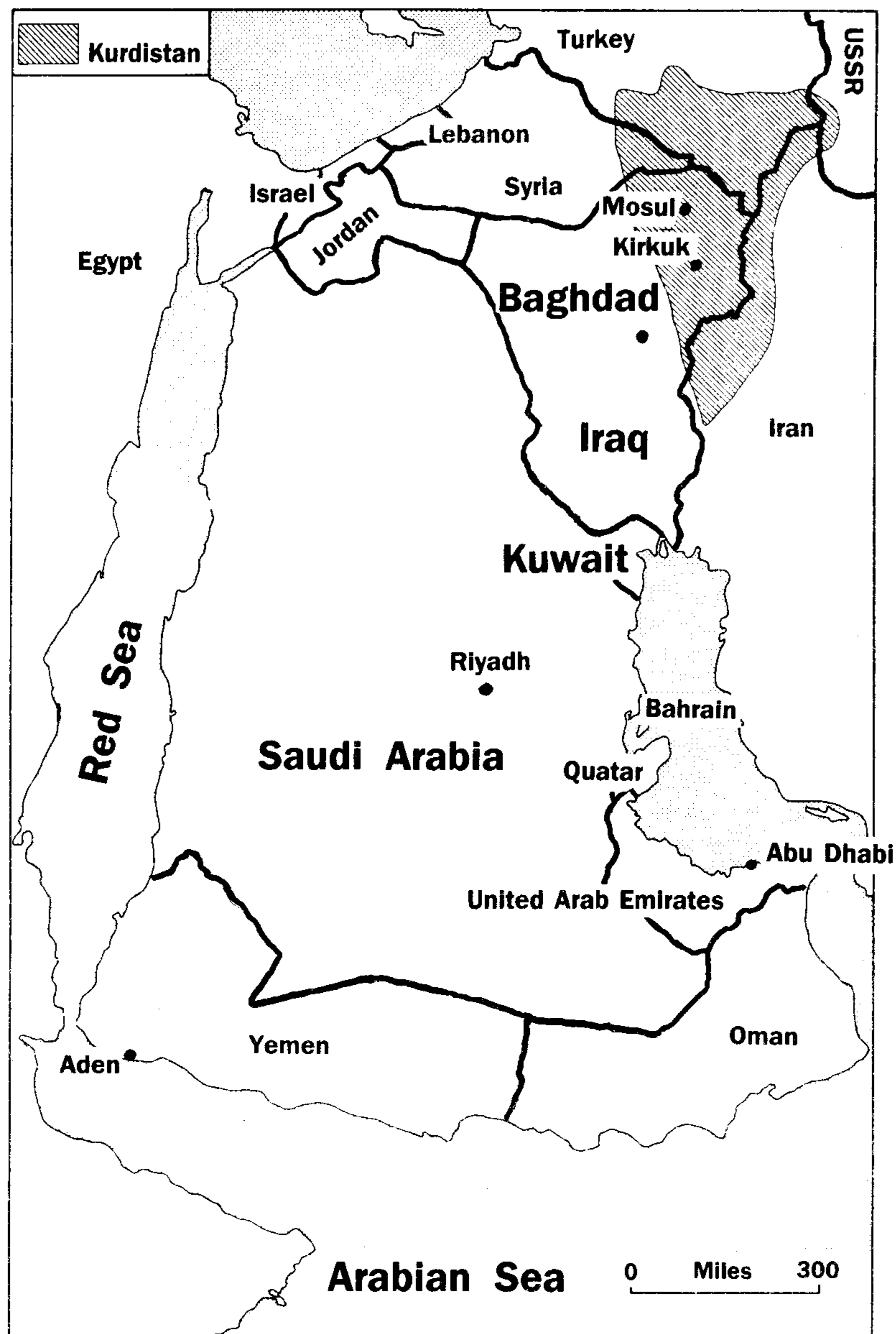
chemical, biological and ballistic-missile systems, the last shipment being due three days before the invasion of Kuwait.

While the US Administration hides behind the screen of the United Nations — as with the Korean War — and makes beautiful speeches about the noble objectives of its pioneers, it omits to mention that its own contribution to that worthy organisation is in arrears to the extent of \$670 million!

1. Arab national consciousness

IN APPROACHING THE complex questions posed by the current crisis, it is necessary to deal briefly with the historical background. The cynical machinations of Western imperialism in the Middle East date from the middle of the last century, with the crumbling of the Ottoman Empire. Lord Curzon declared that the Persian Gulf should become a 'British lake'. By the end of the First World War, anxious to protect this source of oil and the vital trade route through the Suez Canal, and fearing the impact of the Russian revolution over the whole region (which did indeed spread to Iran), British and French imperialism assumed direct control of the territories of Egypt, Persia, Iraq, Palestine and Syria. The intervention of Anglo-French imperialism then too, as today in the case of US imperialism, was legitimised by a 'mandate' awarded by the UN's precursor, the League of Nations.

It is impossible to understand a single event within this region unless we start from the recognition that, underlying the various national identities that have developed, there is a common Arab language, culture and national consciousness. The mainspring of all the turbulent events that have rocked the Middle East — uprisings, coups, wars and revolutions — is the aspiration of the masses to unite this Arab



nation, carved up by imperialism. In contrast to the Indian sub-continent or the countries of Africa (for instance, Nigeria), where imperialism chained entirely disparate tribes, racial groups and peoples together, and where on a capitalist basis they are now straining towards fragmentation, it is clear from a glance at a map that the entire vast territory inhabited by the Arab peoples was arbitrarily divided up by drawing straight lines in the desert sand and creating artificial states, based in the case of the territories administered under the British 'mandate' on rotten puppet monarchies.

Iraq, Syria, Lebanon, Kuwait, Jordan, the Emirates, etc, began as pure artefacts, established by the imperialists to reinforce their stranglehold on their vital strategic interests in the region and fragment the Arab nation. Imperialism cynically promoted and exploited communal discord by playing off rival religious

**Iraq, Syria,
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communities — Sunni and Shia Muslims, Greek Orthodox and Maronite Christians, Druzes, Jews, etc. The French established a Maronite state in Lebanon and the British encouraged the Zionists to establish a Jewish state in Palestine (a 'loyal little Jewish Ulster', in the cynical comment of one British agent), while suppressing and partitioning the homelands of the Kurds, Armenians and other national minorities.

The kingdoms of Egypt, Iran (Persia), Iraq, Libya, and especially the various emirates and sheikhdoms of the Gulf, including the Emir of Kuwait, had no more social base than the Maharajahs of India who collapsed like a house of cards once British imperialism withdrew. The base of those few rotten puppet monarchies which have still precariously hung on to power so far have been shaken to their foundations as a consequence of their current collaboration with the intervention of American imperialism.

The revolutions which overthrew the kings of Egypt, Iraq, Libya etc, were hailed throughout the Arab world as steps towards Arab liberation and reunion, as were the nationalisation of the Suez Canal, the left-Baathist nationalisation of the bulk of the Syrian economy, the nationalisation of the oil consortium in Iraq in 1972, and all such events right up to the intifada in Israel's occupied territories. Undoubtedly, the downfall of the Kuwaiti Emir and the implicit threat to the Saudi King Fahd, and by implication the other rotten sheikhdoms of the Gulf, also aroused the hopes of the Arab masses (with the possible exception of sections of the population of Saudi Arabia and the Emirates themselves), who saw this development as a step towards the Arab revolution.

Kuwait was at one time a part of the Basra province of the old Ottoman empire. As the empire crumbled, the British imperialists established a 'protectorate' around this lucrative port and trading post in 1899. After the First World War, under their League of Nations 'mandate', Britain took over the three former Ottoman provinces of Baghdad, Mosul and the rest of Basra, which later formed the state of Iraq.

In 1921 British imperialism imposed upon the artificial state of Iraq an alien monarch, Faisal — "a king who will be content to reign but not to govern", in the words of a Foreign Office bureaucrat. This provoked mass uproar which was suppressed by brutal massacres in 1920-4. In 1932 a form of 'independence' was granted to Iraq, under "an administration with Arab institutions which we can safely leave while pulling the strings ourselves; something that won't cost very much, which Labour can swallow consistent with its principles, but under which our economic and political interests will be secure," as another British

diplomat put it.

Oil, the railways, the ports and most industries remained under British control, and the British kept their military bases. Winston Churchill emphasised that under this treaty the British imperialists would remain "the owners or at any rate the controllers at the source of at least a proportion of the oil which we require." As the British military chief of staff explained, the treaty gave "the appearance of complete equality... Whatever the *de jure* arrangements, we must retain the *de facto* control."

This shamefaced annexation was not tolerated without furious protests on the part of the people. The Communist Party in Iraq — as also in Syria, Egypt, Sudan, Lebanon and most of the states set up by imperialism — became a massive force. In 1947, the Al-Wathbah uprising (led by the CP) was suppressed by the shooting of 400 people. In January 1948 the CP organised a demonstration of 100,000 in protest.

In 1958, shaken by the Suez crisis and the impact throughout the region of the leftward turn of the Nasser regime in Egypt, world imperialism used as a surrogate the Iraqi monarchy to contain the threat posed by Nasserism. In just the same way, it was later to use the Iraqi military dictatorship against the Iranian revolution. US imperialism tried to establish a 'Baghdad Pact' of Arab monarchies and puppet regimes, modelled upon NATO in Europe. This provoked massive riots throughout the region. British troops were despatched to Jordan and US Marines to Lebanon. The order to move Iraqi troops to Jordan opened the way to the Iraqi revolution of 1958. The army mutinied and marched instead on the royal palace. The King, Crown Prince and Prime Minister were lynched. If the CP had not given its support to the military bonapartist Kassem, they could have taken power.

Only months previously, the US and British governments had been actively contemplating proposals for the military occupation of Kuwait and its conversion from a British 'protectorate' to a direct Crown Colony. It was only out of fear of the effect of such a provocative step in detonating the impending revolution in Iraq that they opted instead for the maintenance of a client regime there. When 'independence' was granted in 1961 to the Emir on this basis, the new Kassem regime in Iraq acted to remove this alien imperialist outpost on its borders. Iraq's claim to this territory was only bought off by a cash bribe.

Baathism was a narrowly-based petit-bourgeois anti-imperialist movement, which, like the Congress in India, was obliged by imperialism's strategy of 'divide-and-rule' to base itself on secularism and pan-Arabism. If the powerful Communist Parties that existed in

Egypt, Iraq, Lebanon, Syria, Sudan and nearly all the Arab countries (and also Iran), had followed a Marxist policy, they could have come to power and united the Arab nation on the basis of a socialist federation. But they were paralysed by Stalin's support for Anglo-French imperialism in the 'Popular Front' period and the Second World War, and after by their slavish adherence to rigid 'two-stage' formulae.

The Stalinists supported the bourgeois bonapartist regimes which came to power in Egypt, Iraq and Syria after revolution had swept the old imperialist establishment from power. These regimes then launched attacks on the CPs under a cloak of pan-Arabism. That they were forced to use this cover is a tribute to the yearning of the Arab masses for unity, without which it would be hard to explain the repeated attempts by all these regimes to merge — attempts doomed by the narrow parochial interests of these bourgeois-bonapartist (or in the case of Syria after 1965, proletarian-bonapartist) states.

To an even greater degree than elsewhere in the colonial world, the states of the Middle East represent a patchwork of extremely paradoxical hybrid regimes. Imperialism superimposed upon societies that are still today largely tribal, dynastic monarchies based upon a feudal political superstructure, many of them suddenly swollen by a gross accumulation of petrodollars swilling through the economy. The fragmentation of the Arab nation has been compounded by the protracted and distorted nature of the Arab revolution. From Algeria to Yemen the revolution has driven forward but in every case, lacking a conscious Marxist leadership, it has stumbled against its objective limits and ended up trampled under bourgeois-bonapartist military dictatorships, which have nevertheless been forced by economic and political necessity to partially base themselves upon the masses' revolutionary aspirations and take steps against imperialist domination. In the cases of Syria and South Yemen, this process overstepped the boundaries of capitalism, and grossly deformed bureaucratic proletarian-bonapartist regimes were established. Recently South Yemen merged with the reactionary theocratic state of North Yemen, and Syria, starved of Soviet aid, appears to be seeking a rapprochement with American imperialism.

In Iraq, military coups under the banner of the right wing of the Baath Party brought reactionary officers to power in 1963 and 1968, who proceeded to smash the CP. Five thousand CP members were killed in 1963 by the Baathist regime with CIA collusion. Nevertheless, in 1964 the new regime was forced by the acute economic crisis to nationalise the banks and parts of industry — cement, edible oil, asbestos, cigarettes, paper, soap, and some



textile and shoe companies.

Saddam personally participated in the later Baath coup of 1968. The 1968 coup led to further steps against imperialism. In 1972 the Iraqi Petroleum Company — a consortium of British, French, American and German monopolies — was nationalised. At the same time the CP was brought into the Cabinet and the regime began to lean for diplomatic support on the USSR. With the development of the OPEC cartel and the surge in oil prices, the regime was emboldened to adopt further erratic and demagogic 'anti-imperialist' policies.

Oil revenues in 1972 amounted to \$570m. Within two years they had soared tenfold, to \$5,700m, and by 1980, with increased prices and expanded production, a peak was reached of \$26,500m! These added oil revenues were used to pump state investment, grants, and subsidies into the private sector. Together with tax cuts, a stringent protectionism, the relinquishing of the state monopoly of foreign trade, and a relaxation of food price controls, this led to a gross enrichment of the capitalists. By 1980 there were 700 multi-millionaires, in dinar terms. During the Iran/Iraq war of the 1980s, many state assets were privatised to raise revenues — the international airport, Pepsi-Cola, textiles, cement, tyres, and chicken farming. Saddam Hussein's Takriti clan especially used the state as a milchcow to accumulate land and domination of the textiles and confectionery industries.

US tanks in Saudi Arabia.

2. The military crisis

SADDAM HUSSEIN'S REGIME was facing disaster on the eve of the invasion. The war with Iran had cost \$300bn. The value of Iraq's oil exports had slumped from \$26bn in 1980 to \$14bn in 1989. Debts had accumulated to \$70-80bn. Inflation was raging at a rate of about 300 per cent. In this situation, the economic devastation and mounting unrest could have erupted into revolution once the million-strong army began to be demobilised.

The regime which ruled Kuwait and those which still rule the other rich Gulf states are hated by the Arab masses. The notional 'per capita' income of \$13,000 was of course concentrated in the hands of a few feudal families. Out of the population of 650,000 Kuwaitis (comprising only 27 per cent of a total population which included 300,000 Palestinians and more than a million migrant Asians deprived of all democratic rights, including 75,000 Sri Lankan housemaids), only 60,000 Kuwaitis had a vote to elect the Emir's charade parliament. The Shias, who form 30 per cent of the population, faced repression. Even educated non-Kuwaiti Arabs were treated as second-class citizens by the arrogant sheikhs.

As client states, Kuwait and the United Arab Emirates had been boosting production to keep oil prices down, in defiance of OPEC quotas. They had given uneasy support to Iraq during the war with Iran out of fear of the effects of the Iranian revolution, but they were also alarmed at the growing military power and erratic policies of the Iraqi regime. The policy of low oil prices was both an economic service to imperialism, and also a deliberate ploy to contain the power both of Iran and Iraq.

Saddam desperately needed to force up oil prices, and above all he needed a popular diversionary foreign adventure to stave off political crisis at home. In Iraq there was popular contempt for the Kuwaiti millionaire oil-sheikhs who exploited the favourable exchange rate by flocking to Baghdad and Basra on shopping trips in their Mercedes, their riches protected from a spread of the Iranian revolution by the lives of hundreds of thousands of Iraqi youth.

Iraq demanded a formal cancellation of its war debts to Kuwait and the handover of \$2.4bn of revenues from the shared Rumeilah oilfield, and \$14bn compensation from Kuwait and UAE for their oil overproduction. Actually, under Iraqi pressure Kuwait was already handing over half the revenue from the disputed oilfield and was not pressing for debt

repayments. But, facing the growing crisis at home, and tempted by the oilwell, access to the Gulf through the disputed islands, and the \$100bn worth of foreign assets, Saddam decided to occupy Kuwait. He had good reason to feel lulled by the USA's general attitude of indulgence towards him, and to feel that he could rely for extra insurance on contingency help from his patrons in the Kremlin in case anything went wrong.

Indeed, US imperialism was perfectly prepared to turn a blind eye to Iraq's threats against Kuwait and even its military build-up, which it assumed was poised for the seizure of the disputed islands and half the oilfield — a deal it would have tacitly tolerated. The US Ambassador told Saddam only days before the invasion: "The US has no opinion on an Arab/Arab dispute like your border disagreement with Kuwait." In the event, however, US diplomacy was caught completely off guard by the outright annexation of the whole of Kuwait. It could not tolerate the concentration of so much power in Saddam's hands over world oil production and above all the potential threat to the Saudi oilfields. Actually, in the first days after the occupation of Kuwait, Saddam could easily have taken Saudi Arabia, but held back because he recognised that this would mean certain war with the USA.

Even at the time of the US debacle in Vietnam, we always maintained that US imperialism would intervene with full force in the event of any threat to the Saudi oilfields — all the more so at this time of imperialist euphoria at the collapse of Stalinism. After initial vacillation, the threat to oil prices and to the global prestige of American imperialism dawned on Bush and, under the insistent pressure of Thatcher, he began preparations for war. In the circumstances, the massive concentration of US military force in the region was inevitable.

This crisis demonstrates that, by upsetting the diplomatic and military equilibrium so painstakingly built up over the last four decades, the collapse of the Stalinist regimes has ushered in a new era of global instability. A strong and confident bureaucracy in the Kremlin would probably have been able to avert the outbreak of the crisis by exercising unremitting vigilance and pressure on Saddam. Even if the Kremlin had found itself presented with a fait accompli — as with Nasser's nationalisation of the Suez Canal or the turn to proletarian bonapartism by Castro in Cuba — it would have acted resolutely to contain American intervention, for the sake of its own diplomatic prestige and power politics.

Today, however, the Soviet bureaucracy has become an open counter-revolutionary force and a direct agency of imperialism. It has written off Eastern Europe, conceded that East



**Saudi Crown
Prince
Abdullah.**

The US was quite prepared to turn a blind eye to Iraq's claims on Kuwait

Germany should be swallowed up by NATO, and initiated moves in the direction of capitalist restoration in the USSR itself. With the Bolshevik exposure of the secret Sykes-Picot treaty of Anglo-French imperialism to carve up the Arab nation into respective spheres of influence, the Russian revolution had given a powerful impetus to the development of Arab nationalism. By abandoning Iraq while under attack from US imperialism, the Soviet bureaucracy has shamelessly capitulated. Little wonder that Bush and Baker — who not so long ago were applauding Reagan's description of the USSR as an 'evil empire' — have given Gorbachev such extravagant praise.

Bush is insisting on unconditional withdrawal from Kuwait. The acquisition of the Kuwaiti oilfields gives Iraq control of some 200bn barrels, around a fifth of the total world reserves. If Saddam were to have occupied Saudi Arabia too, then that would have given him direct control over 45 per cent of the world's reserves of oil. US imperialism could never tolerate this permanent threat to its oil supplies.

If US imperialism had not been caught unawares by the invasion, it could have taken pre-emptive measures and meanwhile quietly cobbled together a settlement to appease Saddam. Now that it has been forced to respond with a military ultimatum, its prestige throughout the world is at stake. To agree publicly to Saddam's demands now would humiliate the USA and undermine its global authority. It cannot allow this, for fear of the consequences throughout the colonial world. On the other hand, Saddam cannot afford to retreat without extracting substantial concessions — all the more so since having taken the dangerous gamble of capitulating to all the demands of Iran after a devastating eight-year war.

US imperialism has succeeded in enforcing an embargo on trade and credit with Iraq, backed up by a massive naval and air blockade, and freezing all Iraqi and Kuwaiti assets. This has so far proved more effective than the flimsy sanctions imposed on Rhodesia and South Africa in the past. All the imperialist powers agree on the necessity of containing the threat from Iraq to their vital oil interests. This coincides with the fear of the client states of imperialism in the Middle East at the danger of overthrow under the banner of pan-Arabism and anti-imperialism raised demagogically by Saddam. The oil pipelines running through Saudi Arabia and Turkey have both been cut, and the Syrian regime has refused to reopen another disused pipeline. The cessation of Iraqi oil exports, together with that of credit, has cut all foreign exchange at source. Military aid from the USSR has also stopped.

Nevertheless, in the long run economic sanctions can never have a decisive effect. No boycott can be maintained at a substantial level for long. In this case, there is already constant seepage in terms of imports across the borders with Turkey, Iran and especially Jordan. Iraq has food stocks lasting several months, and a severe shortage of vital parts and materials for industry and armaments would only become a crucial factor in conditions of war — by which time the whole issue would have shifted to a different plane. It therefore seems unlikely that diplomatic or economic pressures will lead to a resolution of the issues.

However, the consequences of war, militarily, economically and politically, could be so drastic that imperialism could find itself in hitherto uncharted territory. The strategists of the American ruling class are hoping for a miracle: an Iraqi withdrawal under the pressure of sanctions or a coup in Baghdad, which would enable them to withdraw with honour. Neither hope is likely to be realised. Crucial national conflicts can never be resolved on the plane of economic sanctions alone. As for an overthrow of Saddam Hussein, prior to a war, such an outcome is almost ruled out.

The hostility of US imperialism towards colonial dictators has hardly proved a destabilising factor elsewhere: Gaddafi has been in power for 21 years, Assad for 25 years, Castro for 31 years! On the contrary, the military mobilisation of imperialism and the occupation of Arab territory by hundreds of thousands of foreign troops has generated a wave of fury against imperialism which has been skilfully exploited by Saddam, with some success even among communities that had previously, and with good cause, hated him.

In any case, short of military defeat at the hands of the USA, any military regime that replaced Saddam would have to pursue policies not very different from his. It would still be sitting astride a tremendous military apparatus, including a biological and chemical arsenal and a potential nuclear capability. Only in the ruins of military conquest — with the utter rout and humiliation of Iraq — could any Iraqi regime dare to be seen to play the role of quisling. After all, it took the defeats of 1967 and 1973 before an openly pro-imperialist regime could be installed in Egypt.

Even assuming an Iraqi withdrawal from Kuwait, which appears unlikely before the outbreak of military hostilities, then it is doubtful that having concentrated such tremendous military power, US imperialism would be satisfied. It would demand guarantees, including perhaps a permanent base in the region. The real strategic aim of US imperialism must be to smash the formidable military might of Iraq before it threatens an even greater conflagra-



**US troops
prepare for
chemical
warfare.**

**The
possibility of
a negotiated
settlement
can still not
be ruled out**

tion — possibly involving the use of nuclear weapons — including a threat to the existence of Israel, its principal client state in the region.

It is probable that once the US has assembled adequate forces in place, it will invent a pretext for an attack. The US generals cannot afford to leave their troops rotting in the desert indefinitely. Once they felt ready, they would manufacture some suitable incident — arising perhaps from an attempted breach of the blockade or the treatment of hostages — as they did in the Gulf of Tonkin in Vietnam.

