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International Communist Current

1st Quarter 2011

International Review

France, Britain, Tunisia
**The future lies in the international
development of the class struggle**

Capitalism has no way out of its crisis

The economic crisis in Britain

The Hungarian Revolution of 1919 (ii)
**The example of Russia 1917 inspires the
workers in Hungary**

The Communist Left in Russia
**The *Manifesto* of the Workers' Group
of the Russian Communist Party (iii)**

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France, Britain, Tunisia

The future lies in the international development of the class struggle

The strikes and demonstrations of September, October and November in France, which took place following the reform of pensions, demonstrated a real fighting spirit in the ranks of the proletariat, even if they didn't succeed in pushing back the attacks of the bourgeoisie.

This movement is taking place in the context of a renewed dynamic of our class as it gradually returns to the path of struggle internationally, following a course marked in 2009 and 2010 by the revolt of new generations of proletarians fighting poverty in Greece and by the determination of the Tekel workers in Turkey to extend their struggle against the sabotage of the unions.

Thus, students have mobilised in large numbers against the unemployment and job insecurity that capitalism has in store for them, as in Great Britain, Italy or the Netherlands. In the United States, despite being confined by the union straitjacket, several major strikes have broken out in various parts of the country since Spring 2010 in opposition to attacks: education workers in California, nurses in Philadelphia and Minneapolis-St-Louis, construction workers in Chicago, workers in the food industry in New York State, teachers in Illinois, workers at Boeing and in a Coca-Cola plant in Bellevue (Washington state), and dockers in New Jersey and Philadelphia.

At the time of going to press, in the Maghreb, and particularly in Tunisia, workers' anger that has built up over

decades spread like wildfire after 17th December when a young unemployed graduate set himself on fire in public after the fruit and vegetable stall that was his livelihood, was confiscated by the municipal police of Sidi Bouzid in the centre of Tunisia. Spontaneous demonstrations of solidarity spread throughout the country, where the population faces high unemployment and sharp increases in prices of basic foodstuffs. A fierce and brutal repression of this social movement led to dozens being killed, with police firing live ammunition at unarmed demonstrators. This only strengthened the outrage and resolve of the proletariat, firstly to demand work, bread and a little dignity and then the departure of President Ben Ali. "*We are no longer afraid*", chanted the demonstrators in Tunisia. The children of proletarians took the lead and used the Internet or their mobile phones not only as weapons to broadcast and denounce the repression and to exchange information between themselves, but also to communicate with their family or friends outside the country, particularly in Europe, thus partially breaking the conspiracy of silence of all the bourgeoisies and their media. Everywhere our exploiters have tried to hide the class nature of this social movement, seeking to distort it by sometimes showing it to be like the riots that occurred in France in 2005 or as the work of vandals and looters, or sometimes presenting it as a "heroic and patriotic struggle of the Tunisian people" for "democracy" led by educated graduates and the "middle classes".

The economic crisis and the bourgeoisie are striking blows all over the world. In Algeria, Jordan and China, similar social movements faced with sinking into poverty have been brutally repressed. This situation should push the more experienced proletarians of the central countries into seeing the impasse and bankruptcy into which the capitalist system is leading the whole of humanity, and into extending solidarity to their class brothers by developing their own struggles. And workers are indeed beginning to react gradually and are refusing to accept austerity, impoverishment and the "sacrifices" being imposed.

At present, this response clearly falls below the level of the attacks we are all being subjected to. That is undeniable. But there is a momentum under way and workers' reflections and militancy will continue to grow. As proof we are again seeing minorities seeking to organise themselves,

to actively contribute to the development of large-scale struggles and to escape the grip of the unions.

The mobilisation against pension reform in France

The social movement in France last autumn provides clear confirmation of the same dynamic as the previous movement that developed against the CPE.¹

Millions of workers and employees from every sector routinely took to the streets of France. Alongside this, strikes broke out in various places from the beginning of September, some more radical than others, expressing a deep and growing discontent. This mobilisation is the first large-scale struggle in France since the

1. Read the article in *International Review* n° 125, "Theses on the Spring 2006 student movement in France".

crisis that shook the world financial system in 2007-2008. It is not only a response to pension reform itself but, in its scale and profundity, it is clearly a response to the violent attacks suffered in recent years. Behind this reform and other simultaneous or planned attacks, there is the growing refusal of all proletarians and other layers of the population to accept greater poverty, insecurity and destitution. And with the inexorable deepening of the economic crisis, these attacks are not about to stop. It is clear that this struggle foreshadows others to come, just as it follows closely on those that developed in Greece and Spain against drastic austerity measures there.

However, despite the massive response in France, the government did not give way. Instead, it was uncompromising, repeatedly affirming despite relentless pressure from the streets its firm intention to carry out this attack on pensions, quite cynically

repeating the claim that this measure was “necessary” in the name of “solidarity” between the generations.

Why was this measure, which strikes at the heart of all our living and working conditions, passed at all? The whole population fully and strongly expressed its indignation and opposition to it. Why did this massive mobilisation fail to get the government to back down? It’s because the government was assured of the control of the situation by the unions, who have always accepted, along with the left parties, the principle of the “necessary reform” of pensions! We can compare this with the movement in 2006 against the CPE. This movement, which the media initially treated with the utmost contempt as a short-lived “student revolt”, eventually ended with the government forced to retreat faced with no other recourse than withdrawing the CPE.

Where is the difference? Primarily that the students had organised general assemblies (GAs) open to all without distinction of category or sector, public or private, employed or unemployed, casual workers, etc. This burst of confidence in the abilities of the working class and its power, and the profound solidarity inside the struggle, created a dynamic of extension in the movement giving it a massive scale involving all generations. Furthermore, while on the one hand wide-ranging debates and discussions took place in the general assemblies, not confined to the problems of students alone, on the other hand we saw a growing presence of workers on demonstrations alongside the college and high school students.

But it’s also because in their determination and spirit of openness, while leading sections of the working class towards open struggle, the students did not let themselves be intimidated by the manoeuvres of the unions.

Instead, while the latter, especially the CGT, tried to be at the head of the demonstrations to take control, the college and high-school students got in front of the union banners on several occasions to make clear that they did not want to be lost in the background of the movement they had launched. But above all, they affirmed their desire to keep control of the struggle themselves, along with the working class, and not let themselves be conned by the union leaderships.

In fact, one of the greatest concerns of the bourgeoisie was that the forms of organisation adopted by the students in struggle – sovereign general assemblies, electing co-ordinating committees and open to all, where the student unions often had a low profile – did not spread to employed work-

ers if they should come out on strike. It is, moreover, no coincidence that during this movement, Thibault² repeatedly stated that workers could learn no lessons from the students on how to organise. So, while the latter have their general assemblies and co-ordinations, the workers themselves should have confidence in the unions. With no resolution in sight, and with the danger that the unions could lose control, the French government had to climb down because as the last bulwark of the bourgeoisie against the explosion of massive struggles, it was at risk of being demolished.

In the movement against pension reform, the unions, actively supported by the police and the media, sensing what lay ahead, took the measures necessary to be at the centre of things and made the appropriate preparations.

Moreover, the unions’ slogan was not “withdraw the attack on pensions” but “improve the reform”. They called for a fight for renewed negotiations between the unions and the state to make the reforms more “just”, more “humane”. Despite the apparent unity of the Intersyndicale (joint union body), we saw them exploit divisions from the start, clearly intending to reduce the “risks” of things getting out of control; at the beginning of the demonstrations the FO³ union organised in its own corner, while the Intersyndicale, which organised the day of action on March 23, prepared to “tie up a deal” on reform following negotiations with the government, announcing two more days of action on May 26th and, above all, June 24th, the eve of the summer holidays. We know that a “day of action” at this time of year usually signals the final blow for the working class when it comes to implementing a major attack. However, the final day of action produced an unexpected turnout, with more than twice as many workers, unemployed, casual workers, etc., in the streets. And, while the first two days of action had been very downbeat, as highlighted by the press, anger and unrest were evident on the 24th June when the successful mobilisation boosted the morale of the proletariat. The idea that widespread struggle is possible gained ground. Evidently the unions also felt a change in the wind; they knew that the question of “how to struggle?” was running through people’s heads. So they decided to immediately take charge of the

situation and to give a lead; there was no question for them of the workers beginning to think and act for themselves, and getting out of their control. They decided on a new day of action called for 7th September, after the summer holidays. And to be quite sure of holding back the process of reflection, they went as far as sponsoring flights over the beaches in the middle of the summer displaying publicity banners calling people to the demo on the 7th.

For their part, the left parties, which fully supported the pressing need to attack working class pensions, still came and joined in the mobilisation so they wouldn’t be completely discredited.

But another event, a news story, came out during the summer and fuelled workers’ anger: “The Woerth Case” (the politicians currently in office and the richest heiress of French capital, Ms. Bettencourt, boss of L’Oreal group, connived over tax evasion and all kinds of illegal dodges). Eric Woerth is none other than the minister in charge of pension reform. The sense of injustice was total: the working class must tighten its belt while the rich and powerful carry on with “their unseemly affairs”. So under the pressure of this open discontent and growing consciousness of the implications of this reform for our living conditions, the day of action on September 7th was announced, with the unions obliged on this occasion to espouse a belief in united action. Since then, not one union has failed to call for days of action that have brought together about three million workers on demonstrations on several occasions. Pension reform has become symbolic of the sharp deterioration in living standards.