US imperialism is building up its forces to at least 200,000 ground troops, together with impressive air and naval power, in addition to the secondary auxiliary forces sent in by British and French imperialism and the token forces of other countries (which together still amount to nearly 100,000 troops). Obviously the US is still the most formidable military power the world has ever seen, and eventually it is almost certain that on the military plane it would win a war with Iraq. However, this will be no walkover, as in Grenada and Panama. Iraq has assembled a huge military machine: the world's fifth largest army (one million troops, with millions more potential reservists), 5,000 tanks, the most sophisticated fighter aircraft and bombers, chemical weapons and missile delivery systems, submarines, artillery, and a highly-advanced domestic armaments and electronics industry, and with eight years of experience of desert warfare. Already before hostilities have commenced, the US military staff are facing enormous technical, logistical and morale problems. Computer parts are melting in the heat, sand is jamming up their weapons, and the troops are languishing in inhuman conditions.

The US joint chiefs of staff estimate that there could be at least 30,000 US casualties, and maybe 100,000, even in the event of a short war — compared to 50,000 in the entire thirteen-year Vietnam war. The morale of the troops in the Saudi desert is already depressed. Soldiers have been quoted asking why cheap oil should be bought at the cost of their own lives. Even at home, the mood in the USA is not jingoistic as was initially the case with the Vietnam war, and more recently with the operations in Grenada, Libya, Lebanon and Panama. A prolonged war, with heavy casualties, would be a source of tremendous radicalisation in the USA, even more so than at the time of the Vietnam war, due to the confluence of war and recession simultaneously. In particular, given the disproportionate representation of Blacks and Hispanics in the US Army, it could lead to new uprisings in the ghettos of the American cities. There would also be the birth of mass anti-war movements in Britain and France, which would also suffer major casualties.

In these circumstances, some of the strategists of imperialism have recognised that the consequences of war could be catastrophic for American imperialism, in terms of military casualties, economic recession, the development of an anti-war movement at home, and above all of growing turmoil throughout the Middle East. In this situation, the possibility of a negotiated settlement can still not be altogether ruled out. Bush, Hurd and Mitterand have all hinted at a comprehensive Middle Eastern peace settlement following a withdrawal of Iraqi troops from Kuwait — a settlement, however, imposed under the heel of 200,000 US troops.

French imperialism, which has traditionally dominated North Africa and has its own substantial assets in Iraq, plus the pressure of two million Arabs within its own population, is striving to achieve a settlement. So too is the Soviet bureaucracy, which is fearful of any threat to global stability and in particular of the effects of a war on its own already volatile Muslim population. However, so far there is no substantial basis for a settlement.

Once hostilities commence, there would be a bitter fight for control of Kuwait City. If the Iraqi armies are driven out, Saddam may then withdraw to the old Iraqi borders, keeping perhaps the Islands and a portion of the oilfield, while threatening an attack on the Saudi oilfields to deter an American invasion. It is not theoretically excluded that a peace could be made before the war gets beyond that stage. It is more likely, however, that American imperialism would try to consolidate its gains in the hope of smashing the Iraqi military machine and imposing a settlement over the entire region. Irrespective of the outcome of this war, it can only end in redoubled instability.

3. Economic consequences of the crisis

THE ISSUE IN this war will not be the rights of small nations but the continued supply of cheap oil to the capitalists in the metropolitan countries.

The eight-year boom since 1982 was fuelled initially by a huge expenditure of some \$2,000bn on armaments by the US government. If there is a war in the Gulf, the fact that this will coincide paradoxically with a recession is partly due to the enormous stockpiling of arms that had already taken place. The armaments boom that normally accompanies a war has in this case largely preceded the outbreak of

hostilities. This also of course explains the huge budget deficit which, by pushing up interest rates, combines with the risk of a rise in the price of oil and other raw materials to threaten the danger of a recession.

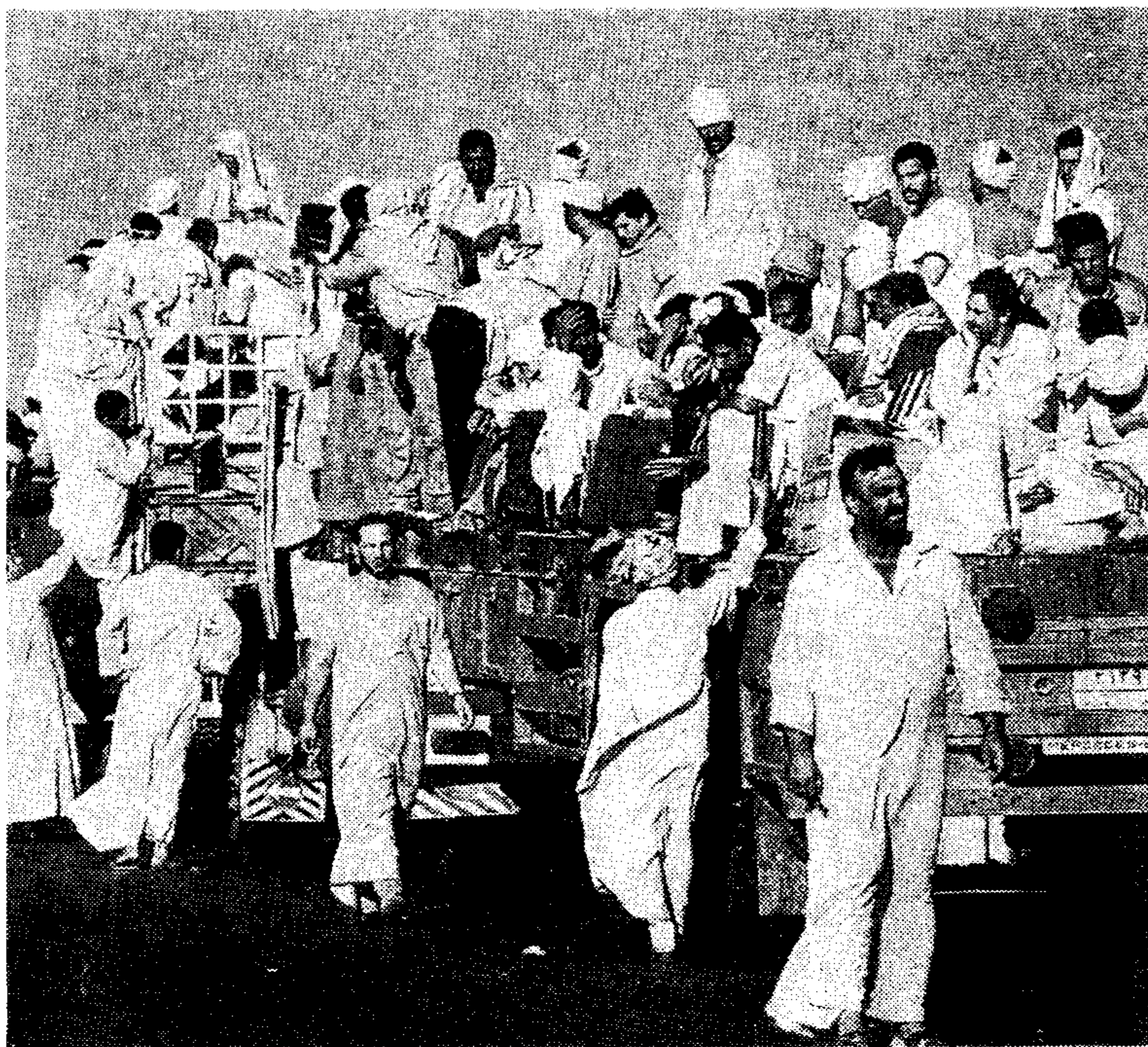
A crucial factor in the boom has been the colossal tribute extracted from the colonial world: a net transfer of resources, both in terms of interest payments on accumulated loans, and of the worsening of the terms of trade, amounting to \$37.6bn in 1988 and \$42.9bn in 1989. Not the least factor is the sharply reduced price of oil, which in 1986 dipped as low as \$8 per barrel (pb), and which in real terms is still not even today, at \$40pb, in the midst of the Gulf crisis, nowhere near as high as it was in 1980. Revenues from oil in the Middle East dropped from \$220bn in 1980 to \$60bn in 1986. In terms of the purchasing power for manufactured goods, oil had halved in value between 1980 and July 1990.

As a result of the oil crises of 1973-5 and 1979-82, the metropolitan countries invested in the development of domestic oil production (for example in Alaska and the North Sea) and partially diversified their sources of energy so as to reduce their dependence on imported oil. The USA and Europe have cut oil input per unit of output by more than 30 per cent since 1979, and Japan by 40 per cent. These factors, assisted by cracks in the cohesion of the OPEC cartel, led to a slump in oil prices. During the subsequent years of the oil glut, however, dependence on oil again increased due to complacency. Worldwide energy use, in oil equivalent, has soared from 11 million barrels per day (mbd) in 1900, to 31.5mbd in 1950, to 162mbd in 1988. Actual world oil consumption in 1989 reached 64.7mbd, still higher than the 62.1mbd consumed in 1980. Another factor is the fact that the OECD countries have also stockpiled emergency supplies. Reserve stocks of oil available to them are six times as great as in 1979 and would last 99 days.

At the outbreak of the crisis, the price of oil was \$16 per barrel. At the time of writing, the oil price has soared to \$40pb, and the World Bank estimates that if it comes to war, it could rise to at least \$65 and maybe far more. Even this, however, may not be as serious as the last oil crisis. In real terms, the peak of \$40pb reached in 1980 would translate into \$80 today.

In 1973 the Arab/Israeli war brought the price of Persian Gulf crude oil from \$1.80pb in 1971 to \$11.65pb. It triggered a recession, the underlying causes of which were the fall in the rate of profit and rising inflation. The 1979 Iranian revolution brought oil prices up to \$40 by 1982, triggering off another recession.

In 1974-5 average inflation in the OECD countries reached 13.5 per cent, three times



Egyptian workers leaving Kuwait.

the level for the previous decade. Unemployment rose from 9 million in 1973 to 15 million in 1975. The cumulative loss of growth in the mid-'70s was 7 per cent, and in 1979-82 5 per cent.

Having been haunted earlier by apocalyptic nightmares about the economic consequences of the crisis, the capitalist strategists appear to have become alarmingly sanguine. But the argument that the economic effects would be less serious because the prospective oil price increase today is proportionately less than those of 1973 and 1979 — that the price would have to soar to \$50pb to pose the same problems as the rise of 1979 and to \$120 or more to cause as much damage as 1973 — is flawed.

If the price stabilises at around \$25pb, the direct effect on the major capitalist economies would be measured in one or two percentage points. But in the event of a war and an attack on the oilfields, it could rocket up. In any case, the USA, the UK, Canada and Australia were already on the brink of recession even without the Gulf crisis, with stagnant investment, high interest rates, and a rise in inflation. These economies are already vulnerable to any shock. A tottering economy can be badly affected even by a small price rise. Once you have heaved a boulder to the edge of a precipice a prod with a finger can push it over.

With two per cent of the world's population, the USA consumes a quarter of the world's oil. Even if oil prices stabilise at \$25pb, the US trade deficit would nearly double. Meanwhile, with US military costs already running at \$43m a day, the cost of the military build-up could double

The USA, Britain, Canada and Australia were already on the brink of recession

**The Gulf
crisis could
lead to a
catastrophic
recession in
Eastern
Europe**

the USA's already intolerable budget deficit, which could reach \$300bn (around 5 per cent of GNP). This would mean the maintenance of high interest rates. Any attempt to make serious inroads into the state budget could itself plunge the economy into recession.

The economic outlook for the major capitalist economies is uneven. Japan's economy grew at 5.55 per cent in the 12 months to the end of March 1990 and at a rate of 10 per cent per annum in the first quarter of this year. The comparable figures for West Germany were 4.45 per cent and 13.3 per cent. The USA by contrast grew at only 1.34 per cent per annum in the first quarter and 1.2 per cent in the second quarter.

The effect of the crisis on the countries of Eastern Europe — which if the process of capitalist restoration is carried through to a conclusion will become virtually semi-colonial countries — will be absolutely catastrophic. Previously, the USSR supplied 97 per cent of Czechoslovakia's oil, 70 per cent of Hungary's, 90 per cent of Poland's, at subsidised prices of \$7 per barrel, and East Germany's and Bulgaria's at an equivalent rate but on a barter basis. From January 1991, the COMECON countries will have to buy Soviet oil at world prices, and moreover in hard currency. At an average of \$30pb, oil imports will absorb 90 per cent of Czechoslovakia's present hard-currency export earnings and 120 per cent of Bulgaria's.

Even before the Gulf crisis sent oil prices soaring, this decision would have dealt a body-blow to these economies. But they had mitigated the effects by making special arrangements with Iraq and Kuwait! They did a deal with Iraq to settle debts incurred during the war with Iran in oil exports. In July, Iraq increased its oil exports to these countries by 500,000 barrels per day. Now the UN embargo has severed this lifeline. In addition, Polish, Czech, Romanian and Bulgarian military exports to Iraq, and Hungary's contract to build oil refineries in Kuwait, will be cancelled.

A recent special NATO meeting concluded that the Gulf crisis could lead to a catastrophic recession in the countries of Eastern Europe, and make it much harder for the 'new-born democracies' to survive. They even warned that 'Chilean-style' regimes could emerge. Illusions in capitalist 'democracy' will be cruelly betrayed, and regimes will come to power worse than those of Horthy, Pilsudski, etc.

The effects of this crisis will also inevitably usher in a new phase of the colonial revolution. There are 41 countries (28 of them in Africa) with per capita incomes of less than \$300 per year, less than 10 per cent of GNP invested in industry, and less than 32 per cent literacy. These countries owe their creditors 80 per cent of their national output (\$69bn), and interest

payments alone cost them \$3bn a year (about a third of export earnings). If oil prices stabilise at \$25pb until the end of 1991, this will cost the poorest nations an extra \$440m in oil imports this year and \$920m next year.

The oil-producing countries in the colonial world (outside the Gulf, this means Mexico, Venezuela, Ecuador, Trinidad, Algeria, Nigeria, Cameroon, Congo, Gabon, Indonesia and Malaysia) will benefit from the oil price rise. The vast majority of the population of the colonial world, however, will face devastating consequences, directly cutting GNP by 0.5 per cent to 1.5 per cent.

Some colonial countries will be particularly hard-hit. Bangladesh depends entirely for oil on the Middle East. Remittances from the 450,000 workers in the Gulf account for one-third of foreign exchange earnings. £100,000 per day is being spent on charter flights repatriating refugees.

Uganda's oil bill will rise from \$7m per month to \$10m. The price of coffee (which provides 95 per cent of foreign exchange earnings) has plummeted: the volume of coffee exports has grown from 144,000 tonnes in 1988 to 176,000 tonnes, but earnings will be \$21m less than last year.

Apart from the loss of remittances from workers in the Gulf, the Philippines has had to raise domestic oil prices by a staggering 34 per cent, thus aggravating the growing threat of a bloody military coup.

In the next nine months, Pakistan will need an additional \$600m to meet the oil price rises, but will lose an estimated \$400m in Gulf remittances. The rise in the cost of imports and loss of exports to the Gulf could bring the total estimated cost of the crisis to \$2bn.

India has lost 40 per cent of its normal oil sources, and the remittances of 180,000 expatriates in Iraq and Kuwait. It will also have to write off \$500m in debts owed by Iraq. Taking into account the rise in oil prices, the current account deficit for 1990-91 could widen by 20 per cent (\$2bn). Foreign exchange reserves at \$2.9bn are at the lowest level for the last decade, equal to only 49 days of imports.

With the embargo on trade with Iraq, Sri Lanka has lost the second biggest export market for its tea, along with higher oil prices and a loss in remittances. This is on top of the \$300,000 per day incurred by the Government in its war with the Tamil guerrillas. There is talk of the Sinhala areas becoming 'ungovernable'.

In spite of Japan's cutbacks in oil dependency, oil still accounts for 60 per cent of Japanese fuel needs. Tokyo's stock market has fallen by 39 per cent from its record of 38,915 points in December 1989, the largest collapse since the war.

Although it is predicted that Germany will

have the world's largest current account surplus this year at \$58bn, taking over from Japan which will slip to \$45bn, and in spite of the continued appreciation of the Deutschmark which will partly offset the inflationary domestic impact of higher world oil prices, the huge cost of reunification will undermine the current health of the German economy.

Obviously, a deep recession in the USA would itself severely depress the economies of Japan and Germany and could, as Baker warned, even plunge the world into a depression. Unlike in 1974-5, when there was a simultaneous world recession, the recession of 1979-82 began with a downturn in the 'Anglo-Saxon' economies. This had a delayed effect on the economies of Germany and Japan, which then in turn interacted on the economies of the USA and UK to drag them down again just as they were recovering from their original downturn. It seems that the impending recession will take a similar course.

The USSR — which produces 12 million barrels of oil per day — will benefit by a rise in world prices, especially since from January 1991 it is withdrawing the substantial discount previously conceded to the COMECON countries. Every dollar rise in the oil price will bring into the USSR an extra revenue of \$750m per annum. But the USSR will not be able to capitalise on the crisis by increasing oil production. Like Spielberg's gremlins, the Stalinist bureaucrats have an unparalleled knack of fouling up everything with which they come into contact! The oil industry — as with the rest of the Soviet economy — is seizing up due to bureaucratic incompetence. Hit by a combination of declining reserves, equipment shortages, industrial unrest, transport bottlenecks, and a lack of serious energy conservation, the world's largest oil producer is now importing emergency supplies of petrol and aviation fuel! On top of all this, the embargo means that the USSR will also lose its imports of Iraqi crude oil, which up to now it has been refining and re-exporting. The oil industry is utterly incapable of exploiting the price rise by increasing output. Figures for the first eight months of 1990 actually show a fall of 5 per cent in the output of both oil and coal.

Military spending by the developing countries had reached \$160bn by 1986, or 5.5 per cent of GNP. This outstrips spending on health and education combined. There are currently twelve wars taking place in Africa alone. There is also a threat of war between India and Pakistan. On the basis of the colossal rearmament of both powers, such a war today would have consequences far more devastating than those of 1947, 1965 and 1971. There would be massive civilian casualties, far greater in view of the population density than those in the Gulf.

The two raging conflicts in the Gulf and the Indian sub-continent would be separated only by Iran and Afghanistan, themselves hardly havens of stability!

The danger looms of possible defaults on the debts of the East European countries, as well as those from the colonial countries. Coming on top of the savings and loans scandal in the USA, these factors could conjure up the spectre of bank collapses and financial chaos in the USA and the other imperialist countries, whose governments would be forced to step in, placing the burden on the workers and the middle class through taxation, and thus in turn further depressing the economy. Taken together with the factors described above, it is clear that without a speedy and peaceful resolution of the crisis, the economic consequences could be disastrous.

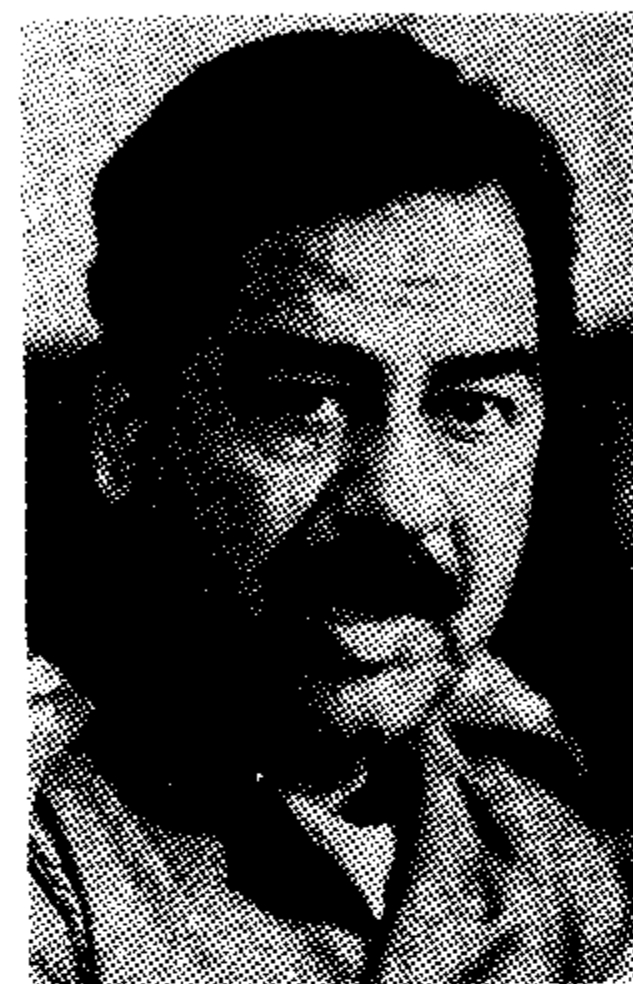
4. Effects in the Middle East

IF IT COMES to a full-scale war, it could have catastrophic consequences, both in military and economic terms. The most serious problem that would be faced by US imperialism in the event of a war, however, is political. The presence of US troops is a source of tremendous radicalisation throughout the Arab world. They will face the unyielding resistance of the Arab masses. It was ultimately this pressure that forced Britain and France to withdraw from Suez, and France and the USA from Lebanon. Even if the USA wins a war with Iraq, it will only lead to revolutions, continuing ferment, and new wars. In just the same way, there have been five Arab/Israeli wars in the last four decades.

The invasion of Kuwait has united in horror all the rulers of the Arab countries, from the semi-feudal Emirs of the Gulf to the proletarian bonapartist regime of Assad in Syria. It violates the long-standing 'gentleman's agreement' that the fragile system of Arab states set up by the imperialists is sacrosanct and their borders inviolable.

On the other hand, the oppressed Arab masses of the whole region, and above all the super-oppressed Palestinians who constitute the most potent symbol of the Arabs' humiliation at the hands of imperialism, have greeted the invasion as a long-awaited declaration of war on imperialism and its hated client states.

There have been demonstrations of tens of thousands in support of Iraq throughout the Arab world from Mauritania to Yemen, including Sudan, Jordan, Algeria, Tunisia, Libya,



Saddam
Hussein.

**Saddam has
been forced
to lean
upon the
Arab masses**

Somalia and (according to unconfirmed reports) Syria. There have even been demonstrations of Palestinians in Saudi Arabia. There have been queues of thousands of youth lining up outside the Iraqi embassies to volunteer to fight.

Saddam has been forced to lean upon the Arab masses in his conflict with US imperialism and is relying on the prospect of revolts against the rotten collaborationist regimes of Saudi Arabia, the Emirates, Jordan, Tunisia, Morocco etc, and against the stooge regime that now rules Egypt, the second largest recipient of US aid after Israel.

From the standpoint of the Palestinians, the diplomatic overtures of the PLO have won no reciprocal concessions; while after heroic efforts the intifada has temporarily stalled, with the mass uprising limited by the nationalist programme of the PLO which cannot appeal to the mass of the Israeli Jews. The prospect of a direct war with the USA has therefore inspired the Palestinians. The recent massacre of Arabs in Jerusalem has further enhanced their determination to fight. There have been successive general strikes on the West Bank. Interviews in the occupied territories elicited such statements as: 'The sentiment of the people is not first of all support for the Iraqi regime or the occupation of Kuwait. It is a feeling against the US which has neglected us...' 'The Iraqi leader has become identified with the struggle between the haves and the have-nots...' 'Saddam Hussein looks like the only Arab leader who believes in action and is willing to stand up to the Americans and to Israel...' 'It's their oil they're worried about. What did they do to stop the Israeli invasion of Lebanon? What have they done about the bloody occupation of the West Bank?'