But this unity of the “Intersyndicale” was a trap for the working class. It was intended to give the impression that the unions were committed to organising a broad offensive against the reform and were providing the means for this with repeated days of action in which they could see and hear their leaders ad-nauseum, arm in arm, churning out speeches on “sustaining” the movement and other lies. What frightened the unions most of all was the workers breaking from the union straitjacket and organising themselves. That is what Thibault, secretary general of the CGT, was trying to say when he “sent the government a message” in an interview with *Le Monde* on 10th September: “*We can launch a blockade, with the possibility of a massive social crisis. It is possible. But it’s not us who are taking a risk*”, and he gave the following example to better underline the high stakes facing the unions: “*We’ve even found a small non-union firm where 40 out of 44 employees came out on strike. It’s a pointer. The more intransigent the*

2. General Secretary of the CGT, the main body of affiliated trade unions in France and associated with the French Communist Party.

3. FO: “Force ouvrière”. This union came out of a split with the CGT in 1947 at the start of the Cold War and was supported and financed by the American unions of the AFL-CIO. Up until the 1990s, this organisation was known for its “moderation” but thereafter it adopted a more “radical” stance by trying to “outflank” the CGT on the left.

government is, the more support for rolling strikes is going to grow.”

Clearly, when the unions aren't there, the workers organise themselves and not only decide what they want to do but risk doing it massively. So to address this concern the big unions, particularly the CGT and SUD⁴, have applied themselves with exemplary zeal: occupying the social stage and the media while with the same determination preventing any real expression of workers' solidarity. In short, on the one hand a lot of hype, and on the other, action aimed at sterilising the movement with false choices, to create division, confusion, and better lead it to defeat.

Blockading the oil refineries is one of the most obvious examples of this. While the workers in this sector, whose fighting spirit was already very strong, were increasingly keen on showing their solidarity with the whole working class against the pension reform – workers moreover facing particularly drastic reductions in their own ranks – the CGT set about transforming this spirit of solidarity with a pre-emptive strike. Hence, the blockade of the refineries was never decided in real general assemblies where the workers could really express their views, but by union leaders, experts in manoeuvring who by stifling discussion adopted a sterilising action. Despite the strict confinement imposed by the unions, however, some workers in this sector did try to make contacts and links with workers in other sectors. But, being generally taken in by a strategy of “laying siege”, most of the refinery workers found themselves trapped by the union logic inside the factory, a real poison for broadening the struggle. Indeed, although the objective of the refinery workers was to strengthen the movement, to be a “strong arm” to make the government retreat, as it unfolded under union leadership the blockading of the depots was above all revealed to be a weapon of the bourgeoisie and its unions against the workers. Not only to isolate the refinery workers but also to make their strike unpopular, creating panic and raising the threat of widespread fuel shortages, the press generously spread its venom against these “hostage-takers, preventing people from going to work or going on holiday.” But the workers in this sector were also cut off physically; even though they wanted to offer their solidarity in the struggle, to create a balance of power to get the reforms withdrawn; this particular blockade has in fact been turned against them and the objective they originally set themselves.

4. SUD: “Solidaires Unitaires Démocratiques”. Small union on the far left of the spectrum of the forces that supervise the working class, and largely influenced by leftist groups.

There were many similar union actions, in certain sectors like transport, and preferably in areas with few workers, because at all costs the unions had to minimise the risk of extension and active solidarity. They had to pretend, to their audience, that they were orchestrating the most radical struggles and calling for union unity in the demonstrations, all the while sabotaging the situation.

Everywhere one could see the unions uniting in an “Intersyndicale” to better promote the semblance of unity, creating the appearance of general assemblies, without any real debate, confining topics to more corporatist issues, pretending in public to be fighting “for everyone” and “everyone together”... but with each sector organised in its own corner behind its small union boss, doing everything to prevent the creation of mass delegations that would seek solidarity with enterprises in the nearby area.

And the unions have not been alone in obstructing the possibility of such a mobilisation, because Sarkozy's police, known for their alleged stupidity and anti-leftism, have provided the unions with indispensable support on several occasions through their provocations. Example: the events in Place Bellecour in Lyon, where the presence of a few “hooligans” (probably manipulated by the cops) was used as a pretext for a violent police crackdown against hundreds of young students, most of whom had only come to discuss with the workers at the end of a demonstration.

A movement full of potential

However, there have been no reports in the media of the many inter-professional committees or general assemblies (“AG interpros”) formed during this period; committees and assemblies whose stated aim was and is to organise outside the unions and to develop discussions completely open to all workers. These assemblies are the place where the working class can not only recognise itself, but above all where it can get massively involved.

This is what scares the bourgeoisie the most: that contacts are forming and growing extensively inside the working class, between young and old, between those in work, and those out of work.

We must draw the lessons from the failure of this movement.

The first observation is that it was the union apparatus that made the attack on the proletariat possible and that the failure of the movement is not at all something that

was inevitable. The truth is that the unions did their dirty work and all the sociologists and other specialists, as well as the government and Sarkozy in person, saluted their “sense of responsibility”. Yes, without doubt, the bourgeoisie is fortunate to have “responsible” unions capable of breaking up a movement of this scale while being able at the same time to make everyone believe that they did everything possible to assist its development. Again it's the same union apparatus that has succeeded in stifling and marginalising real expressions of autonomous struggle of the working class and of all workers.

However, this failure still bears much fruit because all the efforts made by all the bourgeoisie's forces have not succeeded in inflicting a crushing defeat, as was the case in 2003 with the fight against the reform of public sector pensions when the country's education sector workers had to make a bitter retreat after several weeks on strike.

Hence, this movement has led to the appearance in several places of a growth of minorities expressing a clear understanding of the real needs of the struggle for the whole proletariat: the need to take the struggle into its own hands to extend and strengthen it, showing that a profound reflection is taking place, that the development of the struggle is only just beginning, and demonstrating a willingness to learn from what has happened and to stay mobilised for the future.

As one of the leaflets of the “AG interpro” of the Gare de l'Est in Paris dated 6 November said: “*We should have supported the sectors on strike at the start, not restricting ourselves to the single demand on pensions when redundancies, job cuts, the destruction of public services and low wages were being fought. This could have helped to bring other workers into struggle and extended and unified the strike movement. Only a mass strike which is organised locally and co-ordinated nationally through strike committees, inter-professional general assemblies, struggle committees, where we decide our demands and actions ourselves and we are in control, can have a chance of winning.*”

“*The power of workers lies not only in shutting down an oil depot or a factory, here or there. The power of workers lies in uniting at their workplaces, across occupations, plants, companies and categories and taking decisions together*”, because “*the attacks are just beginning. We have lost a battle, we have not lost the war. The bourgeoisie has declared class war on us and we still have the means of fighting it*” (leaflet entitled “Nobody can struggle, take decisions and succeed on

our behalf”, signed by the full-time and temporary workers of the “AG interpro” of the Gare de l’Est and Ile-de-France, cited above). We must defend ourselves by extending and developing our struggles massively and thus take control into our own hands.

This was made particularly clear with:

- the real “AG interpros” that emerged in the struggle, albeit as small minorities and were determined to remain mobilised in preparing future combats;
- the holding or attempted holding of street assemblies or people’s assemblies at the end of demonstrations, as happened particularly in Toulouse.

This willingness to take control of the struggle by some minorities shows that the class as a whole is beginning to question the unions’ strategy, without yet daring to draw all the consequences from its doubts and questionings. In all the GAs (whether union ones or not), most debates in their various forms have centred around essential questions about “*How to struggle?*”, “*How to help other workers?*”, “*How to express solidarity?*”, “*Which other inter-professional GAs can we meet up with?*”, “*How do we combat isolation and reach out to as many workers as possible to discuss how to struggle together?*” ... And in fact, a few dozen workers from all sectors, the unemployed, temporary workers and pensioners have regularly turned up each day in front of the gates of the 12 paralysed refineries, to “*make up the numbers*” facing the CRS riot police, to bring packed lunches for the strikers, to provide moral support.

This spirit of solidarity is an important element, revealing once again the profound nature of the working class.

“*Having confidence in our own forces*” must be the watchword for the future.

This struggle has the appearance of a defeat; the government did not back down. But in fact it constitutes a new step forward for our class. The minorities that emerged and tried to regroup, to discuss in the “AG interpros” or the people’s street assemblies, the minorities who have tried to take control of their struggles, totally distrusting the unions, reveal the questioning that is taking place in the heads of all the workers. This reflection will continue to develop and will eventually bear fruit. It is not a case of standing by, with arms folded, waiting for the ripe fruit to fall from the tree. All those who are conscious that the only thing the future holds is growing pauperisation and the need to fight the vile attacks of capital must help prepare the future struggles. We must continue to debate, to discuss, to draw the lessons of

this movement and to spread them as widely as possible. Those who have begun to build relationships of trust and fraternity in this movement, on the marches and in the GAs, must try and continue their participation (in discussion circles, struggle committees, people’s assemblies or “public platforms”) because there are still questions that need answers, such as:

- What role does the “economic blockade” have in the class struggle?
- What is the difference between the violence of the state and that of struggling workers?
- How do we respond to repression?
- How do we take control of our struggles? How do we organise them?
- What is the difference between a union GA and a sovereign GA? etc.

This movement is already rich in lessons for the world proletariat. In a different way, the student mobilisations that took place in Great Britain also provide evidence of the promise of the struggles that lie ahead.

Great Britain: the younger generation returns to the struggle

On Saturday October 23rd, following the announcement of the government austerity plan to drastically cut public spending, there were many demonstrations throughout the country called by various unions. The number of people that turned out (it was quite varied, with up to 15,000 in Belfast and 25,000 in Edinburgh) revealed the depth of anger. Another expression of widespread discontent was the student rebellion against university tuition fees being increased by 300%.

Young people are already left heavily in debt with astronomical sums to pay off (as much as £80,000!) after they graduate. Not surprisingly, these new increases provoked a whole series of demonstrations from the north of the country to the south (5 mobilisations in less than a month: 10th, 24th and 30th November and 4th and 9th December). This increase has all the same been passed into law by the House of Commons on December 8th.

The centres of struggle have been widespread: in further education, in high schools and colleges, the occupations of a long list of universities, numerous meetings on campus or in the street to discuss the way forward ... students received support and solidarity from many teachers, who closed their eyes to the absence of the protesters from their classes (attendance at classes is strictly monitored) or went along to discuss with their students. The

strikes, demonstrations and occupations were anything but the tame events that unions and the left-wing “officials” usually try to organise. This spiralling spirit of resistance worried the government. A clear sign of its concern was the level of police repression at the demonstrations. Most gatherings ended in violent clashes with armed police adopting a strategy of “kettling” (confining demonstrators inside police cordons), backed up with physical attacks on demonstrators, which resulted in many injured and numerous arrests, mostly in London. Meanwhile occupations took place in fifteen universities with support from teachers. On November 10th, students stormed the headquarters of the Conservative Party and on December 8th, they tried to enter the Treasury building and the High Court, and demonstrators attacked the Rolls-Royce carrying Prince Charles and his wife Camilla. The students and their supporters attended the demonstrations in high spirits, with their own banners and slogans, with some of them participating in a protest movement for the first time. Spontaneous walkouts, the taking of Conservative Party HQ at Millbank, the defiance or creative avoidance of police lines, the invasion of town halls and other public spaces are just some of the expressions of this openly rebellious attitude. The students were sickened and outraged by the attitude of Aaron Porter, president of the NUS (national union of students) who condemned the occupation of the Conservative Party headquarters, attributing it to the violence of a small minority. On 24th November in London, thousands of demonstrators were “kettled” by the police within minutes of setting off from Trafalgar Square, and despite some attempts to break through police lines, the forces of order detained thousands of them for hours in the cold. At one point, the mounted police rode directly at the crowd. In Manchester, at Lewisham Town Hall in south London, and elsewhere, we have seen similar scenes of brute force. The newspapers are playing their usual role as well, printing photographs of alleged “wreckers” after Millbank, running scare stories about revolutionary groups targeting the nation’s youth with their evil propaganda. All this shows the real nature of the “democracy” we live under.

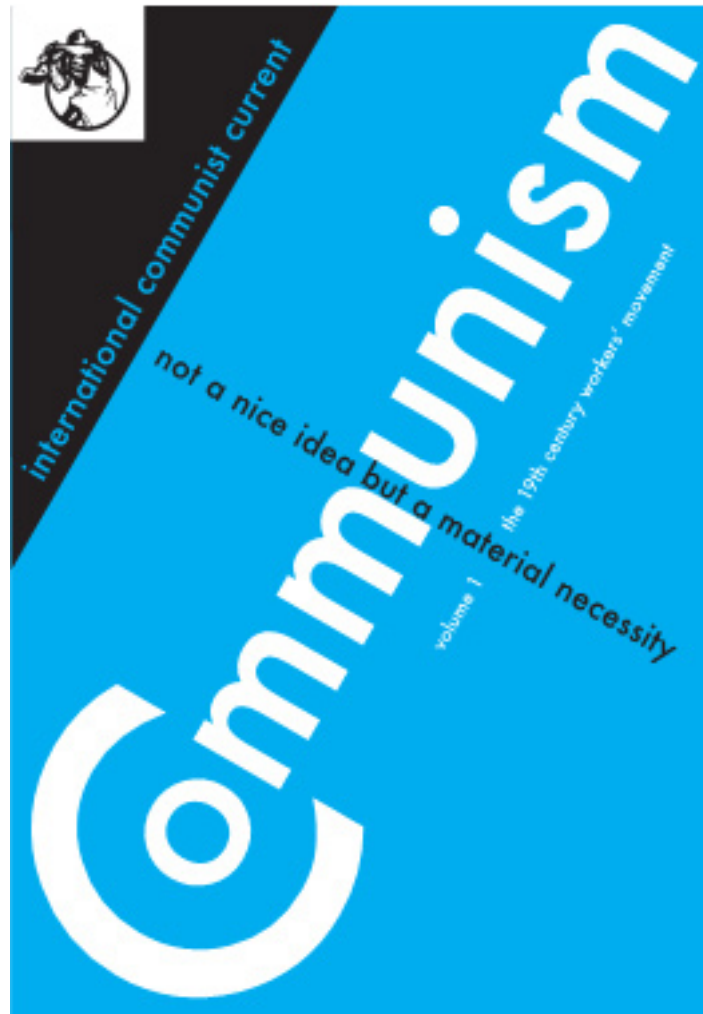
The student revolt in the UK is the best answer to the idea that the working class in the UK remains passive faced with a torrent of attacks by the government on every aspect of our living standards: jobs, wages, health, unemployment, disability benefits as well as education.

A whole new generation of the exploited class does not accept the logic of sacrifice and austerity that the bourgeoisie and its

unions are imposing. It's only by taking control of its struggles, developing its solidarity and international unity that the working class, especially in the most industrialised, "democratic" countries, will be able to offer society a real future. It's only by refusing to shoulder the burden of a bankrupt capitalism all over the world that the exploited class can put an end to the misery and terror of the exploiting class by overthrowing capitalism and building a new society based on satisfying the needs of the whole of humanity and not on profit and exploitation.

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Capitalism has no way out of its crisis

The weakest of the super-indebted national economies must be rescued before they go bankrupt and ruin their creditors; austerity plans designed to contain the debt only aggravate the risk of recession and a cascade of bankruptcies; attempts at recovery by printing money merely re-launch inflation. There is an impasse at the economic level and the bourgeoisie is incapable of proposing policies with the slightest coherence.

The “rescue” of European economies

At the very moment that Ireland negotiated its rescue plan, the International Monetary Fund admitted that Greece would not be able to fulfill the plan that they and the European Union devised in April 2010. Greece’s debt would have to be restructured, even if they didn’t use this word. According to D. Strauss Khan, the boss of the IMF, Greece must be allowed to repay its debt not in 2015 but in 2024. That is, on the 12th of Never, given the course of the present crisis in Europe. Here is a perfect symbol of the fragility of some if not most European countries undermined by debt.

Of course this concession to Greece must be accompanied by supplementary measures of austerity. After the austerity plan of April 2010 - which was financed by the non-payment of pensions for two months, the lowering of indemnities in the public sector, and price rises resulting from an increase in taxes on electricity, petrol, alcohol, tobacco, etc - there are also plans to cut public employment.

A comparable scenario unfolded in Ireland where the workers were presented with a fourth austerity plan. In 2009 public sector wages were lowered between 5 and 15%, welfare payments were suppressed and retired workers were not replaced. The new austerity plan negotiated with the rescue plan included the lowering of the minimum wage by 11.5%, the lowering of welfare payments, the loss of 24,750 state jobs and the increase in sales tax from 21 to 23%. And, as in Greece, it is clear that a country of 4.5 million people, whose GNP in 2009 was 164 billion euros, will not be able to pay back a loan of 85 billion euros. For these two countries, these violent austerity plans presage future measures that will force the working class and the major part of the population into unbearable poverty.

The incapacity of new countries (Portu-

gal, Spain, etc) to pay their debts is shown in their attempt to avoid the consequences by adopting draconian austerity measures and preparing for worse, as in Greece and Ireland.

What are the austerity plans trying to save?

A reasonable question since the answer is not obvious. One thing is certain: their aim is not to alleviate the poverty of the millions who are the first to suffer the consequences. A clue lies in the anxiety of the political and financial authorities about the risk that more countries would in turn default on their public debt. More than a risk since nobody can see how this scenario will not come to pass.

At the origin of the bankruptcy of the Greek state is a considerable budget deficit due to an exorbitant mass of public spending (armaments in particular) that the fiscal resources of the country, weakened by the aggravation of the crisis in 2008, cannot finance. As for the Irish state, its banking system had accumulated a debt of 1,432 billion euros (on a GDP of 164 billion euros) which the worsening of the crisis had made impossible to reimburse. As a consequence, the banking system had to be largely nationalised and the debt was transferred to the state. Having paid a relatively small amount of these debts of the banking system the Irish state found itself in 2010 with a public deficit corresponding to 32% of GDP! Beyond the fantastic character of such figures, we can see that whatever the different histories of these two national economies, the result is the same. In both cases, faced with an insane level of indebtedness of the state or of private institutions, it is the state which must assume the integrity of the national capital by showing its capacity to reimburse the debt and pay the interest on it.

The inability of the Greek and Irish economies to repay their debt contains a

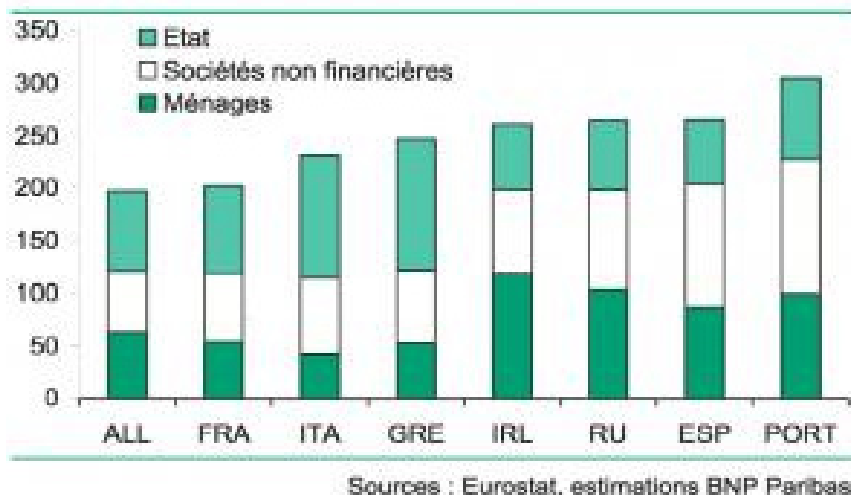
danger that extends way beyond the borders of these two countries. And it is this aspect which explains the panic at the top levels of the world bourgeoisie. In the same way that the Irish banks were supported by credit from a series of world states, the banks of the major developed countries held the colossal debts of the Greek and Irish states. There are different opinions concerning the level of the claims of the major world banks on the Irish state. Let’s take the “average”: “According to the economic daily *Les Echos de Lundi*, French banks have a 21.1 billion euro exposure to Ireland, behind the German banks (46 billion), British (42.3 billion) and American (24.6 billion).”¹ And concerning the exposure of the banks by the situation in Greece: “The French institutions are the most exposed with 55 billion euros in assets. The Swiss banks have invested 46 billion, the Germans 31 billion”.² The non-bailout of Greece and Ireland would have put the creditor banks in a very difficult situation, and thus the states on which they depend. It would have been even more the case for countries in a critical financial situation (like Spain and Portugal) that are also exposed in Greece and Ireland and for whom such a situation would have proved fatal.