The survival of the Jordanian regime is put to severe strains by this crisis. The economy has lost the remittances of Jordanian expatriates worth \$800m, Kuwait's annual contribution of \$135m, and the combined Iraqi and Kuwaiti markets for Jordanian exports worth \$275m a year. The blockade has caused a flight of capital, liquidation of businesses, and an unemployment rate of about 20 per cent. Each one dollar on the price of a barrel of oil costs Jordan \$20m. Sanctions are costing Jordan \$5m a day. Now Jordan has lost half its supply of cheap Saudi crude oil. Ninety per cent of Jordanians, including the Palestinians who make up the majority of the population, support Iraq against the USA and are suspicious at the ambiguous attitude adopted by King Hussein, who has been partially prevented from playing his accustomed and preferred role as stooge of American imperialism only by mass pressure and the fear of imminent revolution.

The Iranian regime is pulled in all directions

by contradictory tendencies: a deep split within its own ranks, the anti-imperialist pressure of the masses, hostility towards its recent enemy Iraq, the unexpected benefit of the sudden peace agreement with Iraq, anxiety at the prospect of a settlement giving Iraq access to the Gulf, a desire for rapprochement with the USA, and awareness of the dangers posed by a permanent US military presence in the region. It has cautiously condemned the invasion on the grounds that it is 'at variance with stability and security in the sensitive region of the Gulf... and prepares the ground for the presence of expansionist foreign powers', but its attitude even towards the blockade, let alone a possible future war, is ambiguous.

The USA is investing \$2.3bn a year in propping up the Mubarak regime in Egypt. This former regional power has been eclipsed by the massive military ascent of Iraq. Now, as a result of the crisis, Egypt's remittances will fall from \$3bn to \$1.5bn, and it will lose \$17bn that was invested in Iraqi and Kuwaiti banks. Seven million Egyptians have at one time or another worked in Iraq, and there were 800,000 Egyptians in Iraq, and 100,000 in Kuwait, at the time of the invasion. Egyptians have good reason to hate the Saddam regime, in view of the brutal treatment suffered by Egyptian workers in Iraq last year, many of whom were beaten and even killed by unemployed Iraqis returning from the front. Even there, however, according to opinion polls, while 86 per cent are in favour of Arab sanctions against Saddam, only 14 per cent consider US interference in the region acceptable, and Mubarak's commitment of troops to fight alongside the US army could undermine his regime if war breaks out.

Syria, which is already maintaining 40,000 troops in Lebanon and is facing economic difficulties due to reduced Soviet aid, has taken the opportunity to solicit American aid and meanwhile help to undermine its traditional enemy Iraq by shamefully committing troops to Saudi Arabia. Assad has pathetically tried to dress this up with references to a wish to 'keep an eye' on the activities of the US army!

Turkey will lose \$2.5bn in lost trade revenues and in crude oil paid in kind through cutting the pipeline. But the Turkish ruling class is willing to accept these hardships — largely compensated by the USA — while it casts greedy eyes at the Kirkuk and Mosul oilfields. It has designs on territory currently occupied by Iraq and in 1983 launched military attacks on the insurgent population of Iraqi Kurdistan at Saddam's invitation. But opposition is growing to the Turkish government's collaboration with the USA.

In Israel, the threat of Iraqi attack has reduced the latent sympathy for the intifada within sections of the Jewish population and further

strengthened the right-wing government, which has cancelled a projected \$25m cut in defence spending. The USA is desperately anxious to avoid Israeli involvement in the operation, which would immediately prejudice all chance of Arab co-operation, and for the first time has refused to veto a UN censure of Israel. The Israeli government for the moment is happy to stay out of the conflict. In the event of an attack by Iraq, however, or a revolution in Jordan resulting in the coming to power of an openly pro-Iraqi regime, Israel would take military action, thus enormously escalating the conflict.

Within Saudi Arabia itself there is opposition to the monarchy from the hundreds of thousands of Palestinians and two million Shi'ites, and among the 75 per cent of the workforce of foreign origin. If it comes to all-out war and American bombing of the civilian population of Baghdad, then few of the Arab regimes will be able to withstand the revolutionary tidal wave which will sweep the entire region.

5. Marxism and war

THIS WAR POSES crucial questions for the international labour movement. US imperialism and its allies are concentrating the most formidable military threat since the Second World War against a colonial country. Meanwhile, Saddam Hussein is posturing in the role of an Arab Napoleon, calling on the Arab masses to sweep aside the region's rotten pro-imperialist regimes and playing on the aspirations of the Arab masses for liberation and unification.

We are under no illusions that the reactionary militaristic regime of Saddam can resolve a single one of the acute social contradictions in Iraq, Kuwait, the peninsula, or the Arab world as a whole. Nevertheless, we have to recognise that the ousting of the Kuwaiti Emir and the eradication of the artificial frontier separating Iraq and Kuwait strike a major blow against world imperialism and have had a radicalising effect throughout the Arab world.

It is true that in no country today is the bourgeoisie capable of carrying through its historic tasks and completing the bourgeois-democratic or national-democratic revolution. This does not mean that it is incapable of striking secondary blows against imperialism. We support such limited measures as Nasser's nationalisation of the Suez Canal, Indira Gandhi's nationalisation of the banks and abolition of the maharajahs' privy purses, the Iraqi regime's nationalisation of the oil companies etc. If world imperialism tries to take preventive or retaliatory steps against the implementation of these progressive, if limited, measures, then we



must stand four-square in defence of these colonial countries against the attacks of imperialism. So too with the present conflict. We are opposed to the repressive methods by which Kuwait was forcibly incorporated into Iraq. But the intervention of American imperialism represents a threat to the entire colonial world. The rights of the Kuwaitis, the monstrous nature of the Iraqi bourgeois-bonapartist state, the atrocities committed by Iraqi troops in Kuwait, the fact that politically Saddam's regime is no more democratic than that of the Emir, are no longer the main issue. The Emir of Kuwait was no more than a stooge of the oil companies, and his state an enclave of imperialism. We recognise that, for all the brutality of the occupation, there is a certain progressive content in the Emir's downfall together with the eradication of the artificial borders of Kuwait.

Marx and Engels fought bitterly against Bismarck's bonapartist regime, with its brutal repression of the labour movement, and fiercely attacked Lassalle's opportunist accommodation with Bismarck. But they recognised that through a series of expansionist wars of annexation, the militaristic Prussian junker Bismarck was implementing, albeit in an unconscious and grotesquely distorted way, the programme that the cowering German liberals were incapable of carrying through in 1848, namely the defeat of the splintered provincial feudal principalities and their unification into a single state and a single market. In the context of the period, this opened up the prospect for the untrammelled development of capitalism, the expansion of industry and the growth of a mighty proletariat. Engels even called Bismarck "a revolutionary

***Pro-Iraqi
Palestinian
demonstration.***



*US Chief of
staff Powell.*

against his will." (Marx and Engels, *Selected Correspondence*, p362).

At the time of the Franco-Prussian war of 1870 — a war that culminated in the glorious Paris Commune — they recognised the progressive consequences of Prussia's actions without giving a shred of support to the war or prejudicing their appeal to the French working class.

"To magnify anti-Bismarckism into the sole guiding principle would be absurd... Bismarck... is doing a bit of our work, in his own way and without meaning to, but all the same he is doing it. He is clearing the deck for us better than before." (Marx and Engels, *Selected Correspondence*, p228.)

Today there is of course no prospect of the unification of the Arab nation on a capitalist basis. But we have to support every step which weakens the stranglehold of world imperialism on the colonial masses and resist all imperialist acts of conquest. This is an elementary principle, for which there are no shortage of precedents in the modern epoch.

In the 1930s Trotsky dealt many times with this issue, in relation to imperialist attacks on several colonial countries. For instance, in answer to those sectarians who preached neutrality at the time of the Sino-Japanese war, Trotsky wrote:

"We do not and never have put all wars on the same plane. Marx and Engels supported the revolutionary struggle of the Irish against Great Britain, of the Poles against the Tsar, even though in these two nationalist wars the leaders were, for the most part, members of the bourgeoisie and even at times of the feudal aristocracy... Lenin wrote hundreds of pages demonstrating the primary necessity of distinguishing between imperialist nations and the colonial and semi-colonial nations which comprise the great majority of humanity... China is a semi-colonial country which Japan is transforming, under our very eyes, into a colonial country. Japan's struggle is imperialist and reactionary. China's struggle is emancipatory and progressive.

"But Chiang Kai-Shek? We need have no illusions about Chiang Kai-Shek, his party, or the whole ruling class of China, just as Marx and Engels had no illusions about the ruling classes of Ireland and Poland. Chiang Kai-Shek is the executioner of the Chinese workers and peasants. But today he is forced, despite himself, to struggle against Japan for the remainder of the independence of China. Tomorrow he may again betray. It is possible. It is probable. It is even inevitable. But today he is struggling. Only cowards, scoundrels, or complete imbeciles can refuse to participate in that struggle...

"In a war between two imperialist countries,

it is a question neither of democracy nor of national independence, but of the oppression of backward non-imperialist peoples. In such a war the two countries find themselves on the same historical plane. The revolutionaries in both armies are defeatists. But Japan and China are not on the same historical plane. The victory of Japan will signify the enslavement of China, the end of her economic and social development, and the terrible strengthening of Japanese imperialism. The victory of China will signify, on the contrary, the social revolution in Japan and the free development, that is to say unhindered by external oppression, of the class struggle in China... The working class movement cannot remain neutral in a struggle between those who wish to enslave and those who are enslaved. The working class movement in China, Japan and the entire world must oppose with all its strength the Japanese imperialist bandits and support the people of China and their army. This does not at all suppose a blind confidence in the Chinese government and in Chiang Kai-Shek... We do not attack Chiang Kai-Shek for conducting the war. Oh, no. We attack him for doing it badly, without sufficient energy, without confidence in the people and especially in the workers." (*On China*, pp568-573).

Similarly in relation to the attack by Italian imperialism on the slave state Ethiopia (Abyssinia) ruled by the king Haile Selassie, Trotsky explained:

"We are for the defeat of Italy and the victory of Ethiopia, and therefore we must do everything possible to hinder by all available means support to Italian imperialism by the other imperialist powers, and at the same time facilitate the delivery of armaments etc, to Ethiopia as best we can... We want to stress the point that this fight is directed not against fascism, but against imperialism. When war is involved, for us it is not a question of who is 'better', the Negus or Mussolini; rather it is a question of the relationship of classes and the fight of an underdeveloped nation against imperialism." (*Writings, 1935-6*, p41)

"If, for example, (we) support Ethiopia, despite the slavery that still prevails there and despite the barbaric political regime, it is, in the first place, because an independent national state represents a progressive historical stage for a pre-capitalist country and, secondly, because the defeat of Italy would signify the beginning of the collapse of the obsolescent capitalist society." (*Writings, 1935-6*, p359).

Trotsky gave the following answer to the argument that the Italo-Ethiopian war was a 'conflict between rival dictators': "If Mussolini triumphs, it means the reinforcement of fascism, the strengthening of imperialism, and the



discouragement of the colonial peoples in Africa and elsewhere. The victory of the Negus, however, would mean a mighty blow not only at Italian imperialism but at imperialism as a whole, and would lend a powerful impulsion to the rebellious forces of the oppressed peoples." (*Writings, 1935-6*, pp317-18)

Once again, in 1938 Trotsky explained that "in Brazil there now reigns a semi-fascist regime that every revolutionary can only view with hatred. Let us assume, however, that on the morrow England enters into a military conflict with Brazil. I ask you on whose side of the conflict will the working class be?... In this case I will be on the side of 'fascist' Brazil against 'democratic' Great Britain. Why? Because in the conflict between them it will not be a question of democracy or fascism. If England should be victorious, she will put another fascist in Rio de Janeiro and will place double chains on Brazil. If Brazil on the contrary should be victorious, it will give a mighty impulse to national and democratic consciousness of the country and will lead to the overthrow of the Vargas dictatorship. The defeat of England will at the same time deliver a blow to British imperialism and will give an impulse to the revolutionary movement of the British proletariat." (*Writings, 1938-9*, p34)

We too must be clear: if American imperialism wins this war, it will mean the replacement of Saddam by an even more reactionary quisling regime. It will be a severe

setback to the colonial revolution and the world revolution. It will strengthen the grip of imperialism worldwide and pave the way to more brazen attacks on the colonial masses and the working class internationally. If imperialism is defeated, however, it will be a victory not for Saddam's regime but for the Arab revolution, boosting the confidence of the masses throughout the colonial world and promoting revolutions and the overthrow of reactionary regimes throughout the region, not excluding that of Saddam himself.

It is true that Marxists adopted a slightly different position on the question of the Falklands/Malvinas war. But that was not a case of a direct military attack by Britain on Argentina. If that had been the case, we would have had to stand on the side of Argentina, irrespective of the nature of the Argentinian regime. However, in the event the issue was an attack by Argentina, a semi-colonial country pursuing the role of a local imperialist power, on a population that was British and which feared occupation by a foreign army. For the British ruling class it was a question of prestige. We opposed the war aims of both sides, in Britain exposing the hypocrisy of the Thatcher government and in Argentina calling for a real war against imperialism. Meanwhile we defended the Islanders' right of self-determination.

For Marxists, however, the right of nations to self-determination is not absolute, and where class factors predominate it cannot be

If imperialism is defeated it will be a victory not for Saddam but for the Arab revolution



*Iraqi reservists
on parade.*

Do we call for the withdrawal of Iraqi troops from Kuwait?

paramount but is superseded by higher issues. In the case of the conflict between the USA and Iraq, an imperialist super-power is directly threatening a weaker power to protect its exploitation of the oil wealth of the area. Behind a hypocritical camouflage of propaganda about the 'national rights' of Kuwait, the real war aims of the USA are the enslavement and possible dismemberment of Iraq.

To what extent can we talk of a Kuwaiti consciousness? This is a question which we are only in a position to guess at. One of the first acts of the Iraqi occupying forces was to burn the Ministry records of Kuwaiti citizenship, at the same time as promoting colonisation by southern Iraqis. There are no identifiable differences, in terms of physical appearance, dialect, etc, to distinguish the inhabitants of Kuwait from those at least of the southern part of Iraq. Press reports of a 'Kuwaiti national resistance' appear to have only the flimsiest basis. Are we to defend the 'national rights' of Qatar, in the event of an Iraqi invasion? Or of Abu Dhabi, 90 per cent of the population of which are imported Asian migrant labour?

It is true that historically there have been states established without a basis of genuine separate nationhood, but of a religious or communal nature — for instance, Pakistan and Israel — which have nevertheless in the course of a generation developed into nations. There is undoubtedly now an Israeli nation, and to the extent that it is not being superseded by disintegration into its provincial constituents, there are at least elements of a Pakistani national consciousness. Superimposed upon the pan-Arab consciousness running throughout the region, there is also undoubtedly a certain Iraqi, Syrian, and especially an Egyptian national consciousness. The proportionate balance between these dual national identities is not fixed, but algebraic and fluid.

Of course, even if the Kuwaiti people are the same as the southern Iraqis, that does not mean that we are indifferent to their fate under the jackboot of Saddam Hussein. No more do we support the repression suffered by the Iraqi people, including the Shia majority and the sizeable Kurdish community, at his hands. It is for the masses of Iraq and Kuwait to deal with Saddam, and we will do all in our power to help them overthrow him. As for the national question, within the context of a Socialist Federation, we would put forward the idea of a referendum to determine the issue of Kuwaiti autonomy. But that is a different question. Our opposition to US imperialism's war on Iraq is not affected one whit by our abhorrence of the present Iraqi regime.

Of course, none of this means that we echo the shrill and stupid slogans of those grouplets which support Saddam Hussein. They justify

their position by talking of the need to give 'critical support' to Iraq in the conflict with American imperialism. This however is not the end but only the beginning of the issue as to how Marxists pose our ideas on the war. 'Critical support' is not a campaigning slogan but a kind of Marxist shorthand for a carefully balanced presentation of the issues to the working class. The 'critical' side of the formula is not just a shamefaced embellishment, but a vital component of our propaganda.

Even in relation to the USSR, which had state ownership of the means of production, Trotsky emphasised that "defence of the USSR does not at all mean rapprochement with the Kremlin bureaucracy, the acceptance of its politics, or a conciliation with the politics of her allies... We defend the USSR as we defend the colonies, as we solve all our problems, not by supporting some imperialist governments against others, but by the method of international class struggle in the colonies as well as in the metropolitan centres... Our tasks, among them the 'defence of the USSR', we realise not through the medium of bourgeois governments and not even through the government of the USSR, but exclusively through the education of the masses through agitation, through explaining to the workers what they should defend and what they should overthrow." (*In Defence of Marxism*, pp16-17).

At the time of the Vietnam war, despite our small forces at that time, we earned wide respect for the clarity and firmness of our attitude. Nobody could mistake for a moment that we were implacably on the side of the Vietnamese people against the onslaught of American imperialism. Yet we rejected the contemptible slogan of the pseudo-Trotskyist leaders of the Vietnam Solidarity Campaign — 'Ho, Ho, Ho Chi Minh!' — and maintained an independent scientific Marxist position, defending the gains of the Vietnamese revolution while relentlessly opposing the narrow national programme and the Stalinist policies of the Vietnamese bureaucracy.

Now, too, along with our defence of Iraq against imperialism, we condemn Saddam's brutal military dictatorship, which acted as an instrument of imperialism in suppressing the Iraqi Communist Party and in invading Iran, and has played straight into the hands of US imperialism by its repression of the Iraqi masses, massacres of the Kurds and Shias, and plunder of Kuwait.

Do we then call for the withdrawal of Iraqi troops from Kuwait? No. Notwithstanding our opposition to the brutal and repressive way in which the occupation of Kuwait was carried through, we must think through the social consequences of such a demand. We opposed the Soviet invasion of Afghanistan. But with-

drawal of the Soviet troops from Afghanistan posed the danger of a throwback to all that was most vile, backward and barbarous in Afghan society. So too the withdrawal of Iraqi troops would mean the probable return of the Emir and the oil sheikhs and could turn the clock back towards the restoration of direct imperialist domination of the region. Some have raised the argument that since Iraq is itself an imperialist power, the labour movement should be neutral in the war between rival imperialisms. Certainly, the Iraqi regime represses the Kurdish people, dominates Jordan, and invaded Iran and Kuwait. It has expansionist territorial ambitions, founded upon its desire for control over the oil production of the region. There is no doubt that the bourgeois bonapartist Iraqi regime was pursuing imperialist aims in annexing Kuwait.

But we are not neutral in the conflict between the USA and Iraq. All capitalist regimes tend to play a quasi-imperialist role within their own spheres of influence. The USA, Germany, and Japan are global imperialist super-powers. Britain, France, Canada, Italy, etc, are secondary imperialist powers. There are imperialist powers on a regional level, such as Australia and Indonesia within the Pacific area, South Africa in the southern part of Africa, Brazil and Argentina in Latin America, Israel in the Middle East. India plays a dominant imperialist role within the Indian sub-continent and the Indian Ocean. Pakistan is a local imperialist power within its own agreed narrow sphere of influence (Sind, Baluchistan, North-West Frontier), which overlaps and comes into conflict with India over disputed territories such as Bangladesh and Kashmir. Even little Sri Lanka pursues a quasi-imperialist policy in relation to the oppressed Tamil nation.

But we opposed the imperialist intervention of India in Sri Lanka. There was no question but that India was intervening in Sri Lanka in pursuit of its own dominant imperialist hegemony over the sub-continent. That does not mean that we would be neutral in the event of an armed attack by the USA against India. Conversely, there can be no doubt that in pursuing his own interests, Saddam Hussein is currently striking a blow against world imperialism and is under attack for that reason and none other.

Engels pointed out at the time of the Franco-Prussian war that it was necessary to "emphasise the difference between German national and dynastic-Prussian interests" and to "constantly stress the unity of interests between the German and the French workers, who neither approve of the war nor make war on each other." We too must distinguish between the rapacious plunder of the Saddam regime and the genuine aspirations of the Arab



masses for unity, and uphold the common interests of the workers and peasants of the Middle East and the workers and soldiers of the USA and the other combatant forces.

There is a perfectly legitimate and democratic revulsion on the part of workers, for instance in the metropolitan countries, towards the atrocities of the Iraqi regime. Socialists must not succumb, however, to the immediate pressures of public support for the imperialist governments. Like Liebknecht in 1914, we must be prepared if necessary to face the risk of incurring unpopularity or even outright hostility at the outset of a war. Inevitably, the public mood will change sharply once the reality of the war begins to seep into the consciousness of the masses.

We must agitate for a mass campaign by the labour and trade union movement to break with its revolting 'bipartisan' support for imperialism. In 1956, under workers' pressure, and admittedly also with the tacit approval of Washington, the Labour leaders in Britain mounted a mass campaign against the Suez war, which played a significant part in putting an end to this military adventure on the part of the British ruling class. The labour movement must form the backbone for a mass anti-war movement surpassing even the achievements of the mass movement in the USA which did effectively bring the Vietnam War to an end. Within Iraq we would call for the war to become a people's war, with election of officers, the arming of the workers and peasants, and the nationalisation of all of industry.

In the metropolitan countries our slogans must be: No to the imperialist war! Not a penny, not a bullet, not a gun to the war! Down with all the reactionary regimes, the feudal monarchies and military dictatorships of the region! For a Socialist Federation of the Middle East which will unite the Arab nation and allow full autonomous national rights to all the nationalities of the region, including the Kurds, Palestinians, Israelis, etc. On this basis we can win the confidence of the advanced layers of the working class and build for ourselves enormous authority with which to face the great social struggles which lie ahead. □

Bush with troops in Saudi Arabia.

Marxists are not neutral in the conflict between the USA and Iraq

Postscript: 12 December, 1990

A negotiated settlement?



WAR AND PEACE still hang in the balance. Saddam's release of the hostages and talks between top US and Iraqi officials appear to offer hope of a peaceful settlement. But the world map could once again be stained with the blood of millions of workers sacrificed for profit and power.

There are significant factors on both sides of the equation. Some, at the moment, weigh on the side of a settlement.

The representatives of US imperialism are split. Some, like Kissinger, support Bush's initial impulse to smash Saddam to uphold the USA's global power. Others, like Brezinzski, a former National Security Advisor, calculate that the price of war would be too high: a massive economic drain on the US, explosive repercussions in the Middle East, and a tidal wave of opposition at home.

US public opinion is overwhelmingly against the US initiating hostilities (by seven to three in

recent polls), and the anti-war movement has begun. Memories of Vietnam, with the horrendous body counts and casualties, are still strong. This mood, together with the fears of a section of big business, has been reflected in Congress's strong opposition to the war option. The adroitly timed release of the hostages has strengthened this.