That’s not all. The non-bailout of Greece and Ireland would have signified that the financial authorities of the EU and the IMF would not guarantee the finances of countries in difficulty. This would have led to a stampede of creditors away from these countries and the guaranteed bankruptcy of the weakest of them, the collapse of the euro and a financial storm that would make the failure of Lehman Brothers in 2008 look like a mild sea breeze. In other words, the financial authorities of the EU and the IMF came to the rescue of Greece and Ireland not to save these two states, still less the populations of these two countries, but to avoid the meltdown of the world financial system.

In reality, it is not only Greece, Ireland and a few other countries in the South of Europe whose financial situation has deteriorated. “... the following figures show the level of total debt as a percentage of GDP [January 2010]: 470% for the UK and

1. www.lexpansion.com/entreprise/-risquent-les-banques-francaises_243227

2. www.lefigaro.fr/conjoncture/2010/02/12/04016-20100212ARTFIG00395-grec-ce-que-les-banques-



Public and private debt in 2009 excluding financial institutions (% of the GDP)

Key: Etat = state; Societies non financières = Non-financial companies; Menages = Households

*Japan, gold medals for total indebtedness; 360% for Spain; 320% for France, Italy and Switzerland; 300% for the US and 280% for Germany.*³ In fact, all countries, whether inside or outside the Euro zone, are indebted beyond their ability to repay. Nevertheless the Euro zone countries have the supplementary difficulty that its states are unable to create the monetary means to “finance” their deficits. This is the exclusive preserve of the European Central Bank. Other countries like the UK and the US, equally indebted, do not have this problem since they have the authority to create their own money.

The levels of indebtedness of all these states show that their commitments exceed their ability to pay to an absurd degree. Calculations have been made which show that Greece needs a budget surplus of at least 16 or 17% to stabilise its public debt. In fact these are all countries that are indebted to a point where their national production doesn't permit the repayment of their debt. In other words the states and private institutions hold debt that can never be honoured.⁴ The table above, which shows the debt of each European country (outside of financial institutions, contrary to the figures mentioned above) gives a good idea of the immensity of the debts contracted as well as the fragility of the most indebted countries.

Given that the rescue plans have no chance of success, what else is their significance?

3. Bernard Marois, professor emeritus at HEC: www.abcbourse.com/analyses/chronique-economie-shadock_analyse_des_dettes_totales_des_pays-456.aspx

4. J. Sapir “Can the Euro survive the crisis?” *Marianne*, 31 December 2010.

Capitalism can survive only thanks to plans of permanent economic support

The Greek rescue plan cost 110 billion euros and Ireland's 85 billion. These massive financial contributions from the IMF, the Euro zone and the UK (which gave 8.5 billion euros when Cameron's government was making its own austerity plan to reduce public expenses by 25% in 2015⁵) are only money issued against the wealth of the different states. In other words the money extended to the rescue plan is not based on newly created wealth but is nothing but the result of printing money, Monopoly money.

Such support to the financial sector, which finances the real economy, is in fact a support to real economic activity. Thus on the one hand draconian austerity plans are put in place, announcing still more draconian austerity plans, and on the other, threatened by the collapse of the financial system and the blockage of the world economy, plans of support are adopted whose content is very similar to what are known as “recovery plans”.

In fact the US is going furthest in this direction: Quantitative Easing N°2, creating 900 billion dollars,⁶ has no other meaning than the attempt to save the American financial system whose ledgers are full of bad debts, and to support the anaemic economic growth of the US, which cannot

5. But it is revealing that Cameron is beginning to fear the depressive effect of the plan on the British economy.

6. QE2 had been fixed at \$600 billion but the FED was obliged to renew the purchase of matured debt at \$35 billion a month.

overcome its sizeable budget deficit.

Having the advantage that the dollar is the money of world exchange the US does not suffer the same constraints as Greece, Ireland and other European countries. That's why, as many think, a Quantitative Easing N°3 cannot be ruled out.

Thus the support of economic activity by budgetary measures is much stronger in the US than in the European countries. But that does not stop the US from trying to drastically slash its budget deficit, as illustrated by Obama's proposal to block the wages of federal employees. In fact one finds in every country in the world such contradictions revealed in the policies adopted.

The bourgeoisie has exceeded the limits of indebtedness that capitalism can sustain

We thus have plans of austerity and plans of recovery at the same time! What is the reason for such contradictions?

As Marx showed, capitalism suffers genetically from a lack of outlets because the exploitation of labour power necessarily leads to the creation of a value greater than the outlay in wages, because the working class consumes much less than it produces. Up until the end of the 19th century, the bourgeoisie had to offset this problem by the colonisation of non-capitalist areas where it forced the population, with various means, to buy the merchandise produced by its capital. The crises and wars of the 20th century illustrate that this way of answering overproduction, inherent to capitalist exploitation, was reaching its limits. In other words, non-capitalist areas of the planet were no longer sufficient for the bourgeoisie to realise the surplus product that was needed for enlarged accumulation. The deregulation of the economy at the end of the 1960s, manifested in monetary crises and recessions, signified the quasi-absence of the extra capitalist markets as a means of absorbing the surplus capitalist production. The only solution henceforth has been the creation of an artificial market inflated by debt. It has allowed the bourgeoisie to sell to states, households and businesses without the latter having the real means to buy.

We have often shown that capitalism has used debt as a palliative to the crisis of overproduction that has ensnared it since the end of the 1960s. But we should not confuse debt with magic. Actually debt must be progressively repaid and the interest paid systematically, otherwise the creditor will not only stop lending but risk bankruptcy himself.

Now the situation of a growing number of European countries shows that they can no longer pay the part of the debt demanded by their creditors. In other words these countries must reduce their debt, in particular by cutting expenses, when 40 years of crisis have shown that the increase of the latter was an absolutely necessary condition to avoid a world recession. All states, to a greater or lesser degree are faced with the same insoluble contradiction.

The financial storms shaking Europe at the moment are thus the product of the fundamental contradictions of capitalism and illustrate the absolute impasse of this mode of production.

We will now deal with other characteristics of the present situation.

Developing inflation

At the very moment when most countries have austerity plans that reduce internal demand, including for basic necessities, the price of agricultural raw materials has sharply increased. More than 100% for cotton in a year;⁷ more than 20% for wheat and maize between July 2009 and July 2010⁸ and 16% for rice between April-June 2010 and the end of October 2010.⁹ Metals and oil went in a similar direction. Of course, climatic factors have a role in the evolution of the price of food products, but the increase is so general that other causes must be at play. All countries are preoccupied by the level of inflation that is increasing in their economies. Some examples from the “emerging countries”:

- officially inflation in China reached an annual rate of 5.1% in November 2010 (in fact every specialist agrees that the real figure for inflation in this country is between 8 and 10%);
- in India inflation reached 8.6% in October;
- in Russia it was 8.5% in 2010.¹⁰

The development of inflation is not an exotic phenomenon reserved for the emerging countries. The developed countries are more and more concerned: a 3.3% rate in November in the UK was seen as worrying by the government; 1.9% in virtuous Germany caused disquiet because it occurs alongside rapid growth.

7. Blog-oscar.com/2010/11/las-flambee-du-cours-du-coton/ (the figures on this site date from the beginning of November. Today they have been largely surpassed).

8. C. Chevré, *MoneyWeek*, 17 November 2010.

9. [Observatoire du riz de Madagascar; iarivo.cirad.fr/doc/dr/hoRIZon391.pdf](http://Observatoire-du-riz-de-Madagascar;iarivo.cirad.fr/doc/dr/hoRIZon391.pdf)

10. *Le Figaro*, 16 December 2010, www.lefigaro.fr/flash-eco/2010/1216/97002-20101216FILWWW00522-russie-l-inflation-a-85-en-2020.php

What then, is the cause of this return of inflation?

Inflation is not always the result of vendors raising their prices because demand exceeds supply and therefore carries no risk of losing sales. Another factor entirely can cause this phenomenon. The increase in the money supply over the past three decades for example. The printing of money, that is the issuing of new money when the wealth of the national economy does not increase in the same proportion, leads inevitably to a depreciation of the money in circulation and thus to an increase in prices. Now, all the official statistics show that since 2008 there has been a strong increase in the money supply in the great economic zones of the planet.

This increase encourages the development of speculation with disastrous consequences for the working class. Given that demand is too weak as a result of the stagnation or lowering of wages, businesses cannot raise their market prices without losing sales. These same businesses or investors turn away from productive activity which is not profitable enough or too risky, and use the money created by the central banks for speculation. Concretely that means buying financial products, raw materials or currencies with the hope that they can be resold with a substantial profit. Consumer products become tradable assets. The problem is that a good part of these products, in particular agricultural products, are also commodities consumed by vast numbers of workers, peasants, unemployed, etc. Consequently, as well as a lowering of income, a great part of the world population is hit by the rise in the price of rice, bread, clothes, etc.