Under this pressure, Bush has wavered. His strategic aims have appeared confused, his tactics faltering. With the support of Gorbachev, Bush secured a UN resolution authorising the use of force if Saddam does not withdraw from Kuwait by 15 January. But then his offer of high-level talks with Iraq appeared to be a concession to the unbending Saddam. Whatever Bush's intention (possibly to put the final blame for war onto Saddam), this move appears to have tipped the scales towards negotiations.

The wealthy ruling elite of Saudi Arabia are

uneasy about their military dependence on the US. A massive US garrison on Arabian soil would sooner or later provoke a popular revolt. The Saudi rulers are well aware that while Mubarak, Assad and other bonapartist rulers support the US-led coalition (in exchange for billion dollar bribes), the Arab masses sympathise with Saddam's stand against the US — which backs Israel's occupation of the West Bank and Gaza. In the event of war, the coalition would be shattered by movements within the Arab states.

War would wreak destruction unparalleled since the second world war. The fireball engulfing the oilfields would far exceed the damage caused by Saddam's plundering of Kuwait.

Unsettled by Washington's talks with Baghdad, therefore, the Saudi and Kuwaiti rulers, through Yemeni, Omani and PLO intermediaries, have opened up secret talks with Iraq. They are reportedly proposing that, if Saddam withdraws, he would be granted a 99-year lease on the two islands (Bubian and Warba) which control Iraq's access to the Gulf and be ceded a five-mile strip of Kuwaiti desert to give Iraq complete control of the Rumeilla oilfield.

If Saddam offers to withdraw in return for firm guarantees that the US would not attack Iraq and that the Saudi/Kuwait deal would be honoured, or especially if he unilaterally pulls out, it would make it extremely hard, if not impossible given the opposition in the US, for Bush to go to war.

Saddam is publicly uncompromising, but may be holding out for more concessions to follow an Iraqi withdrawal. How far the Iraqi dictator is prepared to go in risking war is one of the great unknown quantities.

There should be no doubt that there are still powerful factors weighing on the side of war.

The unspoken aim of Bush's policy has been to smash Saddam's military power (previously built up against Iran with US help). If allowed to withdraw peacefully, Iraq would be confirmed as the region's dominant power, especially if Saddam gains the oilfield and islands. US power and prestige internationally would suffer a devastating decline.

Instead of sending a small task force as a 'trip wire' to deter Saddam from invading Saudi Arabia, Bush has mobilised a massive army, which has already reached Vietnam levels. "If you deploy an enormous force anywhere," comments a former British Air Commodore, "it acquires a sort of momentum of its own. The training and culture of the force is to take offensive action. The pressures to do so are quite enormous."

For Saddam to be reassured that Iraq would not be attacked after leaving Kuwait, the US



forces would almost certainly have first to be switched from the present offensive stance to defensive positions. Phased US withdrawal following any negotiated settlement would raise the question, very awkward for Bush, of why such a massive force was sent in the first place.

Then there is Israel. Shamir's ultra-right, Zionist government is already alarmed at US proposals for a UN conference on the Middle East, which (despite US denials of 'linkage') will unavoidably raise the Palestinian issue.

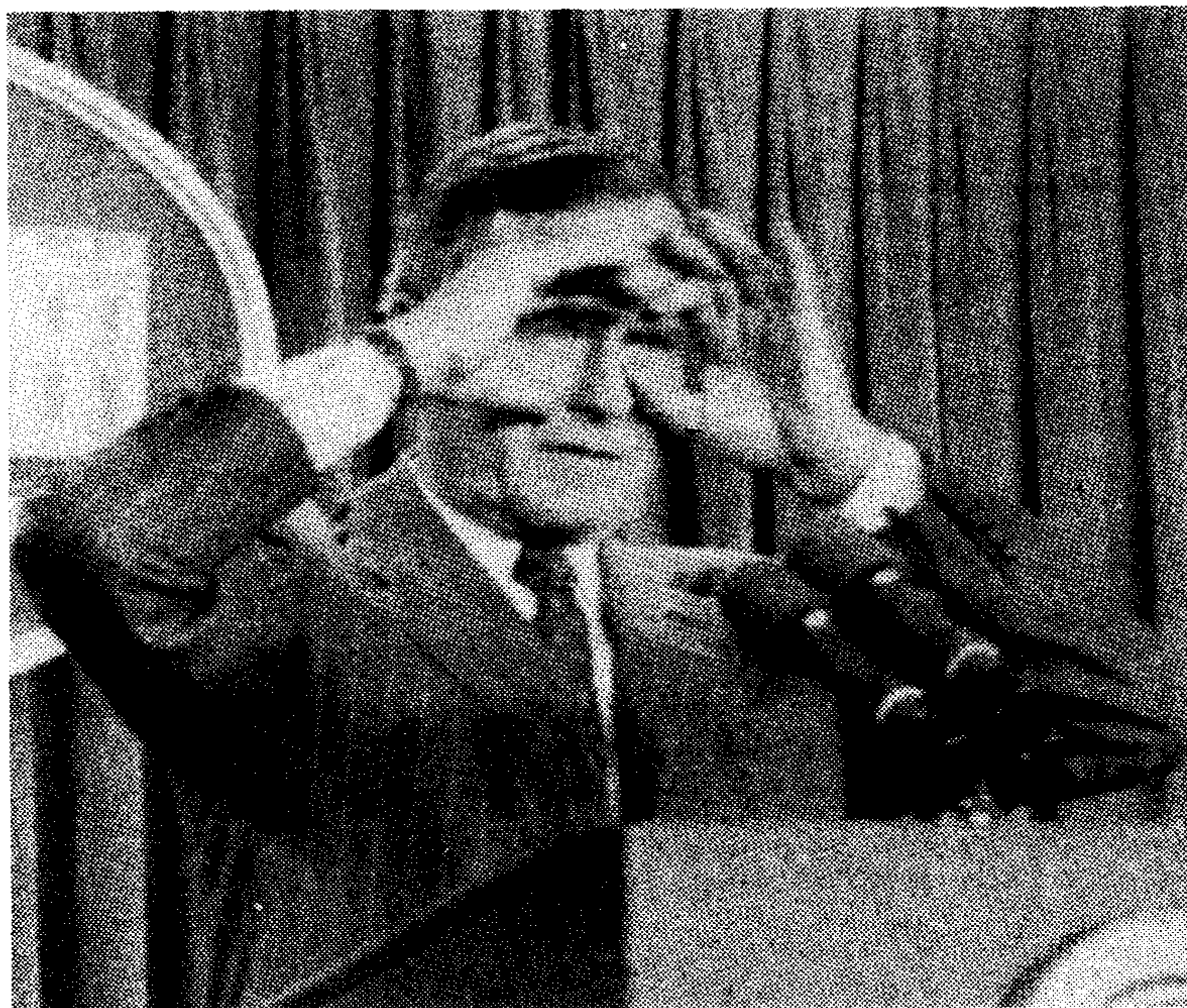
Shamir's spokesmen have warned that they will act unilaterally if they consider Israel to be threatened. It is possible that they will attempt to provoke a US assault on Iraq. A pre-emptive Israeli strike against Iraq cannot be completely ruled out.

The working class has nothing to gain from US intervention in the Gulf. Socialists must call for the withdrawal of all imperialist forces. The Labour leaders' poodle-like support for the Tories' hawkish backing of Bush is shameful. We have no sympathy for Saddam's repressive regime. Nevertheless, we stand in solidarity with the people of Iraq — above all against the imperialist powers and the oil giants, but also against their exploiters and oppressors at home.

This can be done only through raising the call for a Socialist Federation of the Middle East. Support for the high-sounding resolutions of the United Nations, which merely cloak imperialism's real motives, can only mislead the workers of the world. □

**Unavoidably,
there will
be 'linkage'
with the
Palestinian
question**

The end of the upswing



What are the perspectives for the world economy? Michael Roberts explains.

Very few capitalist commentators now deny that the world economy faces recession

AT THEIR INTERNATIONAL summit in July 1990, the finance ministers of the top seven capitalist nations (G7) exuded confidence that the economic boom which began in 1982-3 would continue indefinitely. They were happy to crow about the collapse of Stalinism in Eastern Europe and the failure of the planned economy (or 'command economy', as they prefer to call it). Capitalism had been proven as the best economic system and was here to stay.

But by the time they met again in Washington for the International Monetary Fund's annual meeting in October, much of this euphoria had dissipated. Now there were tell-tale signs of a slowdown in the US economy and growing difficulties in the major capitalist economies. On top of which there was the growing danger of war in the Middle East, which could have a devastating effect on the whole world economy. Any prognosis, in fact, has to be highly conditional: war in the Gulf would certainly complicate and intensify all the problems, economic and political, facing the capitalists internationally.

Very few bourgeois commentators are now prepared to deny that world capitalism faces the prospect of a recession, in which, even if it brings very low growth or stagnation rather than an absolute fall in production, the working class will face lower living standards, higher unemployment and reduced social welfare and services. The argument is not whether there will be a slow-down, but how severe it will be and how long it will last.

Many bourgeois experts, however, argue that recession would not be on the agenda but for the prospect of the Gulf war and the accompanying oil price rises. But this is just not true. Even last July, beneath the confident statements contained in the G7 summit press releases, the statistics on the health of world capitalism were revealing that the extended boom of the 1980s was at an end. In retrospect, the latest figures show that growth in some countries like the USA and UK was already slowing down last summer (with an absolute fall in industrial production) even before Saddam invaded Kuwait.

During 1990 the growth in national output in nearly all the twenty-three advanced capitalist nations which are members of the Organisation of Economic Cooperation and Development (OECD) has been slowing. The USA grew 3% in 1989, but it is now growing at less than half that rate. Europe grew 3.5% in 1989, but is now growing at about 2.5%. Even Japan is showing signs of slowdown, from 4.9% in 1989 to 4.5% this year. The UK is a particularly poor relation with growth down from 2.5% in 1989 to a current annual rate of 0.5%. The third quarter of 1990 saw an absolute fall in output.

The slow-down of the world economy, which will be sharper in 1991 than this year, is only just beginning. It is led by the Anglo-Saxon and dollar-deficit countries, like the USA, Canada, Australia, the UK, and also Sweden. But even Italy now has falling production and France is suffering a marked slowdown in growth. The



consensus of forecasts for national outputs in 1991 is for a general slowdown, and in the case of the US and the UK virtual stagnation.

In manufacturing and overall industrial production (which includes energy-related sectors), the slowdown in growth is much more obvious. In the USA, the UK, Italy, Australia, Spain, Sweden and Canada, manufacturing production is falling absolutely; while French and Italian manufacturing growth is slowing fast. Only West Germany, riding on the back of reunification with the former GDR, is spurting ahead. This fall-off in industrial production is also confirmed by a stagnation and fall in the level of utilisation of existing industrial capacity (ie factories and machinery). Capacity utilisation has dropped in the USA, Japan and the UK.

The organic composition of capital, Marx's economic category which reveals the extent of investment in equipment and plant (fixed capital) compared to labour (variable capital), is now as high as it has ever been since 1973. The nearest indicator of Marx's category in modern economic statistics is the capital/output ratio ie the relation of the stock of equipment etc to output. That has now reached a ratio of between 2:1 to 5:1 in the OECD economies.

As Marx explained, a rising organic composition of capital — an increase in the ratio of plant and equipment (stored up 'dead' labour) to labour (living labour) — exerts a downward pressure on profitability (because ultimately profits have to be realised through the market, and the

market is ultimately reduced in relation to productive capacity by the reduced share of capital going to labour). First the *rate* of profit is reduced, and eventually the *mass* of profits falls. According to OECD figures, profit rates stopped rising or fell in 1989 in the USA, Japan, Italy and Canada. They continued to rise slightly in West Germany, France and the UK. But in 1990, they began to fall in these countries too. This marked the end of the upswing.

In the G7 economies and the OECD overall, average profitability fell in 1989. Rising interest rates in all OECD economies, coupled with rising average money earnings (ie without accounting for inflation), also ate into profits made in industry, so that in 1990 industrial production has been affected first and heaviest. During 1989, the growth in the mass of profits slowed in all countries and fell absolutely in the USA.

SO EVEN BEFORE the beginning of the Gulf crisis, the boom of the 1980s was faltering, with the US teetering on the edge of a downturn. Now the question is, how severe and long-lasting will this new world downturn be? Will it be like 1974-5 or 1980-2 when there was a fall in production, and when unemployment rose sharply and investment fell over a period of two to three years, or will there just be a gentle slowdown, a pause before the world capitalist economy moves forward again, after just one year or less, as in 1986 or in the 'pauses' prior to 1973?

Only Germany, on the back of reunification, is maintaining its manufacturing growth rate.

How severe will the new world downturn be?

**Was the
1980s
upswing the
start of
another
period like
1948-73?**

Behind these questions lies another more profound one: was the boom of the 1980s the start of another period like 1948-73, which was an epoch of expansion with only short pauses or slowdowns in growth, or what one pundit has called "an expansion punctuated by a series of rolling adjustments that stop well short of outright recession"? Or was the 1980s just the upswing part of a generally convulsive period of crisis for capitalism, just as the boom of 1922-29 was followed by the catastrophic slump of 1929-33, then the weak recovery of 1934-7, followed by a further downturn and world war?

There are important differences, of course, in the character of the post-second world war world economy compared to the inter-war period. World trade plays a much more important role. The division of labour was taken much further after 1945, with the interlocking of the major capitalist economies through trade and investment, allowing capitalism partially to overcome the limitations of the nation state. The liberalisation of trade and the role of institutions like the IMF and the World Bank, dominated by the US, facilitated this development. Although world trade is currently slowing, it is still expected to grow by about 5.5% (measured by import volumes) in 1990 (compared to 8.5% in 1989). This growth is cushioning the world economy against the slowdown of the US in particular. At a certain stage, of course, world trade itself would be undermined by recession or slump in the major capitalist economies, and the national antagonisms and trade wars that would then erupt are foreshadowed by the current disputes in the deadlocked 'Uruguay round' of GATT (General Agreement on Tariffs and Trade) negotiations. At the moment, however, world trade is still growing, though at a reduced rate.

Nevertheless, there is nothing in the economic performance of the 1980s, despite its relative longevity, to justify the arguments of many bourgeois commentators that capitalism has begun a new long-term upswing comparable with 1948-73 and will avoid any more economic recessions like 1974-75 or 1979-81 or even deeper down-turns in the future.

First, this latest recovery from the recession of 1980-2 was the weakest and slowest since 1945. Between 1960-73 the OECD capitalist economies grew an average 4.8% each year. From 1982-8 they grew only 3% per annum. More significantly, average profitability in all the G7 countries from 1980-6 was lower than in the pre-1974 period, with the exception of Canada; and in Japan, USA, West Germany and France it was lower even than in the crisis period of 1974-9. For the G7 and OECD economies as a whole, average profitability between 1980-6 was lower than pre-1974 and 1974-9, and even the peak high in 1989 was lower than the

pre-1974 average. (See table)

Private investment growth in the OECD was only 1.5% a year during the 1980s compared to 3.7% per annum prior to 1974. Annual productivity growth ie the increase in output per worker, between 1980-8 was less than half that achieved prior to 1974 and little better than that between 1974-9.

These statistics do not reveal what lies behind the much shallower nature of the 1980s boom. While the 1948-73 expansion was founded on investment in new technology and the expansion of new markets, the upswing of the mid-1980s was based much more on the intense exploitation of the labour force, speed-ups and reductions in trade union rights, the super exploitation of the Third World through low commodity prices and debt repayments, and above all, a growth of consumer trade fuelled by a massive input of credit. The productivity of labour shot up while the productivity of technology stagnated (at least until 1987-9).

In particular, the US government's spending on arms during the 1980s provided the purchasing power for the sales of Japanese and European products. This expenditure was financed by the US government through borrowing from abroad — in other words from the very Japanese and German manufacturers who were selling into the USA. This 'recycling' of dollars maintained the boom — but only at the expense of rising interest rates caused by the demand for dollar loans and a growing debt burden precariously balanced like a house of cards, turning the US from the world's largest creditor into its largest debtor in just one decade.

Moreover, even if there was a sustained, if shallow and partly fictitious, boom in the OECD countries, in the undeveloped semi-colonial countries of Latin America, Asia and Africa, there was permanent economic stagnation and social crisis (dealt with in our review of the World Bank's latest report on 'world development', on p40).

The huge Third World debt, the US government deficit, and extensive borrowing by the private sector in the USA, Japan, Italy and the UK (not to invest in productive manufacturing but in property, takeovers and even Van Gogh pictures) has created a massive credit overhang. Every day \$500bn is traded on the foreign exchanges, but only one-tenth of this is exchanged for real commodities in international trade. A sharp downturn in production internationally could therefore trigger off a major financial crisis — the latter becoming the visible indicator of the former. As the Bank for International Settlements, the main international forum for central banks, put it in its latest annual report (June 1990): "we expect the difficulties experienced by the financial sector to become more widespread or more acute. They

could have potentially serious consequences for economic performance not only in the industrial countries but also in developing countries." Again this was before the Gulf crisis.

At a some stage in the future a breakdown in the flow of credit could unleash a severe financial crash that would intensify any world economic recession. The capitalists mortally fear such a breakdown, and the major central banks will step in to try to prevent a collapse of the world financial system. In 1987, investors' and speculators' fears of such a collapse in credit provoked the world-wide stock exchange crash of October that year. There was widespread fear of an economic recession, but the G7 central banks stepped in with a massive 'lifeboat' of credit. This credit, given the underlying growth in investment, production, and profitability, allowed the capitalists to stave off a recession. Clearly, there are limits to their ability to head off crisis. Moreover, rescue moves, like that after October 1987, store up problems for the future in the form of the debt burden and increased inflation. Nevertheless, the major capitalist economies still have big reserves built up during the boom, and in spite of the dangers of inflation, will in the coming phase of down-turn intervene with credit to prevent a collapse of the financial system.

Eventually, however, under the capitalist accumulation process, as Marx explained, profitability stops growing and starts to fall (a process that began in this cycle at the end of 1989), and rising interest rates and wage bills then squeeze the mass of profits and bring about a downturn in production and investment, ie a recession or slump. Given such a trend, the ability of the capitalist state to stave off crisis through boosting the money supply and expanding credit becomes increasingly limited.

SO, WILL THERE be a major recession or slump; or just a pause followed by further fast growth; or a steady decline in the next few years in the OECD countries?

The depth and nature of the slowdown will depend on several factors that are not easy to quantify. First, what will happen in the world's key economy, the USA? Second, will European capitalism take on a new lease of life through 'Europe 1992' and German reunification? And third, will the collapse of Stalinism in Eastern Europe open the way for new profits and markets for capitalism in the 1990s and thus avoid a classical recession?

The timing and depth of any downturn in the OECD economies still depends primarily on the health of the US economy. It remains the largest producer in the world and the main market for all other OECD economies. When it spirals into recession, eventually it must drag the rest with it.

Average profit rates (%)

	Pre-1974	1974-9	1980-6	1989
USA	22.8	20.3	19.7	23.3
Japan	33.1	23.2	21.6	20.7
WG	20.1	17.1	16.3	18.3
France	21.1	17.9	16.1	18.3
Italy	23.7	19.6	20.9	23.0
UK	14.1	11.2	11.7	13.8
Canada	15.6	16.1	17.4	20.5
G7	23.7	19.6	19.0	21.1
OECD	22.3	19.2	18.5	20.6

Source: OECD Economic Outlook December 1989.

The USA has experienced seven years of relative boom, but it has been a boom that has not benefited the average US worker. Real wages ie after allowing for inflation, did not increase at all in the 1980s and are now significantly lower than in 1973! For the poorest in the inner cities, conditions and life expectancy are now lower than in many Third World countries, and yet there are more millionaires in the USA than in the rest of the globe put together. Apparently there are 100,000 decamillionaires (those with \$10m each)!

During the 1980s US investment in new plant and equipment was weaker than any previous boom. The US investment rate in new capital is now only 4.9% of GNP compared to 6.9% in West Germany and 15% in Japan. The present US investment share of GNP compares with a rate of 6.9% in the 1970s and 7.5% in the 1960s. US savings for investment are now just one-third of that in the 1970s and half the OECD average in the 1980s — the lowest rate of all at 2.4% of GDP. Thus US corporations were forced either to borrow from abroad or to sell their assets to Japanese and European investors in order to finance their purchases. This drove up interest rates throughout the OECD during the 1980s.

Now hardly anyone disputes that the US economy is heading towards a recession. Growth in total output during 1990 is averaging just over 1%. But industrial output has been stagnant since summer 1989, and in the third quarter of 1990 fell nearly 1%. Manufacturing employment has declined by 200,000 since March 1989. Manufacturing gross profits fell 12% in 1989, a figure to be repeated this year. House building is at its lowest level since 1982, while the use of manufacturing capacity has fallen to its lowest level for three years and is still falling. Only the relatively buoyant services sector has maintained any growth, and of course the arms industry, relying on the continuing government deficit. And all this is taking place before the

The depth of the downturn still depends primarily on the health of the US economy

**The total
accumulated
liabilities on
the US
government
are now
equivalent to
two and half
years' GNP**

real effects of the Gulf crisis hit the costs of production and government spending.

There are some pundits who continue to assert that the US slowdown will be relatively mild, no more than the pauses of pre-1973. But even these optimists predict a growth in GNP of only 1% or less in 1990 and 1991, together with falling investment, declining productivity and rising unemployment. Others are bracing themselves for a recession, with a fall in national output, and prospects for the US economy will be much worse if there is a war in the Gulf.

The US slowdown is a product of the underlying slowdown in profitability and capital accumulation that is inevitable in the cycle of boom and slump under capitalism, as Marx explained. But it is also the result of the over-extended nature of the 1980s boom, artificially fuelled by government and private corporation borrowing, or what Marx called fictitious capital ie credit and money capital not based on real production. The federal government's budget deficit doubled during the 1980s, reaching 4% of GNP. To finance it, interest rates reached record highs and ate into US manufacturing profits. Now, interest payments consume over 37% of US corporations' cash flow — a serious drain on profits. The interest rate burden has driven up the cost of capital investment to much higher levels than its G7 competitors, so that whereas capital spending grew 3.7% per annum between 1950-82, in 1989 it grew only 1.8%.

Despite calls for a reduction in the deficit by manufacturers outside the military-industrial complex, the government has been reluctant to make cuts because it rightly feared that sharp cuts in spending could throw an already slowly growing US economy into a full recession — and arms manufacturers have naturally opposed too heavy reductions (most of the deficit is due to the defence budget). Thus in the 1989 tax year the deficit reached \$152bn, a minimal reduction from previous years. This figure seriously underestimated the real deficit because it excluded the money taken by the government out of the social security fund used to pay for federal state pensions. Also it did not fully account for federal spending to bail out hundreds of US 'savings and loans' institutions (like UK building societies) which went bankrupt because of the collapse of the US property market and through wholesale swindles. This bailout is likely to cost the US taxpayer over \$130bn in the next few years, and perhaps as much as \$500bn over the decade or \$2,000 for every man, woman and child in the country. Even excluding these items, the public sector deficit spiralled further to reach \$300bn in 1990. It has been estimated that the total accumulated liabilities on the US government are now \$14 trillion, or 2.5 times the US GNP.