Thus the crisis, which obliges the bourgeoisie to save its banks by means of the creation of money, leads the workers to suffer two attacks:

- the lowering of their wages;
- the increase in the price of basic commodities.

Prices of basic necessities have been rising since the beginning of the century for these reasons. From the same causes today, the same effects. In 2007–2008 (just before the financial crisis) great masses of the world population were forced into hunger riots. The consequences of the present price explosion have immediately led to the revolts in Tunisia, Egypt and Algeria.

The level of inflation won't stop rising. According to *Cercle Finance* from 7th December, the rate of 10 year T bonds¹¹ has increased from 2.94% to 3.17% and the rate of 30 year T bonds has increased from

11. American Treasury Bonds.

4.25% to 4.425%. That clearly shows that the capitalists anticipate a loss of the value of the money they invest and thus demand a higher rate of return on it.

The tensions between national capitals

During the Depression of the 1930s, protectionism and trade war developed to such an extent that one could speak of a “regionalisation” of exchange. Each of the great industrialised countries reserved a zone for its domination which allowed it to find a minimum of outlets. Contrary to the pious intentions published by the recent G20 in Seoul, according to which the different participants declared a voluntary ban on protectionism, reality is quite different. Protectionist tendencies are clearly at work today behind the euphemism of “economic patriotism”. It would be too tedious to list all the protectionist measures adopted by different countries. Let us simply mention that the US in September 2010 was taking 245 anti-dumping measures; that Mexico from March 2009 had taken 89 measures of commercial retaliation against the US and that China recently decided to drastically limit the export of its “rare earths” needed for a lot of high technology products.

But, in the present period, it's currency war that will be the major manifestation of trade war. We have already seen that Quantitative Easing N°2 was a necessity for American capital. At the same time, to the extent that the creation of money can only lead to the lowering of its value, and thus the price of Made in USA products on the world market (relative to the products of other countries) QE is a particularly aggressive protectionist measure. The undervaluation of the Chinese yuan has similar objectives.

However, despite the trade war, the different countries have agreed to prevent Greece and Ireland from defaulting on their debt. The bourgeoisie is obliged to take very contradictory measures, dictated by the total impasse of its system.

What solutions can the bourgeoisie propose?

Why, in the catastrophic situation of the world economy do we find articles like those of the *Tribune* or *Le Monde* entitled “Why growth will come”¹² or “The US wants to believe in the economic recovery”¹³ Such headlines, which are only propaganda, are trying to send us to sleep, and above all make us think that the bourgeoisie's economic and political authorities

12. *La Tribune* 17 December 2010.

13. *Le Monde* 30 December 2010.

still have a certain mastery of the situation. In fact the bourgeoisie only has the choice between two policies, rather like the choice between the plague and cholera:

- either it proceeds by creating money as it has done with Greece and Ireland, since all the funds of the EU and the IMF come from the printing of money by its various member countries. But then it heads towards a devaluation of currencies and an inflationist tendency that can only get worse;
- or it tries a particularly draconian austerity in order to stabilise the debt. This is the German solution for the Euro zone, since the major part of the cost of support for countries in difficulty is borne by German capital. The end result of such a policy can only be the rapid fall into depression, as indicated by the fall of production that we have seen in 2010 in Greece, Ireland and in Spain following the adoption of austerity plans.

Recently published texts by a number of economists propose their solutions to the present impasse. But they are either pure propaganda to make us think that capitalism, despite everything, has a future, or an exercise in self-hypnosis. To take one example, according to Professor M Aglietta¹⁴ the austerity plans adopted in Europe are going to cost 1% of growth in European Union which will be about 1% in 2011. His alternative solution reveals that the greatest economists have nothing realistic to offer: he was not afraid to say that a new “regulation” based on the “green economy” would be the solution. He only “forgot” one thing: such a “regulation” implies considerable expense and thus an even more gigantic creation of money than at present, when the bourgeoisie is particularly worried about the resumption of inflation.

The only true solution to the capitalist impasse will emerge from the more and more numerous, massive and conscious struggles of the working class against the economic attacks of the bourgeoisie. It will lead naturally to the overthrow of this system whose principle contradiction is that of the production for profit and accumulation and not the satisfaction of human needs.

Vitaz 2 January 2011

14. In the broadcast “L’*esprit public*” on “France Culture” radio, 26 December 2010

The economic crisis in Britain

The text that follows is, apart from a few minor changes, the economic part of the report on the situation in Britain for the 19th Congress of World Revolution (the ICC's section in Britain). We thought it would be useful to publish it to the outside¹ since it provides a number of factors and analyses which enable us to grasp how the world economic crisis is expressing itself in the world's oldest capitalist power.

The international context

In 2010 the bourgeoisie announced the end of the recession and predicted that the world economy would grow over the next two years led by the emerging economies. However, there are serious uncertainties about the global situation, reflected in differing projections of growth. The IMF in its *World Economic Outlook Update* of July 2010 predicted global growth of 4.5% this year and 4.25% next. The World Bank in its *Global Economic Prospects* report for summer 2010 envisaged growth of 3.3% this year and next and 3.5% in 2012 if things go well but of 3.1% this year, 2.9% next and 3.2% in 2012 if things do not go well. The concern is particularly centred on Europe where the World Bank's higher estimate is dependent on "*Assuming that measures in place prevent today's market nervousness from slowing the normalization of bank-lending, and that a default or restructuring of European sovereign debt is avoided*".² The lower growth rate if this is not achieved will affect Europe particularly, with predicted growth rates of 2.1, 1.9 and 2.2 percent between 2010 and 2012.

The situation remains fragile with concern about high levels of debt and low levels of bank lending and the possibility of further financial shocks, such as that in May this year [2010] that saw global stock markets lose between 8 and 17% of their value. The scale of the bailout is itself one of the causes of concern: "*the size of the EU/IMF rescue package (close to \$1 trillion); the magnitude of the initial market reaction to the possibility of a Greek default and eventual contagion; and continued volatility, are indications of the fragility of the financial situation...a further episode of market uncertainty could entail serious consequences for growth in both*

1. We are publishing an edited version here. The complete version, including graphs, can be read on our website.

2. World Bank, *Global Economic Prospects, Summer 2010, Key Messages*.

high-income and developing countries."³

The prescription of the IMF, as one might expect, is to reduce state spending, with the inevitable result that the working class will face austerity: "*high-income countries will need to cut government spending (or raise revenues) by 8.8 percent of GDP for a 20 year period in order to bring debt levels down to 60 percent of GDP by 2030.*"

For all their appearance of objectivity and sober analysis, these recent reports by the IMF and World Bank suggest there is a depth of uncertainty and fear within the ruling class about its ability to overcome the crisis. The possibility of other countries following Ireland back into recession remains real.

The evolution of the economic situation in Britain

This section draws on official data to give an overview of the course of the recession and the response from the government. However, it is important to begin by recalling that the crisis began within the financial sector, stemming from the crisis in the US housing market and encompassing the major banks and financial bodies around the globe that had become involved in lending where there was a real risk of the loans not being paid back. This was at its most extreme in the sub-prime mortgage market in the US, the contagion from which spread through the financial system because of the trading that developed based on the financial instruments derived from these loans. However, other countries, notably Britain and Ireland, had contrived to produce their own housing bubbles that contributed, together with a massive rise in unsecured personal borrowing, to create a level of debt that in Britain ultimately exceeded the country's annual GDP. The crisis that developed flowed across into the 'real' economy leading to recession. The whole situation evoked a very forceful

3. Ibid, p.3.

response from the British ruling class that poured unprecedented sums of money into the financial system and cut interest rates to a historic low.

Official figures show that Britain went into recession in the second quarter of 2008 and came out in the fourth quarter of 2009 with a peak to trough fall of 6.4% of GDP.⁴ This figure, which was recently revised downwards, makes this recession the worst since the Second World War (the recessions of the early 1990s and 1980s saw falls of 2.5% and 5.9% respectively). Growth in the second quarter of 2010 was 1.2%, increasing significantly from the 0.4% of the fourth quarter 2009 and 0.3% of the first quarter 2010. However, it is still 4.7% below the pre-recession level.

The manufacturing sector has been the most affected by the recession, registering a peak to trough decline of 13.8% between the fourth quarter in 2007 and the third quarter of 2009. Since then manufacturing has expanded by 1.1% in the last quarter of 2009 and by 1.4% and 1.6% in the two quarters since.

The construction industry showed a sharp rebound in growth of 6.6% in the second quarter of 2010, contributing 0.4% to the overall growth rate for that quarter. However, this follows very substantial declines in both house building (down 37.2% between 2007 and 2009) and commercial and industrial work (down 33.9% between 2008 and 2009).

The service sector recorded a peak to trough fall of 4.6% with business and financial services falling by 7.6% "*much stronger than in earlier downturns, making the largest single contribution to the fall*".⁵ In the last quarter of that year it returned to growth of 0.5% but in the first quarter of 2010 this fell to 0.3%. Although the decline in this sector was less than in others, its dominant position in the economy meant that it was the largest contributor to the overall decline in GDP during this recession. The decline in the service sector was also greater in this recession than those

4. Much of the data in this section is taken from the *Economic and Labour Market Review* of August 2010, published by the Office for National Statistics. Other data is taken from the *Blue Book*, that deals with the UK's national accounts, the *Pink Book* that deals with the balance of payments and *Financial Statistics*, all of which are published by the ONS.

5. *Economic and Labour Market Review*, August 2010, p.57.

of the early 1980s and early 1990s where the falls were 2.4% and 1% respectively. More recently, the business services and finance sector has shown stronger growth and contributed 0.4 percentage points to the overall GDP figure.

As might be expected both exports and imports declined during the recession. This was most marked in the trade in goods (although the balance actually improved slightly): “In 2009 the deficit fell by £11.2 billion to £81.9 billion. There was a record fall in exports of 9.7 per cent—from a record £252.1 billion to £227.5 billion. However, this was accompanied by a fall in imports of 10.4 per cent, the largest year-on-year fall since 1952, which had a much larger impact since total imports are significantly larger than total exports. Imports fell from a record £345.2 billion in 2008 to £309.4 billion in 2009. These large falls in both exports and imports were a result of a general contraction of global trade associated with the worldwide financial crisis which began late in 2008.”⁶

The decline in services was smaller, with imports falling by 5.4% and exports by 6.9% with the balance, which remained positive, going from £55.4bn in 2008 to £49.9bn in 2009. The total trade in services in 2009 was £159.1bn in exports and £109.2bn in imports, which is significantly less than that of the trade in goods.

Between 2008/9 and 2009/10 the current account deficit doubled from 3.5% of GDP to 7.08%. The Public Sector Net Borrowing Requirement, which includes borrowing for capital spending, went from 2.35% of GDP in 2007/8, to 6.04% in 2008/9 and 10.25% in 2009/10. In 2008 it was £61.3bn and in 2009 £140.5bn. Total government net debt was calculated to be £926.9bn in July this year or 56.1% of GDP, compared to £865.5bn in 2009 and £634.4bn in 2007. In May 2009 Standard and Poor raised the possibility of downgrading Britain’s debt status from the highest triple A rating, which would have led to significant increases in borrowing costs.

The number of companies going bankrupt increased during the recession, rising from 12,507 in 2007 (which was one of the lower figures for the decade) to 15,535 in 2008 and 19,077 in 2009. The number of acquisitions and mergers rose during the second half of the decade to reach 869 in 2007 before falling over the next two years to 558 and 286 respectively. Figures for the first quarter of 2010 do not suggest any increase is taking place. This suggests that while there has been destruction of the capital associated with the businesses going insolvent this has not yet led to a

general process of consolidation as might be expected coming out of a crisis, which itself may indicate that the real crisis remains with us.

During the crisis the pound fell sharply against a number of other currencies, losing over a quarter of its value between 2007 and the start of 2009, prompting the Bank of England to comment “*The fall of more than a quarter since mid-2007 is the sharpest over a comparable period since the breakdown of the Bretton Woods agreement in the early 1970s*”⁷ There has been a recovery since but the pound remains about 20% below its 2007 exchange rate.

House prices fell sharply after the bursting of the property bubble and although they began to rise again this year they remained substantially below their peak and in September fell again by 3.6%. The number of sales remains at a historic low.

The stock market suffered sharp falls from mid 2007 and, although it has recovered since then, there is still uncertainty. The concerns about the debts of Greece and other countries prior to the intervention of the EU and IMF led to a significant fall in May this year.

Inflation rose to nearly 5% in September 2008 before falling to below 2% a year later. It has since risen to over 3% during 2010, above the Bank of England’s target of 2%.

Unemployment is estimated to have increased by about 900,000 during the recession, which is considerably less than in previous recessions. In July 2010 the official figures were 7.8% of the workforce totalling some 2.47 million people.

State intervention

The British government intervened robustly to limit the crisis, initiating a range of policies that were taken up by many other countries. Gordon Brown basked in this glory for a few months, famously stating that he had saved the world in a slip of the tongue during a debate in the House of Commons. There were a number of strands to the state’s intervention:

- cuts in the Bank of England base interest rate. Between December 2007 and March 2009 the rate was progressively cut from 5.5% to 0.5%, bringing it down to the lowest rate on record and below the rate of inflation;
- intervention to directly support the banks, leading to nationalisation or part nationalisation. This started with Northern Rock in February 2008 and was followed by Bradford and Bingley.

In September the government brokered the take-over of HBOS by Lloyds TSB. In October £50bn was made available to the banks for recapitalisation. In November 2009 a further £37bn investment resulted in the de-facto nationalisation of RBS/Nat West and the partial nationalisation of Lloyds TSB/HBOS;

- quantitative easing, also known as the asset purchase facility. In March 2009 plans to inject £75bn over three months were announced. This was gradually increased and at present the total stands at £200bn. The Bank of England explains that the purpose of quantitative easing is to put more money into the economy to keep the rate of inflation at its target of 2% and this became necessary when further reductions of the base rate were no longer possible after it had been reduced to 0.5%. This is achieved by the bank purchasing assets (mainly gilts) from private sector institutions and crediting the sellers’ account, effectively creating new money. This sounds simple, but according to the *Financial Times* “*No one is sure whether or how quantitative easing and other unorthodox monetary policies works*”⁸
 - intervention to encourage consumption. In January 2009 VAT was cut from 17.5% to 15% and in May 2009 the car scrappage scheme was introduced. The increase in the guarantee on bank deposits to £50,000 in October 2008 can be seen as part of this since its aim was to reassure consumers that their money would not just disappear in the event of a bank collapse.
- The result was the containment of the immediate crisis with no further bank collapses. The price was a substantial increase in debt as noted above. Official figures give the cost of government intervention as £99.8bn in 2007, £121.5bn in 2009 and £113.2bn in July this year. These figures do not include the cost of purchasing assets such as the stakes in the banks or the expenditure on quantitative easing (which would add another £250bn or so to the total) on the grounds that these assets will only be held temporarily by government before being sold back. Whether this is so remains to be seen, although Lloyds TSB has paid back some of the money it received. The interventions have also been partly credited for the lower than expected rise in employment during the recession. This will be dealt with in more detail below.

However, the longer-term prospects seem more questionable:

- interventions to manage inflation and theoretically encourage spending have

7. Bank of England, *Inflation Report*, February 2009, p.17

8. *Financial Times*, “That elusive spark”, 06/10/10.

6. ONS *Pink Book*, 2010 Edition, p.34.

not brought the headline rate to target, although it is suggested that the underlying trends are lower than the headline rate suggests. However, the cost of food is rising globally so may affect the rate over time, particularly as it affects those who are less well off;

- the efforts to inject liquidity into the system, by reducing the cost of borrowing and increasing the supply of money, have not produced the increase in lending that was hoped for, leading to repeated calls from politicians for the banks to do more;
- the impact of the VAT cut and car scrappage scheme contributed to the initial recovery at the end of 2009 but have now ended. There was a slight fall in car sales in the first quarter of 2010 but the car scrappage scheme was still in place then. Overall, there have been reductions in most areas of household consumption, growth in personal debt has begun to reduce and the rate of savings has increased. Given the central role played by debt-funded household consumption in the boom this clearly has implications for any recovery.

The consensus forecasts for GDP growth in 2010 and 2011 in Britain are 1.5% and 2.0% respectively. This is above the 0.9% and 1.7% predicted for the Euro Area but below the 1.9% and 2.5% forecast for the OECD as a whole⁹ and below the forecasts for Europe from the IMF quoted at the start of this report.

However, to grasp the real significance of the crisis it is necessary to penetrate below these surface phenomena to examine aspects of the structure and functioning of the British economy.

Historical and structural issues

Changes within the composition of the British economy: from production to services

To understand the situation of British capitalism and the significance of the recession it is necessary to look at the main structural changes within the economy over recent decades. The article published in *Bilan* in 1934/1935 (n° 13 and 14)¹⁰ noted that in 1851 24% of men were employed in agriculture. By 1931 this had shrunk to 7% and that in the same period the proportion of men employed in industry declined from 51% to 42%. Today this has undoubtedly

9. These figures are from the *Economic and Labour Market Review*, September 2010, p.19. The *Review* took the forecasts for the Euro area and the OECD from the OECD's *Economic Outlook* of November 2009.

10. Republished in *World Revolution* n° 312 and 313.

gone much further. In the 1930s Britain still had an empire, albeit decaying, that it could draw on. This has not been the case since the Second World War. The historical trend has been a shift away from production towards services and within this sector to finances in particular.

The Blue Book for 2010, which sets out the national accounts, made the following comments: "In 2006, the latest base year, just over 75 per cent of total gross value added was from the services sector, compared to 17 per cent from the production sector. Most of the remainder was attributed to the construction sector."¹¹ In 1985 the service sector made up 58% of GVA. "An analysis of the 11 broad industrial sectors shows that in 2008 the financial intermediation and other business services sector provided the largest contribution to gross value added at current basic prices, at £420 billion out of a total of £1,295.7 billion (32.4 per cent). The distribution and hotels sector contributed 14.2 per cent; the education, health and social work sector accounted for 13.1 per cent; and the manufacturing sector 11.6 per cent."¹² Note that in two years from 2006 to 2008 the contribution of the manufacturing sector shrank by around a third (from 17% to 11.6%).

Over the last 30 years given in the service sector. "Total service output has more than doubled... but in the business services and finance sector output grew almost five-fold."¹³ In comparison, the same table for manufacturing shows that the sector grew by just 18.1% during the same period with wide variations between industries.

The rise of the financial sector

The figures published about the profitability of the service sector cited above are for private non-financial companies and one particular feature of the situation in Britain is the significance of the financial sector, so this needs further examination. Five of the top ten banks in Europe in 2004 by capitalisation, including numbers one and two, were based in Britain. Globally, the four largest British banks are in the top seven banks (the US banks Citicorp and UBS are the top two). According to the Director of Financial Stability at the Bank of England: "As a share of whole-economy output, the direct contribution of the UK financial sector rose to 9% in the last quarter of 2008. Financial corporations' gross operating surplus (GVA less compensation for employees and other taxes on production) increased by £5.0bn to £20bn, also the largest quarterly increase on record."¹⁴

11. *Blue Book* 2010, p.22.