This crippling debt has been more and more difficult to finance by attracting foreign investors to buy US government bonds. Consequently, the threat of higher interest rates to attract foreign money forced the Bush administration to bite the bullet, renege on its promise not to raise taxes, and after a tortuous argument with Congress, agree on a package of \$500bn cuts on planned government spending over the next five years and tax increases. If this package is implemented, it will reduce market demand and consumer spending even further and so speed up the slide into recession.

Alongside this huge government debt is a growing private sector debt which has already led to the collapse of companies heavily involved in leveraged buyouts ie loans to finance takeovers like Drexel which folded leaving \$20bn in debts to other corporations; or in property investments — banks have gone to the wall in such deals all over Texas, Arizona and New England. Now in addition to bailing out the savings and loans institutions, the average US taxpayer faces the prospect of subsidising state intervention to prop up hundreds of banks threatened with collapse across the country, at a cost that would exceed even the mind-boggling losses incurred to help the swindlers in the savings and loans industry.

Up to now the torrent of credit maintained and extended the US boom, but at the expense of rising interest rates and rising inflation, topping 5% per annum now. Interest rates in the 1980s were at record levels and loan terms shortened to under five years, which meant that demands for repayment would come very quickly if confidence in credit disappeared. And that is exactly what happened in 1989.

Every boom in US capitalist history has followed the same cycle of a peak in interest rates, a boom in property and shares, then a bust in property and shares, and finally a rush to cash and out of credit, ie a crash. It seems that the US is halfway through that financial roller-coaster.

The government and the US Federal Reserve Bank still hope that with careful 'fine tuning' they can control interest rates, borrowing, taxation and spending to ensure a gentle recession that will lower inflation without leading to any lengthy absolute fall in production, and so enable a new acceleration of growth in six to twelve months. But it is a precarious gamble.

It is difficult to calculate how much longer this balancing act can be maintained. Any sharp rise in world interest rates, perhaps caused by a reduction in lending by Germany to finance German reunification, could place the US government in a serious dilemma: either to raise its own interest rates further to attract funds and risk a full scale recession in industry, or to see funds flow out of the USA, causing a depreciation of the dollar which would feed into higher

import prices and inflation.

The Bush administration has resisted raising US rates to match recent rises in global interest rates. Thus the gap between US and European levels has narrowed. Consequently, since the beginning of 1990, the dollar has depreciated in value. This may help exports but it also adds to inflation and reduces the attraction of investing in US government bonds or industry to finance the public and private sector borrowings which have kept the economy going.

As the US economy enters a period of stagnation or recession, import purchases will be cut back (exports from the newly industrialising countries of south-east Asia are already being hit) the trade deficit will decline, especially if this is accompanied with a further fall in the dollar. The reduction in the trade deficit will not be a reflection of growing competitiveness on world markets but more a result of a cutback in living standards and incomes in the USA.

In addition to the US, all the dollar deficit economies ie those with large balance of payments deficits, are also in recession. But as was the case at the beginning of the 1980-2 world recession, the world trade cycle is desynchronised. The dollar surplus economies like Germany, the Benelux countries and Japan are still peaking, and are unlikely to enter a downturn until 12-18 months after the US and the UK, perhaps in late-1991. One dollar surplus economy, Japan, now has a higher GNP per head of population than the USA, although its total GNP is only slightly more than half the size of the US GNP. This dramatic success in productivity is because of: sustained and high investment into technology leading to high productivity increases, relatively lower wage bills (up to the 1980s), low interest rates, low armaments and social services expenditure, and considerable financial support from banks and the state to direct investment.

Real GNP rose 4.8% in 1989 and is rising at about 4.5% this year. There are signs of a beginning of a slowdown, with investment growth declining from 16.4% in 1989 to an expected 9.5% this year. More seriously, with industry at maximum use, and demand being stimulated by extra government spending (at the bequest of US capitalism who want Japan to buy more US goods or face protectionist measures), inflation has spurted ahead. New sales taxes drove the annual rate up to 3.5% and it is still about 3% — the highest this decade.

A huge credit boom, as in the USA, led to an orgy of price rises in the property and stock markets during 1989. Finally, in early 1990, the government reluctantly agreed to raise interest rates to stem inflation and to stop the fall in the value of the yen which had accelerated because of inflation. This immediately led to a slump in



the property markets and several very nasty plunges in the Tokyo stock exchange.

The interest rate rise appears to have stabilised the value of the yen and thus the stock market, but it is likely to cause a slowdown in growth of production and investment during 1990. If Japan's most important market, the US, is at the bottom of its downturn by mid-1991, then that could also sharply reduce growth in Japan or even provoke a recession there.

UNTIL THE MOMENTOUS events in Eastern Europe in late 1989, it seemed that West Germany was at the same point in the trade cycle as Japan. After relatively slow growth in the mid-1980s compared to the US and Japan, growth accelerated to reach a maximum rate of increase at 4.0% in 1989 and was expected to slow a little in 1990.

But with the collapse of Stalinism, economic developments in Germany have taken a new turn. The West German economy is the largest in the EEC, with 33.5% of manufacturing output and 21.5% of total output including services. After swallowing up East Germany, a greater Germany has become even more dominant — although not necessarily dominant enough to impose its order on the direction of trade and investment in Europe. Even if East Germany had the same levels of income per head as West Germany (it is less than half at present), a unified Germany is still only 25% larger than the old West German economy and takes up only 31% of the EEC's GNP. But it is considerably larger in the vital manufacturing sector — 80% larger than French manufacturing, twice as large as Italy's and 150% larger than the UK's — taking two-thirds of all EEC manufacturing output.

It is argued that such an economic integration could allow Germany and an enlarged EEC in-

Cadillac production in Detroit. US investment in new capital is a third of that of Japan.

Economic developments in Germany have taken a new turn



**The old West
Germany
bears the full
cost of
redeveloping
the East's
shambling
infrastructure**

cluding Eastern Europe to enter a new age of golden prosperity which could eventually lead to one federal European state based on capitalism. But it is highly unlikely that Western European capitalism, under the leadership of Germany, will be able to take over the economies of Eastern Europe successfully. The reunification of Germany alone is fraught with difficulties and pitfalls.

The old West Germany now bears the full cost of redeveloping the East's industry and its shambling infrastructure, cleaning up its shocking pollution, and also financing benefits for the sharp increase in unemployed East Germans (15-25%) that are fast appearing as East German industry is priced out of world markets. Huge transfers of resources will be required, not just for a year or two but for the rest of the decade. Otherwise East Germany will become just a massive depressed area like southern Italy or Northern Ireland — a breeding ground for social upheaval.

According to the most accurate estimates, all of Germany's capital reserves and trade surplus are going to be soaked up in order to meet this demand on its resources for the foreseeable future — and that also assumes that Germany will continue to grow at its present rate for the next decade. Initially, growth has been boosted by the move into the former GDR and by increased exports to the USSR and Eastern Europe, but soon the cost of reunification will begin to undermine that extra gain.

Some bourgeois experts deny that German reunification costs are any problem. They argue that West Germany is in fine fettle to cope with financing the rebuilding of the East. West Germany was exporting DM 120bn or so of surplus savings every year. It simply needs to divert this to home use. The amount would more than cover expected costs in the initial, high-cost years. As for growth, these bourgeois optimists believe that Eastern European development, as well as that of East Germany alone, will make a significant contribution to profit growth throughout Western Europe within a fairly short time, the first beneficiaries being German-speaking corporations in the construction, capital goods, financial services and engineering markets.

But at best this can be justified only in the long-term. At worst, it is blind optimism. The financing cost of taking over East Germany will produce a budget deficit for the unified Germany of 3.6% of GNP, or over DM 100bn in 1991. That estimate covers only public sector funding. Including private sector needs, capital requirements would run at DM 20-50bn per annum.

If the old East Germany were to grow at 10% per annum (which it will not), it would add about 1.3% to a unified German growth. But as

West Germany's current account surplus will fall to 1% of German GDP over a four-year period to finance development in the East, German growth would be reduced by 1% a year, cancelling out the gains from the development of the East. Germany's competitors would gain a little by exporting into the East but only by about 0.3% a year, while Germany would no longer have enough capacity to increase exports to its traditional trading partners and to cope with rebuilding the former GDR.

That would not be the end of the world for an economy which already exports 5% of GNP in capital investment. But the stark truth is that if Germany's net public credit demand of DM 100bn in 1991 were to be matched by a similar reduction in German capital outflows, a sum equivalent to 40% of the required financing for the US current-account deficit over the last three years would be removed from the system.

The rest of the world cannot afford this reduction. The US and the dollar deficit economies are really hooked on their annual dose of DM 90-100bn in German capital outflows. But that will all go, because it is exactly the amount of annual financing that German reconstruction is initially going to need.

The social costs of unification will be at least 1.5%-2.5% of German GDP. Development expenditure will be as much again. There are offsets, of course, like lower defence spending, doing away with grants to West Berlin and perhaps the dynamic effects of growth in East Germany after a few years. But the net result is that Germany will no longer be a net exporter and may become an importer of capital. That also means that German imports will rise and the surplus on the current account will diminish.

BEYOND THE QUESTION of the consequences for world capitalism of German reunification is the wider issue: can Western capitalism finance the restoration of capitalism in the former Stalinist states and thus open up new profitable markets for capital and usher in a new golden era like the period 1948-73?

All the available evidence suggests that it will not be possible for the West to develop 'market economies' in the East — at least not within a decade. Consequently, these former Stalinist states will suffer serious reductions in production, investment and living standards over the next two to three years. One careful capitalist observer concludes that living standards will fall on average in Eastern Europe (excluding the USSR) by 3-7% by 1993. Unemployment will rise to between 15-25% in East Germany, Poland, Czechoslovakia and Hungary.

It is difficult to see how Eastern Europe will avoid a severe slump. That is partly because they have nothing to sell the West; and partly because the Soviet Union will progressively re-

price their commodities in hard currencies, so taking some 15-25% of Eastern Europe's (much needed and very scarce) annual hard currency export earnings away. And this does not even take into account the huge cost of financing energy supplies as the Gulf crisis drives up oil prices worldwide.

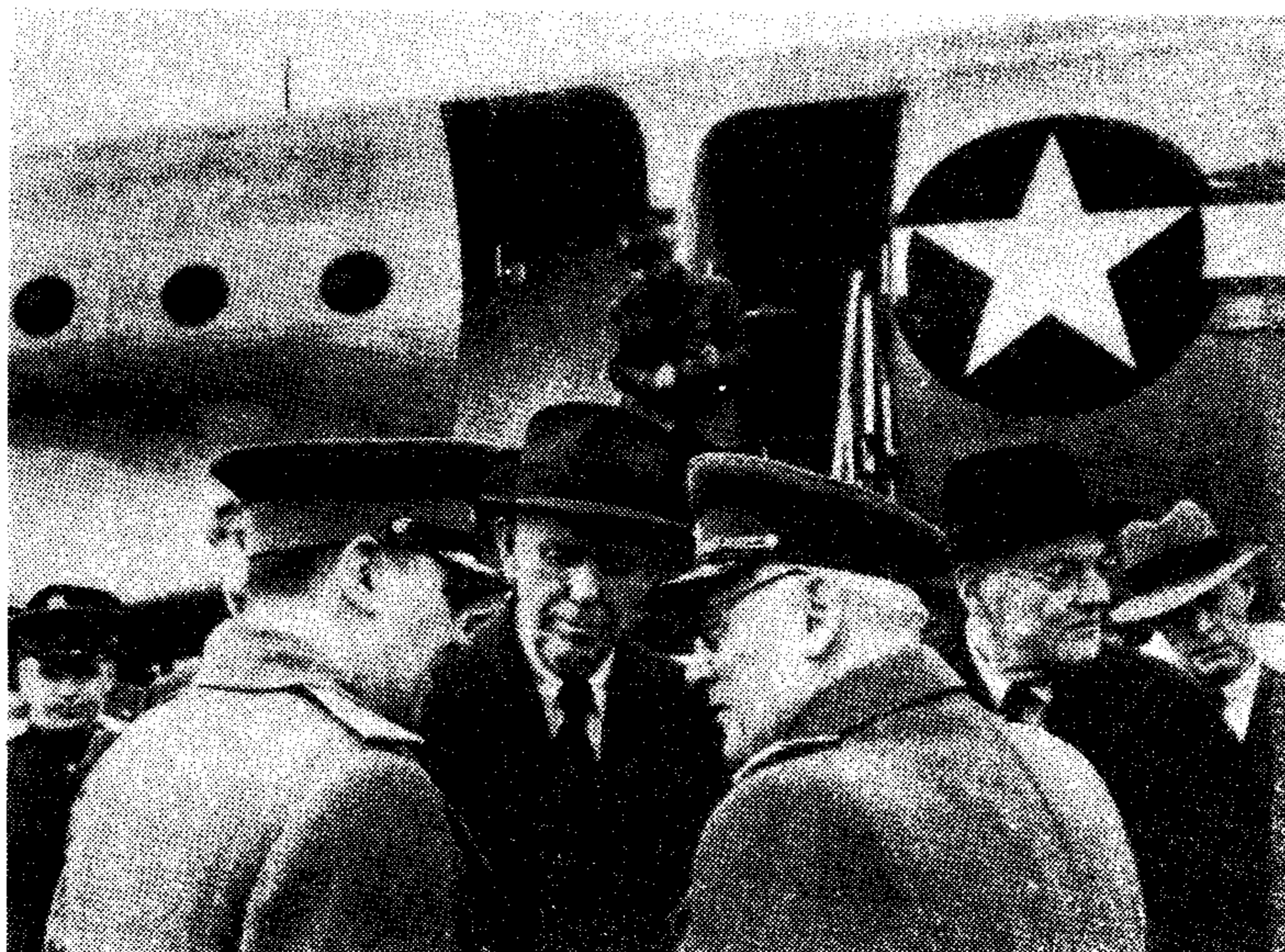
To bring about substantial improvements in the production and incomes of Eastern Europe will require an investment level equivalent to 25% of GDP in Eastern Europe for the next two decades. That is equivalent to 5% of Western Europe's GDP for the next 15 years. Such a level of resources is not even vaguely being considered by the Western powers. After the Second World War, the USA, the most powerful and hegemonic capitalist power, agreed to provide free financial resources through the Marshall Aid plan to 'save' Europe and Japan from 'Communism' ie no repayments and no interest. Huge sums were funnelled through government agencies to rebuild capitalism in the West.

Neither free nor substantial finance is being promised this time for Eastern Europe. The soon to be formed European Bank for Economic Reconstruction set up by the US and the EEC powers will have only \$12bn for funds to be lent at commercial rates. The Soviet Union is asking for \$20bn immediately to overcome the present crisis — and is not allowed to borrow anything from the new bank.

US capitalism is in no position to finance capitalist restoration sufficiently generously or quickly on its own. Germany will have its hands full with East Germany, and even there it will not be plain sailing. Only Japan seems prepared to make a substantial commitment, but purely on commercial terms which Eastern Europe must repay in sales of its industries, in unemployment and cuts in living standards of its people.

Another consequence of applying all available capital surpluses into Eastern Europe will be that capital will be drawn away from the 'tiger' economies of South East Asia, already experiencing a slowdown; from the non-oil developing countries of the Third World, already in desperate straits; and from the weaker OECD economies like Greece, Portugal and Turkey. This draining of capital will only add to the prospects of a recession in the capitalist world.

THE CAPITALIST LEADERS in public continue to forecast a golden future for capitalism. They claim that the coming recession will be mild and shortlived, much more like a pause than a fall in production. The dollar deficit economies will recover quickly from their mild recession, while the dollar surplus economies will hardly notice any slowing. Thus the West will be able to develop Eastern Europe without too much social upheaval over the next three years, and so eventually open up new markets there that



can take capitalism into decades of prosperity.

But an alternative, darker scenario is more likely. The US economy is moving into recession, with a fall in industrial output and a marked cut in imports from other capitalist economies, and will pull others into stagnation or recession by 1992. War in the Gulf would certainly make the darker prognosis more probable. Consequently, there will be insufficient resources to transform Eastern Europe, provoking social upheaval there, and thus reinforcing the recession in the West. The Third World will be thrown into an even greater abyss of poverty and depression. The world recession appears to be desynchronised, with Japan and Germany lagging behind the downturn in the dollar deficit economies. That could mean that a slump of the proportions of 1974-5 is avoided, although a less severe downturn like 1980-2 would still be most likely. Then, perhaps after 1992-3, there would be a weak recovery of two to three years. But if the Gulf crisis was to break out into a long and painfully expensive war driving up oil prices, increasing the risk of financial instability, and reducing living standards, the recession could descend into a deeper and more long lasting downturn.

Whatever happens exactly, it is clear that capitalism has not entered an era of permanent growth and prosperity: Europe is not going to enter a long period of prosperity based on an harmonious integration of economic resources under the shelter of German capitalism, but is much more likely to feel the tensions and contradictions of unbalanced and unstable growth that could tear Fortress Europe apart.

Moreover, the restoration of capitalism in Eastern Europe is by no means certain and not at all likely to produce profits for the West for some time ahead — on the contrary the burden of economic crisis and social upheaval there could speed up economic crisis in the West.

General Marshall (centre) in Moscow, 1947.

Capitalism has not entered a new era of growth and prosperity

The Wealth of Nations

David Kaplan studies the World Bank's latest report on world poverty.

Today more
than one
billion people
live in
absolute
poverty

WORLD DEVELOPMENT REPORT 1990, the annual report of the World Bank published in June 1990, is devoted to the question of poverty and its relief. It attempts to give an explanation of why, in the last decade, poverty has decreased in some parts of the developing world, while in others (notably some countries of Latin America and most of the countries of Sub-Saharan Africa), it has increased on a massive scale.

The report also attempts to offer a strategy for reducing poverty: by "the productive use of the poor's most abundant asset — labour", alongside "widespread provision to the poor of the basic social services, especially primary education, primary health care, and family planning."

Marxists would agree that there is a crying need for a strategy such as this to be carried out in all countries, not just the Third World. But a far more fundamental question that remains unanswered is: does boom in the principal industrial countries of the West lead to an alleviation of poverty in the Third World? By addressing this question, we will better understand the way in which the peoples of the colonial and ex-colonial countries have been exploited, and poverty subsequently increased.

Since 1900, the value of goods and services produced each year worldwide has grown 20-fold and the products of industry 50-fold. Over the last 40 years, average income per person has doubled to \$3,300, but the fruits of global

economic growth have almost all gone to the advanced capitalist countries. Wealthy nations have almost tripled their per capita income, while the figure in the colonial and ex-colonial countries has remained effectively level.

Today, more than one billion people, roughly one-third of the population of the Third World, are living in absolute poverty. This is the number of people who are struggling to survive on less than \$370 a year. Of these, over 600 million have an annual consumption of less than \$275.

The World Bank's report predicts that between 1985 and 2000, on the optimistic assumption of continued growth (of 3% a year in the industrial and 5% in the developing countries!), the number of poor will fall from 1.1bn to 825m. This would still leave one-seventh of humanity living a life of acute deprivation.

But "If the global economy performs less favourably than forecast, the level of world poverty will be considerably higher. A slowdown in industrial country growth, persistently high interest rates, rising protectionism, or setbacks in the current debt reduction initiatives could all seriously undermine progress. In that case, by 2000, the number of poor would still be hovering around one billion."

Although industrial countries, and even countries in the developing world, saw growth in their economies in the 1980s, the opportunity to improve the standard of living of millions of workers

was missed: "For the poor in these countries, the 1980s was a lost decade." The report lays blame for this 'missed opportunity' on the various national governments: because of ignorance — "a lack of understanding of international money markets" — these governments carried out austerity measures to maintain interest payments on their debts. In other words, millions are starving because national governments apparently do not understand how to 'work the system'. Full blame for international poverty in fact lies at the feet of international capital. The industrialised countries are holding the Third World to ransom.

Most developing countries remain heavily dependent on exports of raw materials and cash crops. For instance, commodities account for between 85% and 95% of Africa's total export earnings. As their debts to industrial countries piled up, earnings from commodities collapsed. Between 1980 and 1987, the prices of 33 such commodities fell by 40% on average, many to their lowest levels since World War II.

The rise in the production of synthetic materials (taking the place of cotton and rubber) and protectionism in America, Europe, Japan and Canada kept prices down, as did the economic recession and slow growth of 1979-82. Developing countries saw a worsening of their terms of trade — the purchasing power of their exports compared to the cost of imports, especially manufactured goods. In an effort to make up for falling prices, countries tried to boost export volumes. But this only tended to push prices down further.

Both the World Bank and the International Monetary Fund, the international 'guardians' of capital, promoted 'structural adjustment' as a method of alleviating the economic crises facing the countries of the developing world. Debt repayments were to be maintained, as well as accelerating growth of their economies, at the expense of better living standards and conditions of workers. But, as UNICEF reported in 1989, 'structural adjustment' will continue to be little better than "a rearranging of the furniture inside the debtors' prison".

In the colonial and ex-colonial countries, debt continues to be a

Economic Notes

major obstacle to the alleviation of poverty. There are 45 severely indebted countries (indebted to the tune of \$620bn). Many donors have converted part of the official debt owed by these countries into grants. But this has resulted in little or no change in the living standards of workers: it is estimated that only \$3bn of official debt has been cancelled in this way. About \$2bn represented claims on low-income Sub-Saharan African countries, just 3% of their total outstanding debts.

The ratio of debt to GNP for the low-income countries was 111% in 1988. Interest payments alone on the external debt of the 24 low-income countries of Sub-Saharan Africa totalled about \$2.9bn. Such high levels of interest payments severely limit the contributions that aid can make to increasing consumption and reducing poverty.

The promises of creditors have amounted to mere words: an acknowledgement of the deprivation faced by the people of these countries but continued resource-stripping to maintain profits in the principal industrial countries. Aid is donated partly as a sop to the recipients and partly to keep up the pretence of 'fighting poverty wherever it raises its ugly head'.

Above all, aid is donated to maintain the reliance of the colonial and ex-colonial countries on the industrialised countries. Aid receipts can be as high as nine times the amount a country receives from exports to donor countries.

A substantial proportion of aid is tied: recipients are required to buy goods and services from donor countries. This forces recipient countries, especially those which export primary goods such as food and raw materials, into dependence on aid and machinery from the industrialised countries. In this way, they are able to dictate the terms of trade and thus keep the Third World bound hand and foot.

Many severely indebted developing countries have been running substantial trade *surpluses*. Between 1980 and 1981 the 19 severely indebted middle-income countries had an average trade deficit of \$4bn; during 1982-89 they achieved an average trade surplus of \$26bn, equivalent to 3.3% of GDP. Again, this surplus was squandered in the mainten-

ance of debt services. Resources which could have been used to alleviate poverty locally were transferred to the industrialised countries. In fact, throughout the last decade, there was every year an average net transfer *out* of the underdeveloped world to the OECD nations of over \$50bn in interest, profit and loan repayments. The total loss of value reached \$243bn in 1989.