12. *Ibid*, p.88.

13. *Economic and Labour Market Review*, August 2010, p.57.

14. Andrew Haldane, "The Contribution of the

This reflects the trend in Britain for over a century and a half: "Over the past 160 years, growth in financial intermediation has outstripped whole economy growth by over 2 percentage points per year. Or put differently, growth in financial sector value added has been more than double that of the economy as a whole since 1850"¹⁵ From accounting for about 1.5% of the economy's profits between 1948 and 1970 the sector has grown to account for 15%. This is a global phenomenon with pre-tax profits of the top 1,000 world banks reaching £800bn in 2007/8, an increase of 150% from 2000/1. Crucially, the return on capital in the banking sector has far outstripped that in the rest of the economy.

The weight of the banking sector within the economy can be gauged by comparing its assets to the total GDP for the country. By 2006 British banks' assets were over 500% of national GDP. In the US assets rose from 20% to 100% of GDP over the same period, thus the weight of the banking sector in Britain is proportionately far greater. However, its capital ratio (this is the capital held by the bank in comparison to that lent) did not keep pace, falling from 15-25% at the start of the 20th century to about 5% at the end. This increased sharply over the last decade and just before the crash leverage of the major global banks was about 50 times equity. This underlines that the global economy has been built on a tower of fictitious capital over the last few decades. The crisis of 2007 threatened to topple the whole edifice and this could have been catastrophic for Britain given its reliance on this sector. This is why the British bourgeoisie had to respond as it did.

The nature of the service sector

It is also worth looking at the service sector as a whole more closely. The sector is broken down in various ways in official publications providing greater or lesser detail. It is worth noting that sometimes construction, which is a productive activity, is included within the service sector. The bourgeoisie records the value each industry is supposed to add to the economy but this does not tell us whether they actually produce surplus value or, while performing a necessary function, they do not add value.

Some of these sectors are what Marx described as costs of circulation.¹⁶ Within this he distinguishes between those that relate to the transformation of the commodity from one form to another, that is from the commodity form to the money form or

Financial Sector: Miracle or Mirage", Bank of England, July 2010.

15. *Ibid*.

16. See *Capital*, Vol. II, Chapter VI, "Costs of Circulation".

vice versa, and those that are a continuation of the productive process.

Changes in the form of the commodity, although they are a necessary part of the total production process, do not add value and are a cost against the surplus value that is extracted. In the list we are considering¹⁷ this includes retail and wholesale distribution (other than where this comprises transport of commodities – see below), hotels and restaurants (to the extent that they are the point of sale of finished commodities – the preparation of meals may be seen as a productive process producing surplus value), large parts of communications (where these are concerned with purchases of raw materials or the sale of finished products), business services and computers (where these are concerned with things like ordering and stock control and market strategy). The whole marketing and advertising industry, which is not separately identified here, falls under this category since it is concerned with maximising sales.

Marx argues that those activities that are a continuation of the productive process include activities like transport that involve getting the commodity to its point of consumption and others, such as storage, that are concerned with the preservation of the value of the commodity. These activities tend to increase the cost of the commodity without adding to its use value; they are unproductive costs so far as society is concerned but may produce surplus value for the individual capitalist. In our list this category includes transport and air transport and retail and wholesale distribution where these involve the transportation or storage of commodities.

A third area concerns those activities linked to appropriating a share of the total surplus value through interest or rent. Many of the activities within business services and finance, financial intermediation and services, computer activities and auxiliary finance are aspects of the administration of the stock market and banking where fees and commissions are charged as well as interest. Financial bodies also invest money and speculate on their own account. Ownership of dwellings is probably related to lettings and hence the receipt of surplus value in the form of rent.

A fourth area is the activity of the state, which covers most of the last five in our list. Since these are funded from surplus value through taxation of industry none of these produce surplus value, although state orders may produce profits for individual businesses. In *International Review* n° 114

17. This refers to a table published in the *Economic and Labour Market Review* that is reproduced in the full version of the report published on our website

we pointed out that the way the bourgeoisie produces its national accounts tends to overestimate GNP (Gross National Product) because “*national accounting partly counts the same thing twice. In practice, the selling price of products in the market incorporates the taxes that are used to pay national expenditure, namely the costs of non-market services (teaching, social security, public sector personnel...).* The bourgeoisie economy calculates the value of these non-market services as being equal to the sum of wages paid to personnel who provide them. Now, in national accounting, this sum is tacked on to the added value produced in the market sector (the only productive sector), even though it is already included in the selling price of market products...”¹⁸

Taking the service sector as a whole, it is clear that it does not actually add the value to the economy that is claimed for it. Some parts reduce the total surplus value produced, others, notably the financial and business services, take a share in the surplus value produced, including that produced in other countries.

What are the reasons for the changes in the structure of the British economy? In the first place, increasing productivity means that a growing mass of commodities is produced by a falling number of workers. This is the reality behind the figures from *Bilan* quoted above. Secondly, the growing organic composition and the falling rate of profit results in the shift of production to areas with cheaper costs for labour and constant capital.¹⁹ Thirdly, the same factors prompt capital to move into activities where the returns are greater, notably in banking and finances, where Britain’s initial dominance (*Bilan* referred to Britain as the “*world’s banker*”) allowed it to extract more surplus value. The deregulation of this sector in the 1980s did not reduce the costs but rather strengthened the dominance of the major banks and financial companies and the reliance of the bourgeoisie on the profits they produce. Fourthly, as the mass of commodities grows the contradiction

18. *International Review* n°114, “The reality of ‘economic prosperity’ laid bare by the crisis”, p.16.

19. The development of production in China and other low-cost producers is credited with keeping the rate of global inflation relatively stable over recent decades and with reducing the costs of labour throughout the world, including in the developed countries, since the supply of workers has massively increased (it has been suggested that the entry of China into the world economy has doubled the supply of labour). Consequently, not only is the rate of profit likely to be higher in the low wage economies themselves, it is also likely to decrease the cost of labour and push up the rate of profit in the developed countries too, resulting in the increase in the average rate of profit that we have noted in a number of articles in the *International Review*. Whether this is sufficient to create the necessary mass of profit is another matter however.

between the scale of production and the capacity of the market increases, drawing in more resources to effect the transition of capital from its commodity form to its money form. Fifthly, the growing complexity of the economy and the social strains this produces results in the growth of the state, which aims to manage the whole of society in the interests of the national capital. This includes the direct forces of control, but also those parts of the state tasked with producing workers with the right skills, with keeping them reasonably healthy and with managing the various social problems that arise from a society based on exploitation.

Conclusion

Two somewhat contradictory conclusions can be drawn from this part of the report. The first and most important is that the evolution of British capitalism left it exposed to the full force of the crisis when it broke and there was a real danger that the collapse of the financial sector would cripple the economy. The perspective was of a sharp acceleration of the decline of the global strength of British capitalism with all the consequences at the economic, imperialist and social level this would entail. It is no exaggeration to say that the British bourgeoisie looked into the abyss in 2007 and 2008. The response confirmed again the continuing skill and determination of the ruling class as it united to throw all of its forces into combating the immediate danger: the longer term consequences would have to be left for another day.

The second conclusion is that it would be a mistake to write off the manufacturing sector. There are two reasons for saying this. Firstly, it still makes an important contribution to the overall economy, even if the rate of profit is lower. The contribution of 17% or even 11.6% to the total economy is not insignificant (and in reality is probably larger once the non-productive parts of the service sector are taken into account), and while the balance on the trade in goods has remained negative for many decades, it accounts for the major part of exports from Britain. Secondly, the present crisis exposes the danger of over reliance on one part of the economy. This explains why the Cameron government is giving prominence to the role that manufacturing can play in any recovery and why the promotion of British trade has recently become a more important part of Britain’s foreign policy. Whether this is realistic is another matter as it will require attacks on the costs of production beyond anything achieved by Thatcher and will go against both the historical and more immediate trends of the global economy. Britain cannot compete directly with the likes of China so will have

to look for particular niches.

All of this brings us to the question “What hope for an economic recovery?”

What hope for an economic recovery?

The global context

“...recent data indicate the global recovery is slowing after an initially rapid recovery. Output in the west is still far below pre-2008 trends. Stubbornly high US unemployment is blighting lives and souring politics. Europe narrowly avoided sparking a second worldwide crisis in May when its big economies agreed a bail-out fund for Greece and other highly indebted countries at risk of sovereign default. Japan has intervened in currency markets for the first time in six years to stop an appreciation of the yen hurting its exports” These are the words of an article in the *Financial Times*²⁰ on the eve of the bi-annual gathering of the IMF and World Bank in early October and reflect the concerns of the bourgeoisie.

We can note that the recovery plans in Europe had so far failed to produce very strong rates of growth and emphasised above all the growth of national debt that in some countries has led to questions about the state’s ability to repay its debts. Greece is at the forefront of this group of countries but Britain is also included amongst those where the level of debt presents a risk. In the US and many European countries the level of debt poses a risk. Britain may not have as much total debt as some countries but its current account deficit is the highest (indicating the rapidity with which it has recently been accumulating debt).