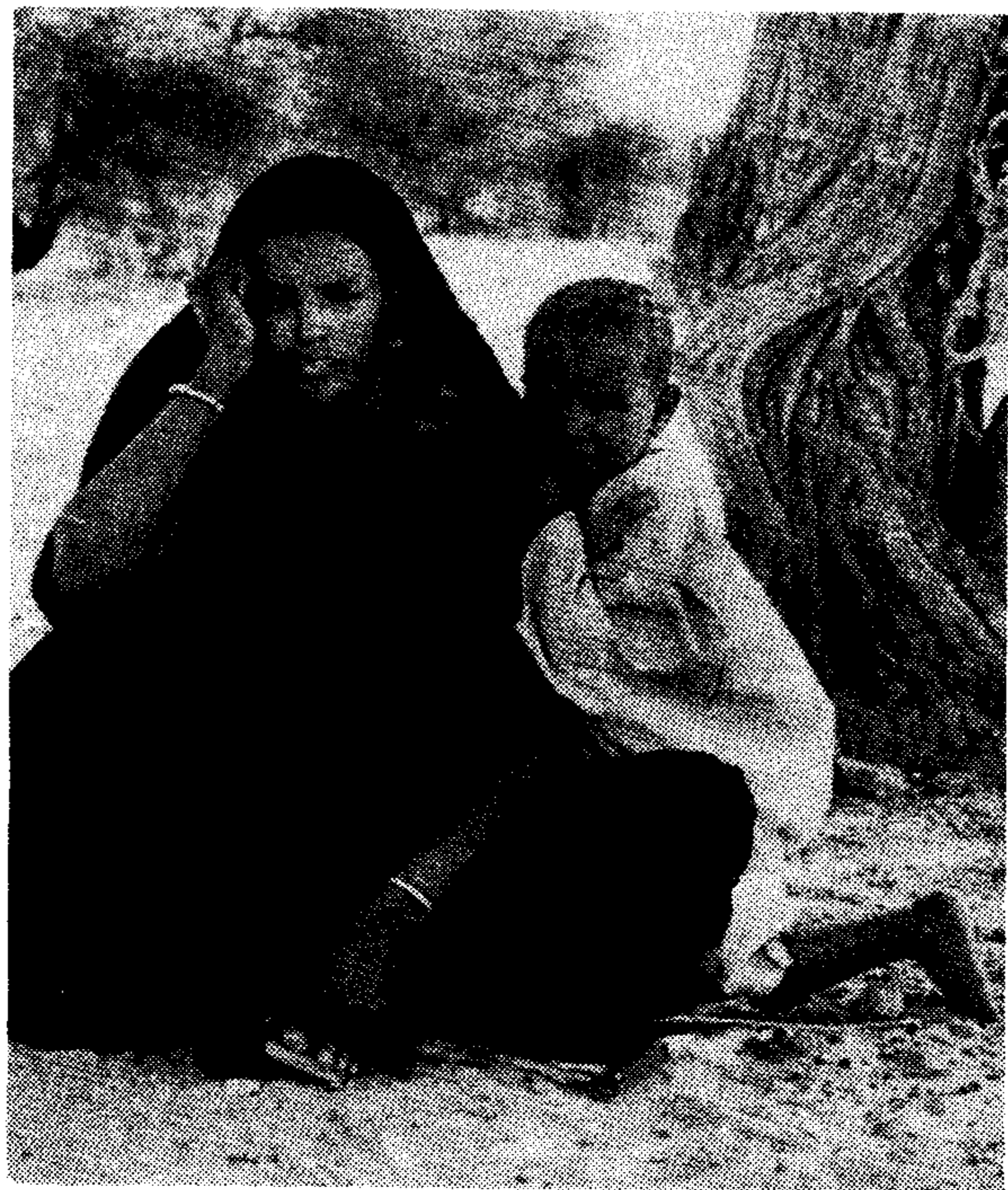
There are great disparities in the per capita allocation of aid and the most generous per capita allocations do not necessarily go to the poorest countries. In 1988, about 41% of aid was directed to middle- and high-income countries, those who in 1988 had a GNP per capita of between \$545 and \$6,000 and those with a GNP per capita of more than \$6,000.

Many 'aid' programmes in donor countries cover an assortment of activities (including commercial and strategic initiatives) which often have, at best, a tenuous connection with development. Only about 8% of the US aid programme in 1986, for example, could be identified as "development assistance devoted to low-income countries". A substantial proportion of aid is provided, at least partly, for purposes other than to promote development. In 1988, per capita aid receipts in Israel was \$282.07; in India, it was \$2.58.

At \$51bn, the total volume of aid in 1988 might seem large in absolute terms (in 1989, food aid to developing countries amounted to just \$2.5bn). But it is small when viewed in a wider perspective — the development assistance provided by industrial country donors in recent years has only been about 5% of their military expenditures. These donors spent \$31.6bn on aid and \$666bn for military purposes in 1986.

Arms expenditure remains one of the key questions facing the Third World. On average, defence accounts for one-fifth of government spending. A transfer of resources from arms expenditure to aid would have an immediate effect on the living conditions and standards of workers in the Third World.

Leaving aside for a moment the possibility of a recession and of war in the Gulf, if the patterns of regional income growth seen in the 1980s were to be repeated in



the 1990s, the results would be disastrous for most of Sub-Saharan Africa as well as for parts of Latin America and South Asia. Sub-Saharan Africa, which today has a population of about 450 million, would have an additional 165 million people, and per capita incomes would be 20% lower than today's near-subsistence levels. The countries of Latin America would have an additional 85 million people and average incomes 6% lower than today's.

Trotsky's theory of the permanent revolution holds true: no Third World economy can develop independently of international capital. The countries of Sub-Saharan Africa and Latin America will remain dependent on the export of cash crops and raw materials as long as there is a market for them. The 'benevolence' of the industrialised West is a smokescreen to blur the real reasons behind the existence of poverty.

This is the state of the world in 1990. World governments and institutions can offer no panacea to alleviate the deprivation suffered by millions of people across the globe. Under the best scenario that capitalism can offer — an average growth rate of 3% — 700 million will still be living a life of misery at the turn of the next century. Under conditions of recession, this figure will be massively increased. □

**Arms
expenditure
dwarfs aid
spending**

Soviet Union in turmoil

The Soviet Union is being torn apart by contradictory processes of revolution and counter-revolution, argues Elizabeth Clarke.



Workers' patience with the deprivations of the mismanaged planned economy have been exhausted

THE SOVIET UNION is being torn apart by contradictory processes of revolution and counter-revolution. The ruling bureaucracy has been shaken by a profound revolt from below. The patience of the workers with the deprivations of the mismanaged planned economy has been exhausted. The advantages of planning have been buried under a mountain of bureaucratic waste and corruption. Workers hate the bureaucrats, the 'mafia', for their arbitrary power and privileges. Last year's miners' strike was a magnificent expression of the workers' desire to throw the bureaucrats off their backs.

While workers know what they are against, however, they are not clear on what they want. In the absence of an alternative based on genuine Marxism, there are powerful illusions in the ability of the market, or capitalist methods, to provide a way out of the morass. The economies of the advanced capitalist countries, still able to draw on the accumulated wealth of the post-war upswing, present a picture of stability and prosperity. At the same time, the totalitarian state of the bureaucracy and the legacy of Stalinism have discredited the ideas of Socialism, Marxism, planning, and the real achievements of the October revolution. Many workers believe, therefore, that market

methods will give them more control over the economy. Many of the bureaucrats, for their part, believe that capitalism now offers them better incomes and privileges than the disintegrating planned economy.

Faced with a movement of revolt from below, Gorbachev attempted, when he first took over the leadership, to reform the bureaucratic apparatus, leaning on various newly created representative bodies to overcome the entrenched resistance of hard-line Stalinists who still dominate key sections of the state apparatus. His measures, however, failed to halt the decline and disintegration of the economy. Early in 1990, Gorbachev himself appeared to go further: while still paying lip-service to 'Socialist planning', he embraced the idea of 'radical' economic reforms based on the introduction of the market. The levers of central control became increasingly ineffective, but were not replaced by any viable mechanism. Shortages have got worse, regional dislocation is more acute. For most workers the 'market' actually means the black market, with higher prices for food and essential goods. The break down of the system of state administration combined with a mushrooming black economy has resulted in an acute economic crisis, especially with food distribution.

In his 'state of the union' message at the supreme soviet in mid-November, Gorbachev was forced to admit that things were going from bad to worse. Apparently without direction, lacking any new policy initiatives, Gorbachev came under fire from all sides. Ominously, he was warned by Colonel Victor Alksnis, leader of the hard-line Soyuz group, that he had thirty days (before the next meeting of the Congress of People's Deputies) to bring the crisis under control. Alksnis warned that "a genuine civil war is going on in the country", though in "a cold form", and called for strong Presidential rule to bring "nationalist forces" under control.

As if in reply, Gorbachev returned to the Soviet with extraordinary measures to concentrate supreme power into his own hands. The previous government bodies were pushed aside in favour of a new Council of Security, dominated by the KGB, the army, and the police. Later, Gorbachev appointed General Gromov, formerly Soviet commander in Afghanistan, as deputy minister of the interior, and an increase in the defence budget was announced. Gorbachev has not yet revealed his latest thinking on the economy, but it is likely that this shift towards the bureaucratic apparatus will go together with an attempt to reassert more central control over the economy.

While taking steps to rebuild his bridges with key sections of the bureaucracy, however, Gorbachev is also attempting to lean more directly on the workers. At the beginning of December, a presidential decree was issued establishing 'workers' committees' to supervise the distribution of food and other essential goods. They will be able to inspect factories, shops and transport, and have powers, 'in consultation with the authorities', to sack or prosecute anyone guilty of profiteering or embezzlement. What form these committees will take in practice remains to be seen.

Evidently, Gorbachev hopes to reinforce the authority of a section of the bureaucracy with workers' organisation which reflect the anger of workers at the new NEP-men who exploit the market as an opportunity for profiteering. But clearly, such committees, if they take on any flesh, are a double-edged weapon. If they prove to be genuine workers' committees, involving rank-and-file shop-floor workers, they will not only hit at corrupt officials and black-

marketeers but will inevitably begin to question and challenge the organised nepotism and corruption of the bureaucrats themselves.

Gorbachev's 'presidential coup' and the sharpened economic crisis cannot but raise a question mark over the compromise economic plan — the ninth in two years — presented by Gorbachev to the Supreme Soviet in October. At that time, Gorbachev was still trying to



appease both the old guard — especially the military-industrial complex behind the prime minister Ryzhkov — and the openly pro-capitalist wing represented by the President of the Russian Federation, Boris Yeltsin. Beligerently pursuing his campaign for the '500 days' programme for transition to the market, drawn up by Stanislav Shatalin, Yeltsin decried the compromise as an attempt to mate a "hedgehog with a snake" and to "preserve the administrative bureaucratic system."

The programme categorically declared the superiority of the free market over central planning. But the Shatalin Group's proposals for 70% privatisation in 18 months were watered down and the abolition of subsidies to loss-making concerns will be delayed. Retail prices will be gradually 'liberalised' apart from those of basic foodstuffs and consumer goods. Wholesale prices will be raised by central decree. The aim to slash the budget deficit to 5bn (£5bn) roubles by mid-January has been amended to a target of between 25 and 30bn roubles. No firm figures were given on further cuts in the military or KGB budget (and it was subsequently announced that military spending would increase by 26bn roubles).

Much of the pace and extent of changes was left to the republics in a recognition of what is already happening. Estonia began to implement the '500 day' programme at about the same time as it was sent for revision by central government. Azerbaijan's leader says 30 years is more realistic. With each republic moving at a different pace, with privatisation of industry and land going ahead piecemeal, the links



*Lithuanian
 president
 Landsbergis.*

**How will the
 central
 bureaucracy
 enforce its
 decrees?**

between the republics and the central economy are bound to come under enormous strain, with even greater conflicts in the future. Republics are making up their own rules as they go along. Thirteen out of the 15 say their laws supersede those of the centre. The ability of the government or even the president to either plan the transition to the market or to exert control over the republics is extremely circumscribed.

The process of disintegration and break-up already presaged in the *MIR* is proceeding at break-neck speed. The continued rule of the bureaucracy and the collapse of the centrally planned economy have driven protectionist, nationalist and separatist tendencies to an extreme. In the Russian Federation there are now no fewer than 16 self-proclaimed autonomous republics, five autonomous regions and 10 autonomous areas. Five republics have already refused to sign the new Union Treaty which makes big concessions to the 'sovereign' republics.

The logic of these developments is that the centre would be left with only residual powers over foreign policy and defence. Four republics are already demanding the right to form their own armies. In Armenia, 70 unofficial armed groups exist. And part of the agreement which ended the Ukrainian students' hunger strike was that no Ukrainians would serve outside the republic and that 25% of officers above the rank of lieutenant in the Soviet army come from that republic.

These developments alone give grounds for a revolt on the part of the military tops. Colonel Alksnis's warning to Gorbachev reflected the impatience of the military. The president's appointment of General Gromov, increased powers for the army, and the presence of Marshal Yazov in the Security Council are a measure of Gorbachev's need to reassure the military. "I am against any splintering of the state, redrawing of territory, or the destruction of centuries-old links between the peoples," Gorbachev told the Supreme Soviet in November. But the powerful centrifugal forces already set in motion pose formidable problems for the central bureaucracy. There will be severe limits to all-Union economic planning if it comes to depend on military coercion.

Gorbachev has issued a decree that all goods should still be supplied according to the usual contracts. Normally most republics 'trade' about half of their products with the rest of the Soviet Union but in the present situation of breakdown in agriculture and industry, a number of republics have virtually banned 'exports'. The Ukraine, which would usually supply one quarter of the Union's food, has set up road blocks and has decided to pay 70% of its wages in ration coupons! Pro-market Estonia has doubled prices and set up border posts. No

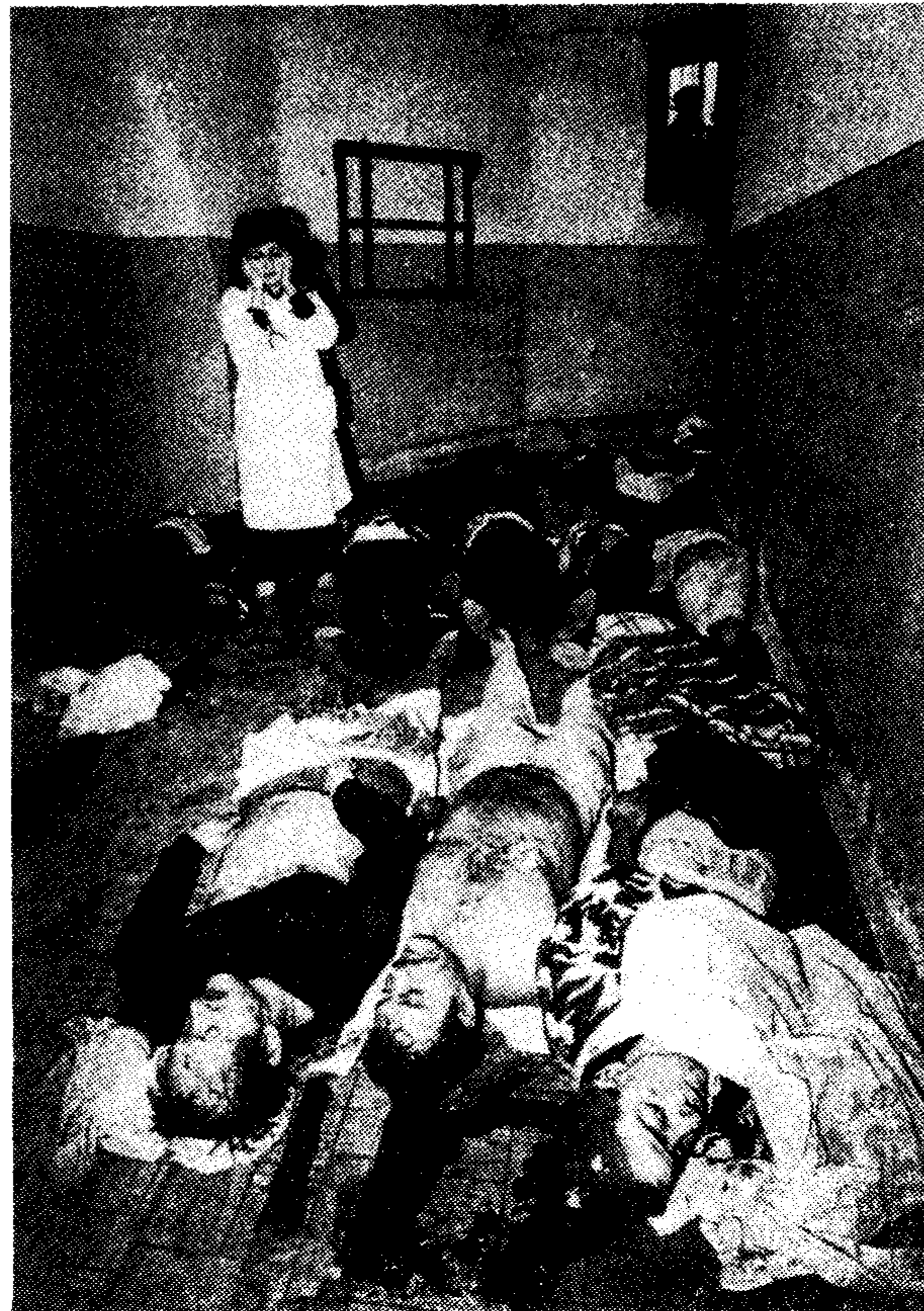
electric railway wagons have been distributed from the USSR's only producer in Riga for seven months. Other industrial areas have threatened to refuse to send their products to market unless food and consumer products are guaranteed. Actual barter of trainloads of goods takes place between workplaces!

Russia has already set up trading agreements with four republics and the Ukraine has exchanged envoys with a foreign state — Poland. The Leningrad city soviet has had to go to Germany to buy food for its citizens. This itself was necessitated by the impossibility of getting supplies from either the Ukraine or from other parts of Russia. The central government has already announced the withdrawal of subsidies on meat and milk products for Leningrad on January 1 so the Lensoviet aims to sell-off some municipal property to keep down the cost of food. This of course begs the question of whose property it is. But if the government is trying to get the city representatives to take responsibility for price rises, it can expect some retaliation.

A dispute with the Kremlin earlier in the year over the 'ownership' of Russia's diamonds was just a foretaste of what is to come. The Russian Federation, encompassing one half of the country's population, has 90% of the USSR's oil and gas within its 'borders' and 55% of coal. Its parliament has not only declared its intention to implement the Shatalin plan but also to claim all the resources of the republic as its own. This is a recipe for a clash with the centre as the new plan expressly aims to retain central control over the sale of hard-currency earning products like oil, gas, gold and diamonds.

How will the centre enforce its laws and decrees? It has already employed force in a number of republics and bloody clashes have ensued. Fifty five servicemen have died in Armenia in the last three months. Big armed clashes are brewing in Moldavia where the Russian inhabitants of the industrial East bank of the Dniester have actually appealed to Gorbachev to protect them from the nationalists at republican level. Workers detachments can be ready for action within half an hour. In neighbouring Gagauzia, All-Union troops stand between armed road-blocks and thousands of Moldavian 'volunteers'. Since Gorbachev came to power, 1,000 people have been killed, 8,500 injured and 700,000 people made refugees in national conflicts which the bureaucracy is incapable of resolving.

To ensure the continuation of production and distribution force would have to be used, not just against road blocks or against workers taking things into their own hands but against elected local parliaments. When the Baltic states began to defy the centre, generals spoke of the need for the army to step in as the only force capable of maintaining unity. If Gor-



bachev would not give the orders they would be given for him. He has the powers as Commander in Chief of the army but he will hesitate a thousand times before using them.

In spite of his bold talk, Gorbachev has been terrified of taking decisive action on this or any other issue, but has followed a zig-zag course under the pressure of events. Leon Trotsky, speaking of the dithering of the Executive Committee of the Petrograd Soviet in the middle of 1917, asked ironically "to drag things out, to gain time for your own vacillations — is that not the most ingenious of all political policies?" But such a policy does not, especially in a crisis situation, afford protection indefinitely. Having appeared, eventually, to have made his decision to take the road of capitalist restoration, albeit camouflaged with sugary phrases about 'strengthening socialism', Gorbachev has once again pulled back, apparently more sharply than ever.

Gorbachev was pushed towards reform, after 1985, by the stagnation of the economy and the growing discontent of the workers. Now he is being pushed back towards bureaucratic methods by fear of mass revolt against the dire hardships that even its advocates say are inherent in the transition to the market. Gorbachev is justifiably afraid of taking the brunt of the already accumulated wrath of the masses at the conditions in which they are being forced to

exist today. Hence his repeated attempts to shift the blame in all directions, railing at the deputies, rounding in turn on his own prime minister, and then on Yeltsin. Public scrapping over the economic plans is just one aspect of the deep divisions that have opened up at the top in response to the failure of the system and the mighty pressure building up from below. Each layer of the bureaucracy lacks confidence even in its own proposals. Architects of the '500 day' programme now admit it would not work. Yeltsin, still the figure in whom many ordinary people invest their last hopes, veers from defiance of the centre to proposals for coalition and strong presidential rule.

Many of yesterday's 'democrats', like Sobchak and Popov, the mayors of Leningrad and Moscow, express exasperation not only at the continued power of the Communist Party in the administration, in the army and in the KGB but also at 'too much democracy'. They echo Gorbachev in seeking more 'executive' power for themselves. At the head of the two largest soviets in the country they decry the slogan of 'all power to the soviets,' even though these parliamentary-type bodies, with very limited control over the executive arms of the government, are far removed from the organs of workers' democracy established in 1917! Calling for a 'separation of powers' they wish to ape the worst features of capitalist 'democracy', where all the real decisions are taken anywhere

Ukrainian students on hunger strike, left. Above, after the Soviet invasion of Baku.



Yeltsin.

but in the popularly elected parliaments. They want cabinet or even presidential government including emergency dictatorial powers.

The popularly elected Russian parliament has called for a 'government of public confidence' that can maintain law and order. With such a government, Gavril Popov explains, "we'll get the urgently needed billions of dollars because the West realises it can safely rescue us." 'Democratic' academicians peddle ideas about ownership of property giving people a sense of responsibility instead of going onto the streets in protests etc. Popov actually argues for any "mechanism that would be especially strict during this period of radical change". The role of these so-called leaders is becoming clear. They will act as brakes and fire-hoses in an attempt to hold back the masses and make the Soviet Union safe for capitalism.

But the masses may not extend their magnanimity to these 'democrats' much longer. They will demand a fight for programmes that will fill the shelves again. The democrats of Russia, at a recent conference, gave Yeltsin a blank cheque to implement whatever he sees fit. But in the big movements that will undoubtedly unfold this winter, his policies will be found to hold no comfort for the mass of workers. They will find him recommending moderation in the face of the worst crisis many of them will have faced in their lives.

Out of 1,000 basic goods that should be on sale now only four are regularly available in the shops. The majority of retailing is done through irregular channels. Hungry people pass by co-operators displaying rotten fruit and fish at 26 roubles a kilo. Hatred of speculators grows in tandem with hatred of anyone who gets more than a fair share. Moscow police are supposed to have clamped down on a whole number of black market rings. 185,000 racketeers have been held in the last eight months but the enormous gap between state prices and what, in the context of dire shortage, can be charged on the streets or in the markets, means that even those involved in the official distribution network hold their own supplies back until they are assured of something over the official price.

Estimates put the black market as high as half the Gross Domestic Product. There are 150,000 rouble millionaires already. They drive about with body-guards in cars that cost 250,000 roubles and eat meals costing more than many workers earn in a month. The rabidly pro-capitalist paper, *Moscow News*, sighs: "Alas, general prosperity always begins with this tasteless and obnoxious luxury for the few against the background of poverty and even destitution for the many." Unfortunately, the introduction of capitalist relations, far from bringing about prosperity for all, will simply

legalise speculation and profit.

It is beginning to become clearer to many workers in the Soviet Union just who is likely to benefit from this much-vaunted market. If shares are to be sold, it will be those who have already made money who will be able to buy up property. Sixty per cent of savings are in just five million accounts and the average savings held by the 80 million households with deposits is 4,300 roubles. The minimum share on the new commodities market in Moscow is 100,000 roubles.

Workers have seen their own managers trying to set themselves up as capitalists. They have seen profit-taking within their own workplaces and there is evidence of local 'Communist' Parties being given a share of central funds to establish commercial banks. In Leningrad, in spite of the fact that 80% of industry there is under the control of the military industrial complex, the bosses of the biggest 26 'enterprises' in that city have formed an association to prepare the necessary infrastructure to enable capitalism to flourish.

Nevertheless, even workers who have seen the swindles carried out by so-called co-operators, feel they could do things better if they owned their own workplaces. State ownership has become indelibly associated with bureaucratic management.

In the light of a continued boom in the West and a crisis in their own economies they have been attracted by the apparent widespread prosperity of the capitalist countries. They have not reckoned on what would happen under a market system to jobs and services that did not make money. In Czechoslovakia tensions have developed between miners in profitable and unprofitable pits. They are in favour of immediate privatisation provided workers in pits that have to close are re-employed. Yet for subsidies to be provided, and to pay for essential services, taxes would have to be paid which would eat into profits. Workers would get involved in the risky business of trying to run individual enterprises profitably. To compete for markets and get capital for investment, they would find themselves forced to lower wages and cut corners with regard to safety and conditions.

The problems cannot be solved in one workplace or even one city. Workers would no more control industry and run society through 'private ownership' in the Soviet Union than they do in Britain, France, or the USA. The only way is through the removal of all layers of the bureaucracy — re-taking control through elected workers' representatives prepared to work without privileges and go to the end. Such a struggle would be far more fruitful for workers than any attempt to try and be 'good capitalists'.

Although the methods of privatisation under the new plans are not spelled out, the bulk of the means of production will not be given to the workers through shares or any other means. Enterprises have had the right to issue shares to their workers since 1988, but the central government, like the city soviets, aim to sell assets to make their books balance.

Leningrad is offering ships from the merchant fleet and Moscow is trying to sell shops. Popov wonders why there are no takers for the empty shops. Managers are declining the offer of buying out their shops 'because it would involve constant strain caused by responsibility' and because of 'worries about the future'.

Vladimir Sokolov also puts his finger on why another source of investment capital is so hard to come by... that of the foreign investor. "He will not come to us with his technology until his investments are 100% protected against any revolutionary expropriation". All kinds of 'incentives' are on offer to capitalists in the Free Economic Zones and elsewhere. Firms are being invited to come in and take out as much profit as they want (roughly along the lines of what they were doing before 1917!). Gorbachev's recent visit to France and Spain was primarily designed to 'sell' the Soviet Union — to get big credit deals signed and look for investment capital.

Arguments over the plans have centred not so much on whether to 'free' prices and sell off state assets as to how to do it and how fast. Putting up prices first, as Ryzhkov attempted to do earlier in the year, not only sparks off waves of protest, it means that those with money will be able to buy the goods and the rest will have to wait for hand-outs. It could result simply, as in Poland, with more goods in the shops but no money in peoples pockets. Shatalin and Co argued that the rest of Ryzhkov's proposals — putting up wages to compensate for prices rises — would have taken the budget deficit to 340bn roubles (from the currently expected 90bn).

Leonid Abalkin countered that the Shatalin plan would have created inflation of 200% and closed 25% of the country's collective farms through bankruptcy by the end of the year. Ryzhkov, representing the bureaucratic and technical elite that would be threatened most by the dismantling of the planned economy, predicted the disintegration of the country and a drop of at least 30% in living standards. Others predicted anything between 20 and 50 million unemployed.

Supporters of the '500 day' plan themselves admit that huge shocks and privations would be in store, but Shatalin tells the *Financial Times*: "The Polish therapy in our country is absolutely impossible. It would not simply leave the patient sick. It wouldn't leave any of those who

implemented it alive". Insisting he is still a socialist, he says that "for the economy to get moving at all, a revolution in the sphere of property must be made." But, he points out, "we are still as terrified of it (private property) as the devil is of incense." He rests his case on the belief that "the situation couldn't get worse".

All those debating the 'transition to the market' believe that the giant state monopolies must be broken up with a 'Monopolies Commission' established to ensure no 'unfair' competition. But where would the money come from for the enormous investment needed to start up new foundries or chemical plants? Massive investment is needed now simply to cut out the horrific practices in Soviet industry that endanger the lives and health of so many millions.

Yet there would be no need to break up the state monopolies if they were under the control and management of workers in a workers' state. A division of labour and specialisation has been one of the assets of the vast state-owned economy of the USSR which, in spite of monstrous deformations, strode forward for decades at a greater pace than the capitalist world. Out of the 180 machine-building factories in the USSR, 160 are actual monopolies. All tram rails are made in one town — Kuznetsk — and all sewing machines in another — Podolsk. One chemical plant outside Yerevan is the sole producer of a number of key drugs. Its closure due to ethnic struggles in Armenia led to 750 other factories being closed down.

This situation brings home the catastrophe inherent in the separation of the republics from the central economy. Each would attempt to be self-sufficient but would lack the resources to start from scratch. The break-up of the Soviet Union even in this respect alone would be a backward and not a progressive step. Marxists support the right of the republics to self-determination, including the right to secede, if there is overwhelming mass support for such a step. We would not advocate separation, however. The way forward is through the democratisation of the USSR, to return to the idea of a genuine socialist federation based on the fraternal association of nationalities and democratic planning based on workers' control and management.

Pro-marketeers also argue that making the rouble convertible is an essential prerequisite of 'free market' relations on a world scale. Foreign capitalists will only invest in the Soviet Union on a big scale if they can withdraw their profits in a currency which has a definite value in terms of US dollars, German marks, etc. On the basis of either bureaucratic planning or the restoration of capitalism, or even a transitional hybrid between the two, convertibility of the rouble will mean nothing more than devalua-



Foreign investors are invited to take out all the profit they want

**Without
workers
taking things
into their
own hands,
prospects
are grim**

tion and even further hardship for the mass of the population. Again, those with money would survive. Those on low wages and tiny pensions would go under. The only means of avoiding such a catastrophe would be to dramatically increase productivity.

This will be achieved only through planned investment in new technology on a scale that Western capitalism is incapable of providing. It could now only be achieved through reorganisation carried out with the fullest participation of workers and experts. This in itself is only possible through the political revolution — the throwing off of the bureaucracy.

In the present circumstances, without workers taking things into their own hands, the prospects are grim indeed. A rapid transition to the market or a long drawn out affair, even an abandonment of such plans, will see a further deterioration. An intervention by the army and an attempt to impose central directives might temporarily restore some of the previous production and distribution levels but at enormous human cost. Such a Stalinist counter-revolution would be an enormous set-back for the working class of the Soviet Union.

Gosplan experts now warn of famine and mass epidemics as well as a slump in production of anything from 30-70% because of the collapse of the central planning and supply system. The ministries are still supposed to be running 80% of companies and order firms to deliver 90% of their products to the state. In an open letter to *Sovietskaya Rossiya* — paper of the Russian 'Communist' Party — these 'planners' say that in the entire engineering industry only between 5% and 8% of contracts with suppliers had been concluded a month before the deadline. In the first half of next year many plants will come to a standstill and go bankrupt. Workers will not get their wages and entire work forces will be made redundant. Without emergency measures "the economic crisis will become irreversible".

Little wonder that five million people are reported to be waiting to emigrate. Already 100,000 Soviet Germans have left with an estimated loss to the economy of 4bn roubles. But the majority of the 290 million population have to brave the prospect of worse dislocation. Privatisation will threaten so many aspects of life that workers take for granted even today — warm houses, hot water and light, cheap transport. Even before new measures take effect, crises are developing in every sphere.

The crisis in agriculture has gone from chronic to acute. For every one rouble of produce, five roubles 29 kopeks has to be put in. On land that could, with modern methods, produce 40-50 tons per hectare, an average of only 13 tons is being reached. With the introduction of 'cost-accounting', individual

state farms cannot afford modern harvesting equipment or labour. Cost-accounting in factories means managers have been unwilling to let their labour force go to the country as in the past. The 'Communist' Party no longer has authority amongst the youth who used to be included in obligatory Komsomol teams of land-workers. The KGB and the army were mobilised (as well as the Peoples' Deputies for one day!) yet still the greater part of the bumper grain harvest and the potatoes stayed in the fields. Combine harvesters and tractors stand idle for lack of spare parts. Storage facilities are also substandard, meaning the 'loss' last year of between 30 and 35 million tons.

And the solution of the 'Democrats'? "Nine million efficient farms can save Russia from total ruin and feed the country," says the agricultural scientist and people's deputy, Tikhonov. All you need is land-owning peasants, ready to run risks, not looking for hand-outs and "capable of working 14 hours a day during the farming season"! "All unused land should be... awarded to the most successful bidders." But in spite of laws permitting the ownership and inheritance of land being passed, 98% of all land is still in the hands of the collective and state farms.

"Peasants aren't taking the land!" cries Abalkin. But the majority of those working on the land are now agricultural workers, not peasants. Who believes, moreover, that a hard-pressed central government, trying not to tax the fledgling capitalist enterprises for fear they will flee the nest, will provide cheap credit for equipment or fertilizer over a long period? Only state ownership and democratically-run planning involving all producers could assure such provision for small concerns. It would also, however, breathe new life into the state farms and collectives.

The bureaucracy staggers like a wounded beast from one blunder into another. Without the intervention of the masses, things can only go from bad to worse. The leaders discuss their 'powers' when, by their own admission, they have none. In March and April 1917 Kerensky remarked that the government "did not work but merely discussed its condition". So who will act?

Sobchak and Popov, who are openly pro-market, in the face of their city budgets being halved, should not be talking of increasing transport prices five-fold and possibly resigning. Retreating will not preserve their credibility, as they believe, but will have the opposite effect. A fight like that of Liverpool city council in 1983-85 would mobilise the movement to challenge the rule of the central bureaucracy. But these people represent merely a 'radical' (ie pro-capitalist) wing of the bureaucracy and hide behind scare stories of unrest and

violence. Nothing must disturb the peaceful transition to a glorious market economy! Unfortunately for them, if they don't act, other forces will. The military is seething with discontent. The tops are waiting for the right time to move. The ranks and the population are enraged by reports that 30,000 young men have died in the last few years through brutal treatment in the armed forces. Recruitment of youth into purely local armies will be a double-edged sword for the newly emerging nationalist governments of the republics. If they try to use troops against strikers who are from their own territory, how reliable will they be?

Delays and empty talk at the top are enervating the working class of the Soviet Union. Again, as Trotsky put it in relation to 1917, "the standard of living continually sank... the mood in the workers' districts was becoming more and more nervous and tense. What depressed them most of all was the absence of prospects. The masses are capable of enduring the heaviest deprivations when they understand what for." But at present, as Quentin Peel of the *Financial Times* indicates, "the expectations of the Soviet people are low. That goes hand in hand with their lack of confidence in any government. But it does mean that prolonged depression may not necessarily produce bloody revolution." They have rejected the old system but are unsure of what can be substituted for it.

There is a veritable war being waged against the October revolution. Much publicity is being given to documents which 'prove' that Lenin not only shot strikers but also labelled as prostitutes women who appealed to soldiers for food for their children and ordered their execution. Many workers still revere him and reactionaries in Leningrad who want the town to be called Saint Petersburg cannot muster the necessary two-thirds support. Elsewhere his statutes are under attack by the new pro-bourgeois regimes in some of the wealthier republics. Descendants of White Guard landowners and Nazi collaborators are rearing their heads in the still uncertain workers' movement.

A number of organisations, including some independent trade unions, called people to a demonstration on the anniversary of the October revolution with a leaflet headed 'Day of National Tragedy' with a black border. These elements are more convinced about going back to the market (with social guarantees) than the mass of the population.

The confidence of the 'Communist' Party — the party of the still-ruling bureaucracy — is suffering big blows. Now it has to accept defeat in elections in Georgia (where no fewer than 150 parties have sprung up). It is losing members — 400,000 in the first nine months of 1990. The 'Popular Fronts' of Leningrad and Moscow have virtually disintegrated but new



parties have not yet consolidated. They meet, discuss programmes and constitutions and agree to meet again!

The 'democrats' in control of the soviets this year, who walked on air in the protest demonstration last year in Palace Square, are cautioning people to stay at home and 'prepare for winter'! What does this mean except that these people are bankrupt and will not survive the hurricane of events in the next months and years. A full tilt rush to the market will hit the reefs of mass resistance. The experience of Poland is salutary where the workers' hero Walesa now wants to be a Pisudski-style dictator. Hungarians have begun to move against the catastrophic decline of their living standards.

The experience of Romania's attempts to go headlong towards capitalism, bringing workers back onto the streets in protest, will also not go unnoticed in the Soviet Union. Nor will the recession developing in the capitalist countries. But above all it will be their own experience that draws the mighty proletariat of that country inexorably towards revolutionary and Marxist ideas. In the struggle they will rediscover the great traditions of their class and its revolutionary leaders. They will link their struggle to that of the workers in the capitalist countries, not for the re-establishment of capitalism but for a sweeping away of bosses and bureaucrats alike and the establishment of worldwide socialism. □

The military wait.



Russian Monarchists.



Swedish style 'socialism'

Laurence Coates charts the rise and fall of the Swedish Social Democratic model

**Sweden's
Social
Democrats
are the
flagship of
international
Social
Democracy**

ON OCTOBER 26 SWEDEN'S Social Democratic Government unveiled the biggest package of spending cuts in the country's post war history. £1.4 billion was lopped from health and other public services. The *Financial Times* commented "Sweden's famous economic model — the envy of the world for more than half a century — is dead!"

Not satisfied with these measures, the employers' organisation, SAF, have since launched their own plan for the nineties. Their proposals, including a halving of public spending and the break-up of the welfare state, amount to a declaration of war against the working class. "I want to see the mass slaughter of our holy cows," admitted SAF chair, Ulf Laurin.

These developments hold an enormous significance for the labour movement internationally. Sweden's Social Democrats are the flagship of international Social Democracy. They have governed for 52 out of the last 58 years. For Neil Kinnock the Social Democrats are the prototype for the 'new model' Labour Party. Ex-Stalinists like Abalkin, Dubcek and Iliescu are converts too. Old myths about 'Swedish-style socialism' are rife in Eastern Europe — an attempt to reconcile workers to the savage austerity programmes of Shatalin, Balcerowicz and co, aimed at a return to capitalism.

Defenders point to Sweden's living standards — the fifth highest in the world — and its welfare state, with the highest public spending in the capitalist world at 58% of GDP (the OECD average is 45%). Life expectancy (80 years for women, 74 for men) is second only to Switzerland. The infant mortality rate and pupil-teacher ratio are the lowest in the world.

Marxists, while being the most determined fighters for reforms in the interest of working

people, have always pointed out that such reforms can never be lasting and permanent under capitalism. Sweden's experience appeared to refute this. For a number of reasons, the reforms wrested from capitalism during the post war period went further and have been sustained for longer than anywhere else. But now this situation has come to an end.

Today, Sweden faces its most serious economic crisis since the 1930s. Latest OECD forecasts predict growth of 0.7% this year and 0.1% in 1991. Inflation at 11.1% is way ahead of its main competitors and unemployment, though low by international standards, is set to rise sharply.

Decisive sections of the economy such as iron and steel, cars, paper and pulp are already in recession. Industrial production has dropped 7% since January 1989. Show-piece companies like Electrolux and Volvo are axing 15,000 and 5,000 jobs respectively. The resulting panic has seen shares on the Stockholm bourse crash 40% in the last two months. Interest rates recently leapt from 12% to 17% to stem a record outflow of capital.

1990 has been a year of unprecedented political shocks. In February the Government resigned after it failed to push through a 'crisis package' — a two year wage freeze and strike ban. Finance Minister Kjell-Olof Feldt described the package as the "last chance for the Swedish model". The workers' response was furious, especially against the LO (blue collar trade union movement) leadership who had given their endorsement. Had the strike ban not been withdrawn days later, it threatened to ignite a massive movement of the working class.

The February crisis was a turning point in the history of the party. Feldt, the architect of the



Government's right-wing policies throughout the 1980s, left the Government, Parliament and the party executive. Support for the Social Democrats slumped to 32% — the lowest level since opinion polling began! Prime Minister Carlsson's personal rating fell to 15% from 50% in 1987.

This is a far cry from the days when the party could count on more than 50% of the vote. This past success rested on the relative strength of the Swedish economy. While they were raking in super-profits the capitalists could afford to make concessions to the working class. Sweden had the fastest rate of growth in the world between 1860 and 1960. In key industries it developed world leaders such as Volvo (second biggest producer of trucks and buses in the world), Electrolux (biggest white goods manufacturer), and Asea Brown-Boveri (biggest electrical engineering company).

The enormous concentration of wealth and power in Swedish society makes nonsense of Bryan Gould's claim that "Sweden's economy is more socialist than ours". It is one of the most monopolised economies in the world. The Wallenberg family alone control 40% of the market capitalisation of the stock exchange, including seven of the biggest ten companies. As *The Economist* commented it would be like

one American family controlling IBM, General Motors, General Electric, Ford, Exxon, Amoco, Philip Morris and Citicorp! Public ownership in the production sector is only 7%, well below the West European average and less than half that in Britain after ten years of Thatcher's privatisation.

Far from 'socialist' therefore, the 'Swedish model' was founded on what Feldt calls "aggressive and dynamic capitalism". During the 1920s and early 30s Sweden's strike rate was the highest in the world. The slump of 1929 opened a period of enormous conflict: mass demonstrations, a regional general strike, armed strike-breaking militias and in 1932, in the town of Adalen, the shooting of workers. The Social Democrats won the 1932 election on the slogan 'work for all'. They were the first government in the world to pursue a Keynesian programme of state spending to fuel growth, to be followed by Roosevelt in the USA. These policies served to create jobs and raise production for a period but at the cost of creating inflation and a new economic crisis at a later stage. International factors were to intervene, however, which provided a respite for the Government.

From the start the Social Democratic leaders abandoned their election promises at the

*Social
Democrat
Prime
Minister
Carlsson.*



Bofors – one of 'neutral' Sweden's arms manufacturers.



Olof Palme.

behest of the capitalists. Short of a majority, they entered a coalition with the Farmers' Party. The pledge of an amnesty for imprisoned strikers was one of many dumped as the price of coalition. In their first year in office, 56,000 remained out of work with no form of support. Promised public works schemes did not materialise. These policies provoked a split, with the bulk of the party in the industrial city of Gothenburg – 15,000 members, including two MPs – joining the sister party of the British ILP (Independent Labour Party).

After the 1933 victory of the Nazis in Germany, the Swedish workers' fear of fascism pushed them more solidly behind the Government, despite its attacks on the working class. The Social Democratic leaders opposed fascism verbally while at the same time Hitler's rearmament programme provided a huge market for Swedish exports, primarily iron ore and coal. The LO's call for a trade boycott was buried in the rush to do business with the Nazis.

At the outbreak of war the limitations of Keynesian economics were apparent as unemployment climbed to 10%. But the war opened a new window of opportunity. Swedish capitalism was able to satisfy its desire for profits and markets – the very factors which drove the capitalist powers Britain, Germany and the USA to war – through its policy of neutrality. The Swedish bosses warmed their hands on the flames of Europe, especially through trade with Germany which doubled between 1938 and 1941. In 1941 – 43 75% of Sweden's trade was with areas under German occupation. One lucrative market was vehicles and equipment for Germany's Russian front.

The Social Democrats' wartime politics reflected these economic realities. Despite winning 53% of the vote in 1940, the leadership preferred a coalition in which they were a minority outnumbered by bourgeois ministers. Wage cuts and repression followed. Communist Party members were 'registered' and hundreds of left-wingers herded into labour camps because of their opposition to the Nazis. Newspapers which criticised Hitler were heavily censored. German soldiers were allowed through Sweden on their way to occupied Norway and to the Russian front.

For the capitalists both foreign and domestic policy are dictated by their economic interests. In the post-war period, 'neutrality' did not unduly interfere with the bosses' business interests. Meanwhile, it allowed leaders of Social Democracy like Olof Palme to appear radical on questions of foreign policy, verbally opposing the Vietnam war and supporting the PLO, while at home they pursued conservative policies. Today even this has changed, with the Swedish Government giving staunch support to the imperialist mobilisation in the Gulf. The

hypocrisy of the capitalists is boundless. The *Nobel Peace Prize* originates from Sweden which today is the ninth biggest weapons exporter in the world. Nobel Industries is one of Sweden's biggest arms manufacturers. The fiction of Sweden's neutrality has now been smashed by the revelation of covert liaison between the Swedish general staff and NATO.

Neutrality, however, enabled the Swedish economy to emerge unscathed and even strengthened from the inferno of the second world war. This, and its wealth of mineral and natural resources, gave Swedish capitalism enormous advantages in the post-war period. Swedish steel and timber, bought with Marshall plan dollars, was used to rebuild Europe. The development of the long economic upswing of 1950-75, with Swedish capitalism conquering new markets, allowed the Social Democrats' consensus politics and the system of annual agreements by the Employers' Federation and the unions to acquire a certain stability.

With 85% of the workforce in trade unions – the highest level in the world – the bosses naturally sought to buy industrial peace. As elsewhere, they leant on the workers' leaders to 'police' the workers. The integration of these leaders into the state apparatus has perhaps gone further in Sweden than anywhere else. The Social Democrats became 'the natural party of government' even as far as the capitalists were concerned. The leaders pay lip service to the 'quaint customs' of the labour movement like May Day, but are thoroughly bourgeois in outlook. Decades of rule has cemented a multitude of links between the party tops and the captains of industry. Since leaving the Finance Ministry Feldt has become 'political adviser' to Volvo boss Pehr Gyllenhammar!

In many respects they reflect the thinking of the strategists of capitalism more faithfully than the three conservative parties, which have been reduced to little more than right-wing pressure groups after years of political exile. A recent poll revealed that 70% of employers prefer a Social Democratic government. The bosses fear that an open bourgeois government will meet far greater resistance from the working class.

This pro-capitalist leadership consolidated a seemingly impregnable position in the labour movement, during the long post war boom which offered the scope for social reforms. But today capitalism is devouring the gains won by the Swedish working class. Since 1982, Social Democratic governments have been governments of counter-reform, dismantling the model they are credited with having built. Before the party won the 1982 election, *Offensiv* the journal of the Swedish Marxists, warned that "a totally new situation is arising for

Swedish Social Democracy. For the first time since the war the Social Democrats will be forced to administer a capitalist crisis. The world capitalist crisis will no longer provide space for reformist policies."

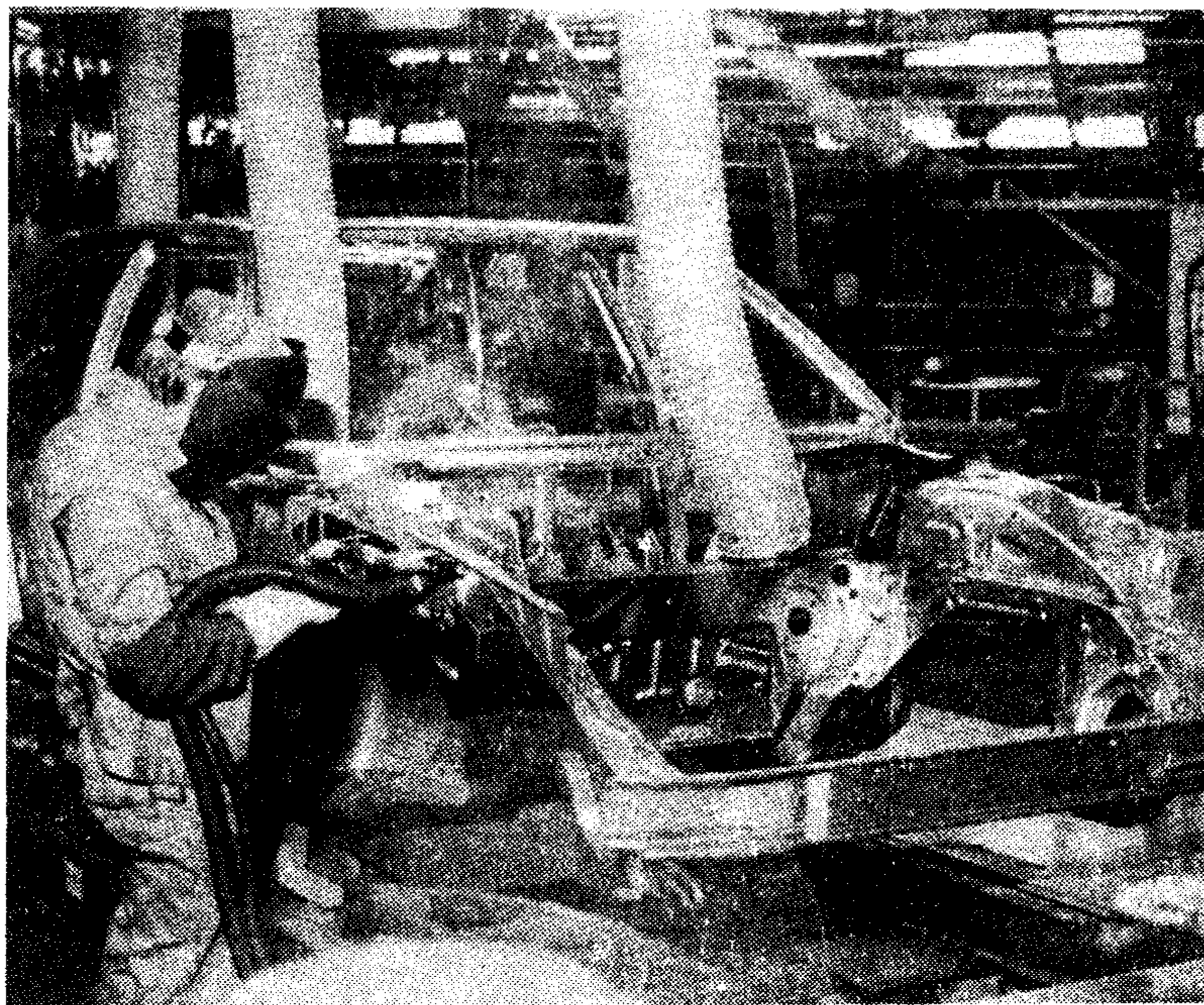
Despite the boom of the 1980s, public spending has been cut from 68% of GDP in 1982 to 58% today. A massive transfer of wealth has taken place. The top 5,000 salary earners saw a rise, in real terms, of 39% between 1980 — 87, while workers as a whole got 0.25%. 145,000 children now live in families below the poverty line.

The leadership's turn to the right has accelerated since this February's crisis. They entered a pact with the Liberals, dropping all their 1988 election promises. A squeeze on council spending was enforced and VAT was raised to 25%. But all this was just a curtain-raiser for October's austerity package. New Finance Minister Allan Larsson warned the press that his cuts would unleash a 'human storm' and pose a severe test to the parliamentary system. Sick pay and childcare are badly hit. Private medicine and childcare are to be encouraged. Low unemployment, the boast of every Social Democratic administration since the war, is to be abandoned. Some forecasts warn of 5% unemployment by 1993.

One union leader has warned that without a change of course the party faces catastrophe. The 1991 election raises the prospect of defeat and possibly a coalition — for which the present pact with the Liberals is a preparation — or more probably, a 'bourgeois' government dominated more than ever by the more right-wing 'Moderates'. A new Moderate-led government would not be like that of 1976-82, which itself provoked a massive strike movement. It would attempt a Thatcherite showdown with the working class.

SAF's proposals provide a foretaste of what is to come. They read like the infamous 'Ridley Plan' drawn up before Thatcher came to power. They call for the privatisation of railways, post and all public utilities; 'market forces' to determine health, child care and care for the aged; private pensions and social insurance to replace the state system; education vouchers and the sale of all council houses. The plan is so explosive that while it appeared in the *Financial Times* it has not yet been reported in the Swedish press!

Behind these developments is a special crisis of Swedish capitalism. These are not merely temporary or cyclical problems, although they are aggravated by the approach of recession. The contradictions arise from Sweden's tiny home market and its massive dependence on the world market. Marx pointed out that the narrow enclosure of the nation state is one of the fundamental barriers to the development of



the productive forces. Swedish capitalism partially overcame these limits for a period, pushing outwards onto the world market, to the extent that today the production and sales of its major companies are overwhelmingly based outside the country.

Sixty-two per cent of the employees of the top 25 industrial companies work abroad; 80% of Electrolux employees, 81% of ABB's and 89% of SKF's are outside Sweden. Eighty to 90% of the sales of these big corporations are abroad. Compelled to locate production closer to its markets, afraid of being shut out of a future 'Fortress Europe' and because of higher profits (the top 20 companies earned 29% more from capital invested overseas than from their domestic operations during 1987-1990), this tendency is gathering momentum with an exodus of capital.

Swedish direct investment abroad has increased eight-fold since 1982. The bulk of this investment is in the EC as 1992 draws close. During the first six months of 1990, Swedish companies topped the league for cross-border takeovers in Europe, ahead of France (2nd) and Britain (3rd). They spent £6.2 billion on 96 acquisitions. As the boss of Stora, now Europe's largest pulp and paper company, declared: "If Sweden will not be a member of the EC, Stora must be." A Volvo executive confessed "when Volvo expands now, it does not do so in Sweden but in Belgium." Reflecting these pressures, the Social Democrat's October package contained a 180 degree policy turn with the announcement of an application to join the EC. Yesterday's objections, based on Swedish 'neutrality', have evaporated.

There has been a shift towards purely speculative investment: £3.75 billion was in-

Car production at SAAB.

An exodus of capital is blunting Sweden's technological edge

**"Sweden can
no longer
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old illusion
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on
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principles."
Financial
Times**

vested in overseas real estate in 1989, a ten-fold rise in two years. Swedish investors own 15% of office space in Brussels. After the Japanese, they are the main buyers of real estate in central London.

Falling investment in industry means Sweden's competitive position is slipping. While the bosses and the Social Democratic leaders blame the working class and exhort them to work harder for less pay, the real cause is disinvestment. In the 1980s the share of company profits reinvested fell from 65% to 45%. Next year investment in industry will shrink by 15%. Sweden's technological edge — it has more industrial robots per head than any country bar Japan — is being blunted.

While large scale overseas investment has been a feature of Swedish capitalism throughout the post war period, today there is a *qualitative* change. In 1989 overseas investment exceeded domestic investment for the first time. There is a tendency for companies to scale down their Swedish operations and even disengage. Several including ABB, IKEA and Tetra Pak have moved their head offices out of Sweden and many more could follow. The capitalists are pulling the plug on the country's high living standards and welfare state.

The 'internationalisation' of Sweden is closing off the options for an *independent* reformist model. This is spelt out by the *Financial Times*, 29 October: "Even Sweden can no longer live with the old illusion that it can pursue a national economic policy based on Keynesian principles of demand management. The outside world (ie world capitalism — LC) is now dictating what it can and cannot do..."

"There is a depressing familiarity about this for anybody who remembers the experience of the last Labour government in Britain between 1975 and 1979 and the Mitterand economic experiment of reflation in France during the early 1980s."

The message from this mouthpiece of the bosses is clear. No matter what policies social democratic parties are elected upon, if they remain tied to the framework of capitalism, their policies will be dictated by big business internationally. The experience of all such governments since the late 1970s has been the abandonment of the 'old illusions' in a policy of reforms. To safeguard the living standards and social reforms that Swedish workers are justifiably proud of, they must struggle to re-win their powerful organisations to the ideas of socialism and Marxism. More than ever, their struggle must be *internationalist* in outlook, linking up with workers around the world. The old idea of the Social Democratic leaders that it was possible to build an independent 'Peoples' Home' in Sweden has failed.

Amid the new economic shocks, growing

numbers of workers are taking the first steps in such a struggle. Even previously conservative groups have moved. Teachers struck last year against the destruction of national pay agreements and a cut in holiday entitlement. Rail workers struck against an increase in their retirement age from 60 to 65. Most of the recent movements have been unofficial. 1990 saw a rash of illegal 'wildcat' strikes.

One of Gorbachev's advisers, Giorji Arbatov, described the Swedish Social Democrats as "a disciplined party that does not allow disruptive elements — something that is very common among other Social Democratic parties". There are certain parallels between the Social Democratic bureaucracy, used to 'one-party' rule and unaccustomed to dissent, and the ruling bureaucracies of the Stalinist states. The leadership even have their own internal 'Stasi' network of informers — 10,000 according to some reports — who spy on the membership and left activists and have links with the state secret service SÄPO.

But with the collapse of its 'model', this monolithic control is breaking down. Party membership has slumped. In Gothenburg it has fallen from 47,000 in 1984 to 13,500 today. Despite the collapse of Stalinism in eastern Europe, the Left Party (VP) — formerly the Communist Party — is now at 9% in the polls, its highest level for 45 years. In spite of the VP leaders' right-wing policies, the party is gaining as a receptacle for the enormous discontent of Social Democratic workers.

The February crisis triggered an explosion of anger against the party and trade union leaders. For weeks LO leader Stig Malm was hounded from meeting to meeting by angry workers demanding his resignation. Only 22% of union bureaucrats were prepared to support Malm in a private poll. An editorial in the capitalist *Dagens Nyheter* said "Malm's authority in the branches and in the opinion of the members is next to zero"! Petitions circulated on building sites demanding the resignation of the builders' union leader. When a snap election looked possible, the Stockholm area SSU (party youth wing) and some trade unions discussed standing alternative candidates to the official party list. At the party Congress (held once every three years) 500 workers and youth supported a lobby called by the supporters of *Offensiv* to demand socialist policies.

These first stirrings of discontent from below point to a wave of opposition that will engulf the right-wing leadership in the coming battles. Marxism, which today is alone in advancing a programme and strategy to defend the achievements of the Swedish Labour movement from the attacks of the capitalists, stands to make enormous gains. □

Book Reviews

My Life's battles
By Will Thorne

The Air of Freedom — The Birth of New Unionism

By Yvonne Kapp

Published by Laurence and Wishart at £6.95 and £5.95 respectively

Reviewed by
Jane Hartley

THESE BOOKS DEAL with the founding of the 'New Unions' — the trade unions which organised the unskilled and laid the basis for the GMB and the TGWU.

Before the 1880s many attempts had been made to organise the unskilled but none had lasted. The craft unions had carved out a comfortable niche for themselves, by limiting entry to the trade they were able to command a significant wage differential.

In *My Life's Battles* Will Thorne, in telling his own life story, paints a picture of utter exploitation of the unskilled workers, which explains the explosive battles of the 1880s.

At just six years old he worked from 6am to 6pm, Monday to Friday and 6am to 1pm on Saturday for 2s 6d a week. After his father's death, when he was seven, he worked at a brick and tile works 12 hours a day. Many jobs followed, including one at a munitions factory during the Franco-Prussian war where the day shift worked from 12pm Sunday to

5-30pm Monday.

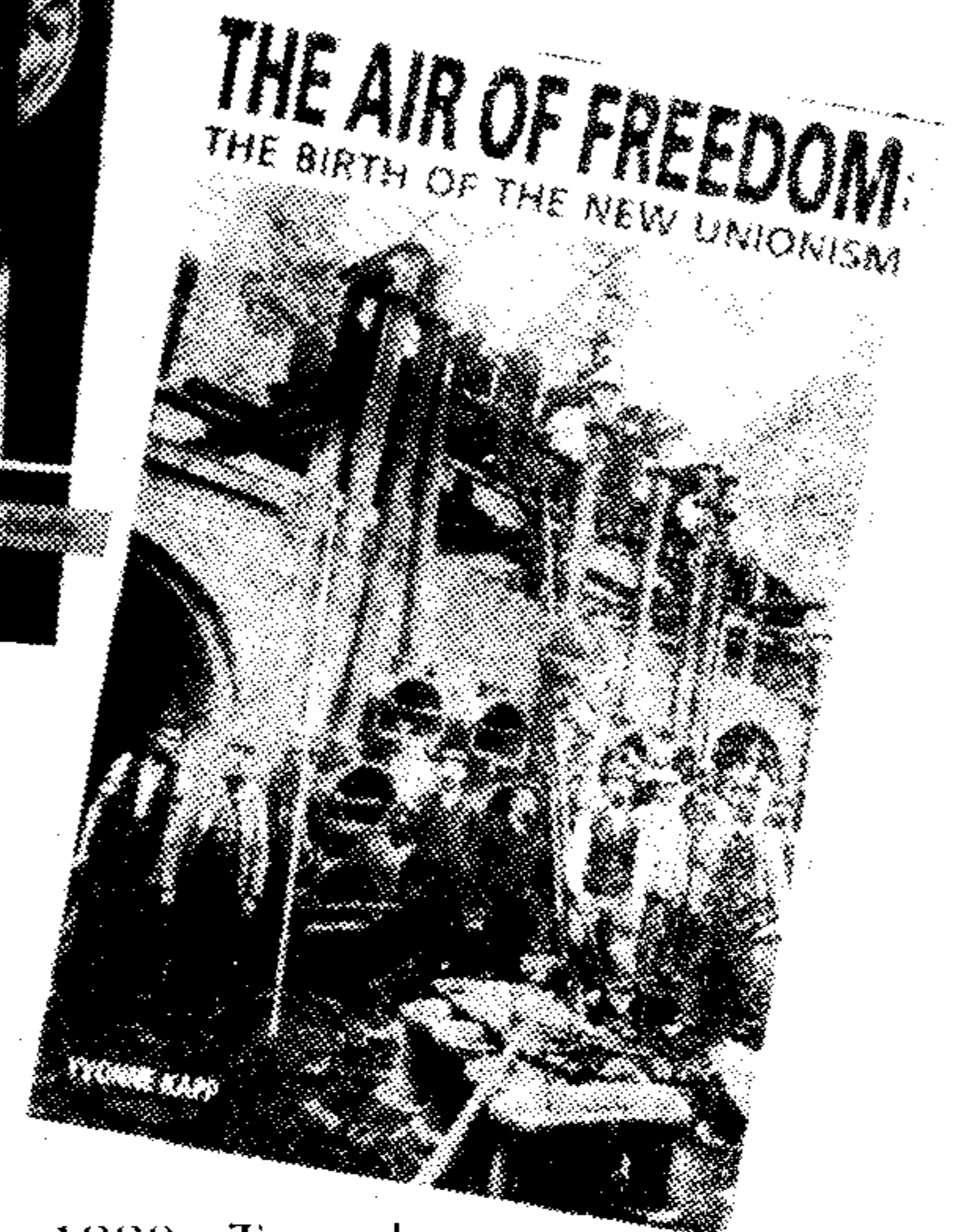
Not surprisingly with this 'childhood' he could not write: when he married in 1879 both he and his wife made their 'mark' on their certificate.

Will Thorne moved to London to the Beckton Gas Works. He became involved in the SDF, a Marxist party, organising street meetings in Limehouse and receiving an education. Together with Ben Tillet and other SDF members such as Eleanor Marx, the drive to organise began.

After much agitation in 1889 the Gas Workers' Union was formed with the eight-hour day as one of its objectives: 300 joined that day, 3,000 in two weeks. Within six months they had the eight-hour day and 20,000 members.

The employers went onto the offensive to reclaim the new won concessions: there were strikes, mass picketing and running battles with the police. After one victorious strike in Leeds, during which Will Thorne was injured, Engels presented him with two volumes of *Capital* inscribed "To Will Thorne: The victor of the Leeds battle".

Although Will Thorne later swung to the right he was head and shoulders above today's trade union leaders, as were the other key figures of this time, dealt with in *The Air of Freedom*. They include Ben Tillet; John Burns, a member of the Amalgamated Society of Engineers who became a tremendous speaker for the SDF, prominent in the unemployed



demonstrations of the 1880s; Tom Mann, also an ASE member, who by 1887 was a full time organiser for the SDF; and Eleanor Marx, whose influence gave the new union its internationalist outlook and a "respectful attitude to women as trade unionists when that was rare indeed."

My Life's Battles is particularly good when dealing with working class life and the first struggles, while *The Air of Freedom* gives a better all round look at the political arguments in the labour movement at the time. Both are recommended.

Cosmic Dawn: The origins of matter and life
By Eric Chaisson

Published by WW Norton,
£6.50

Reviewed by
Mike Waddington

EVER COUNTED TO to a million? Faced with a 700 mile holiday journey as a kid, I had a try but gave up after ten minutes. In fact, it takes two weeks, counting for

16 hours a day, to reach a million. To count to a billion would take an entire lifetime.

Thinking like this is necessary to imagine the scale of the universe and the time that matter has been in existence, evolving over aeons (billions of years). Earth is thought to be around 4-5 billion years old. Our sun is just one of hundreds of billions in the suburbs of our Milky Way galaxy, itself one of billions of galaxies. The star nearest to our star is

Proxima Centuri, 24 trillion miles away!

Chaisson attempts to convey the history of the earth by converting it into a 50 year analogy. Life began six years ago, plants about two years ago, dinosaurs about a year ago, to disappear eight months ago. *Homo sapiens* appeared just hours ago; agriculture is one hour old and the whole of recorded history took place in the last 30 minutes. The Renaissance was three minutes ago.

This analogy reduces man into perspective but also demonstrates how life has developed, with a quickening tempo of change. That is Chaisson's aim, to describe "the contemporary universe view known as cosmic evolution — a truly big picture, a cosmogenesis, a dialectical materialism — whereby gradual changes in the composition and assembly of matter have given rise to galaxies, stars, planets and life. We attempt to systematise the essential ingredients of astrophysics and biochemistry, for these two subjects more than any others are making an enormous impact on our philosophical conception of

ourselves and of our place in the universe."

Dialectics? As Chaisson says, "there now seems to be a clear thread linking the evolution of simple atoms into galaxies and stars, the evolution of stars into heavy elements, the evolution of those elements into the molecular building blocks of life, of those molecules into life itself, of life into intelligence and of intelligent life into cultured and technological civilisation."

Up to now I've thought Asimov's *New Guide to Science* was the best general explanation, but Chaisson is better and more concise. However, in the last 50

pages, where he examines the future, Chaisson seems incapable of applying the evolutionary process that he has described to society. The other danger of the long view is to reduce human beings and their social organisation to an irrelevant blip on the cosmic clock — after all, they have only been around for 0.1 per cent of the earth's existence.

Still, up to this point the book is good. Follow the evolution of the stars from gas through the main sequence, into red giants, and then, depending on mass, into white dwarves, neutron stars or black holes. It is well worth the read.

*Anatomy of a Scientific
Discovery*

By Jeff Goldberg

*Published by Bantam Books,
£4.99*

**Reviewed by
Gwyn Morris**

THIS BOOK PROVIDES a useful insight into the fierce competition and rivalry in the scientific world. It points to the prizes of success, not just rewards of Nobel prizes, but the financial gains to be made in the commercial applications of new discoveries. It also gives a readable account of our developing understanding of the functioning of the brain and nervous system.

The story starts in a woefully underfunded research laboratory at Aberdeen University with a germ of an idea which was later going to tax the imagination of hundreds of scientists interna-

tionally and attract tens of millions of pounds of research funding. The idea, put simply, was that the nervous system itself produced chemicals which modified the sensation of pain. There were numerous examples of men and women reporting no pain even when badly wounded in war. It was thought that painkillers such as morphine mimicked natural chemicals.

At Aberdeen, despite poor equipment and the nervousness of workers there to ask for advice on techniques from other laboratories for fear of giving away their secrets, this brain chemical or endomorphine was isolated, purified and its structure elucidated. Their results hit the world scientific community like a bomb, and started a mad race to lead this new research field in public and private laboratories.

However, it became clear very quickly that the first endomorphine isolated was part of a family

of chemicals acting in the nervous system. What at first seemed a simple system proved immensely complicated. Furthermore, the chemicals were small proteins, which would prove incredibly expensive to produce commercially. The possibility of short-term gain receded and the multinationals scaled down their efforts.

The complexity of these chemicals at a molecular level was reflected in their effects or functions. Their presence in certain glands linked them to appetite and temperature control, in addition to regulating the emotional and physical response of humans to stress, anxiety and fear. They have also been linked to the process of childbirth — levels were six times higher at the end of pregnancy than in non-pregnant women.

It is clear that these molecules form a link between chemical, physical and emotional states, having a role in pain, pleasure, memory, stress, immunity and sexual response. Exciting and fascinating as this is, its sheer complexity is a block to commercial exploitation. Consequently, the piecing together of this gigantic puzzle, and mapping its relationship with environmental influences, will inevitably fall to small groups of scientists around the world.

Goldberg's book, then, provides further evidence of the delays and pitfalls inherent in competitive science, unable to harness all the disparate research interests to find the answers to questions which potentially could revolutionise our understanding of the workings of our bodies. □

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Working women fight for their rights

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THE TORY government's new Human Fertilisation and Embryology Act holds far-reaching implications for the whole of society and for women in particular.

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Whose Choice? by Vivien Seal, a new book from Fortress Books, answers the right's ideological crusade and defends women's reproductive rights.

It also recounts the struggle of working-class women for health care, contraception, the right to abortion and fertility treatment.

It clearly explains the new reproductive technologies but it also shows that fertility control raises vital political issues which cannot be left to the Tories, the medical hierarchy or big business. VIVIEN SEAL is a university lecturer and an active member of the Manchester Labour Women's Council, whose campaigning suggested this book.

With 112 pages, bibliography and index, *Whose Choice?* will be published at £4.95. But as a special offer to labour movement activists, Fortress Books are offering it at £2.95 (plus 55p post and packing) or four for £10 (post free).

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