Two different strategies have been adopted to deal with the recession: that favoured by the US of continuing to use debt; and that increasingly being adopted across Europe of cutting the deficit and imposing programmes of austerity. The US is in a position to do this because the continuing role of the dollar as the global reference currency allows it to fund its deficit by printing dollars, an option unavailable to its rivals. Other countries are more constrained by their debts and this fact in itself presents some elements towards answering the question we have posed on the limits of debt. A recent international development has been an increase in efforts to use exchange rates to gain advantage. One cause of this is the effort to use exports to restore the economy. A second cause is the struggle between surplus and deficit countries over exchange rates. This is led by China and the US where a devaluation of the dollar against the yuan would not

only reduce the competitiveness of Chinese goods but would also devalue its massive holdings of US dollars (this is one of the reasons it has used some of its reserves to buy assets in a number of countries, including Britain). There is a suggestion that quantitative easing plays a role in devaluing currencies since it increases the supply of money, which gives a new perspective to the recent announcement by Japan of a further round of QE and the suggestion that the US and Britain are considering the same. What this poses is the loss of the unity seen in the midst of the crisis and its replacement by the attitude of looking after number one. Commenting on these developments a columnist in the *Financial Times* recently wrote, “As in the 1930s, everyone is looking to export their way out of trouble, which everyone, by definition, cannot do. So global imbalances are on the rise again, as is the risk of protectionism.”²¹ The pressures are growing but we cannot yet say whether the bourgeoisie will succumb to them.

What this means is that all options carry real dangers and there is no obvious route out of the crisis. The lack of solvent demand will renew the pressure that has led to the escalation of debt and reanimate the protectionist reflex that has been long contained, while austerity policies risk further reducing demand and thus provoking a further recession, greater protectionism and strengthening pressure to return to the use of debt. In this perspective the resort to further debt seems the most immediately obvious since it will be a continuation of developments over the last decades, but it poses the question of whether there are limits to debt and, if there are, what they are and whether we are at those limits. For this report, we can conclude from recent developments and the crisis sparked off by Greece that there are limits to debt – or rather a point at which the consequences of increased debt begin to undermine its effectiveness and destabilise the world economy. If Greece was unable to make its payments, not only would there have been a serious depression within the country but there would also have been a significant disruption of the international financial system. The fall in the stock market prior to the EU/IMF bailout shows the sensitivity of the bourgeoisie to this.

The options for British capitalism

The British bourgeoisie is at the forefront of those choosing austerity with its plan to eliminate the deficit in four years requiring cuts of around a quarter in state spending. Beyond the state sector, its plan to cut benefits to make work more attractive is

clearly aimed at lowering the cost of labour throughout the economy in an effort to increase the competitiveness and profitability of the British capitalism. This is being sold under the flag of the national interest and an attempt to suggest that the crisis was the fault of the Labour Government rather than global capitalism.

In previous reports we have analysed that British capitalism has recently produced surplus value by increasing the rate of absolute exploitation of the working class and has realised it through an increase of debt, in particular of private debt fuelled by the housing boom and the explosion of unsecured lending. Building on this, the report to the last congress of the section in Britain emphasised the overall importance of the service sector while the current report has confirmed this but clarified that it does not stem from the sector as a whole and has emphasised the particular role played by the financial sector. On the basis of this framework, it is worth considering how the three elements of the response to the crisis – debt, austerity and exports – relate to the situation facing Britain.

Prior to the crisis personal debt underpinned economic growth for several years, both directly through the debt accumulated by households in Britain and indirectly through the financial institutions’ role in the global debt market. Once the crisis broke state debt was used to protect these financial institutions and, to a much lesser extent, to offer protection to households (the increase in protection to savings to £50,000) while the rate of growth of personal debt declined and some individuals were pushed into insolvency. At present the level of private debt is falling very slightly while savings are increasing and the government has announced its determination to halve the deficit. Unless there is a reversal of these developments it seems unlikely that debt will contribute to any recovery. The austerity ahead may have two opposing impacts on the working class. On the one hand it may push many to limit expenditure and to try to repay debts in order to protect themselves. On the other hand it may drive others to resort to debt to make ends meet. However, this is likely to come up against the reluctance of banks to lend. The financial sector was dependent on the development of global debt for much of its growth prior to the crash and at present there are attempts to find alternatives, resulting, for example, in the increased activity in food markets. However, such activity still ultimately depends on the presence of solvent demand, which returns us to our starting point. If the US continues on the path of increasing debt, British capitalism may be able to benefit given its position within the global financial system; which

20. “That Elusive Spark”, 06/10/10.

21. John Plender, “Currency demands make a common ground elusive”, 06/10/10.

suggests that for all the rhetoric of the likes of Vince Cable,²² action will not be taken to rein in the bankers and that the strategy of deregulation begun under Thatcher will continue.

Austerity seems to be the main strategy at present. The overt aim is to reduce the deficit, with the implicit promise that once this has been done things will return to normal. But to have any lasting impact on the competitiveness of British capital permanent changes will need to be made. Hopes may be placed on a dramatic increase in productivity, but this has failed to materialise for decade after decade. Unless there is substantial investment in areas related to rising productivity, such as research and development, education and infrastructure, this is unlikely to happen. The evidence already points to cuts in these areas so the more likely option will be an effort to permanently reduce the proportion of surplus value taken by the state and the proportion of the total value produced assigned to the working class. In short, a reduction in the size of the state and lower wages. However, to be effective the scale of attacks on the working class required will be massive, while a reduction in the size of the state goes against the trend seen throughout the period of decadence where the state is required to increase its domination of society in order to defend its economic and imperialist interests and to prevent the contradictions at the heart of bourgeois society from tearing it apart.

Exports can only play a role if the bourgeoisie is successful in its efforts to make British capitalism more competitive. This will come up against the efforts of all of its rivals to do the same. The service sector in Britain is profitable and it may be possible to increase its relatively low level of exports. However, this runs into the difficulty that the most profitable parts of this sector seem to be those linked to the global financial system, which makes it development dependent on a global recovery.

In summary, there is no easy path for British capitalism. The most likely direction seems to be a continued reliance on its position within the global financial system alongside a programme of austerity to bolster profits. In the longer term however, it can only face a continued deterioration of its position.

The impact of the crisis on the working class

The impact of the crisis on the working

22. Member of the Liberal Democrat Party and Secretary of State for Business, Innovation and Skills in the coalition government.

class provides the objective basis for our analysis of the class struggle. This section will concentrate on the material situation of the working class. The questions of the ideological offensive of the ruling class and the development of class consciousness will be taken up other parts of the report...

One of the immediate impacts of the crisis on the working class was an increase in unemployment. The rate rose steadily during most of 2008 and 2009, increasing the total by 842,000 to 2.46 million or 7.8% of the working population. However, this was below the increases seen in the recessions in the early 80s and 90s when the rates rose to 8.9% (an increase of 932,000) and 9.2% (an increase of 622,000) respectively. This is despite the fact that the fall in GDP has been greater in the present recession than the previous two.

One recent study has suggested that the fall in GDP in this recession might have been expected to increase unemployment by a million more than it actually has,²³ which poses the question of why this has not happened. The study cited suggests this was due to *“firms’ strong financial position at the start of the recession and the smaller financial squeeze on firms in this recession”*, which in turn was due to three factors: *“Firstly policies aimed at assisting the banking system, cutting interest rates and the large government deficit creating a strong stimulus. Secondly, the flexibility of workers in allowing real falls in wage costs to firms aided by low interest rates which sustained real wage growth for consumers. Finally, firms holding on to valuable labour, whilst facing the pressure on profits and the severity of the financial crisis.”*

The evidence certainly supports the argument about falls in wage costs, which were achieved through reductions in the hours worked (and thus paid) and in below inflation pay rises. Part time working has increased since the late 70s when it was just over 16% of the workforce and reached 22% in 1995. It has risen further in this recession with the majority taking part time work because they had no alternative.²⁴ The number of such under-employed people rose to over 1 million. There has been a small fall in the average hours worked each week, from 32.2 to 31.7, but across the workforce this equates to 450,000 jobs with average hours.

The reduction in real wages stemmed from both low settlements and rising inflation. The overall result was that firms saved

about 1% of real wage costs.

However, this is not the whole picture. While recent years have seen efforts to force people off benefits and while there has been no increase during the present recession, the legacy of the use of things like incapacity benefit to mask unemployment continues to have an impact.

Further, in the last two recessions unemployment continued to rise long after the recession formally ended. In the 1980s it took 8 years for employment levels to reach those at the start of the recession and in the 1990s it took nearly nine years. While the rate of increase in this recession may have levelled off sooner than in the previous two there are reasons why this may only be a temporary interlude since not only will the austerity measures lead to hundreds of thousands of state employees being sacked but the possible double-dip recession these measures may produce, coupled with the uncertain global situation means that unemployment may well begin to increase again. Annual growth rates of 2% are considered necessary before employment starts to rise and of 2.5% if modest population growth is also allowed for. None of the projections for Britain are currently at this level.

Those who become unemployed remain out of work for longer as the number of vacancies remains substantially below the number looking for work. The longer the period of unemployment the more likely the person is to become unemployed again in the future. By the start of 2010 700,000 people were classed as long term unemployed, having been without a job for 12 months or more. It is worth noting here the impact of unemployment on those affected: *“An indication of the real cost of this flexibility was provided in a recent study of the impact of the recession on mental health. This found that 71% of people who have lost a job in the past year have experienced symptoms of depression, with those aged 18-30 most affected. Around half said they have experienced stress or anxiety.”*²⁵

One aspect of the reduction in wages and the general worsening of conditions is a fall in consumption. Although some of the studies cited suggest there has been little reduction others suggest there was a fall of 5% during 2008 and 2009. Quite obviously for most people this is not a matter of choice but the simple consequence of losing a job, working fewer hours or taking a direct pay cut.

Official figures show falls in child and pensioner poverty during the period of the Labour government and average living standards rising at 2% a year. However this

23. “Employment in the 2008-2009 recession”, *Economic and Labour Market Review*, August 2010.

24. See: *Economic and Labour Market Review*, September 2010, p.15.

25. *Guardian*, 01/04/10

has slowed in recent years. At the same time inequality has grown and poverty amongst working age adults is at its highest level since 1961.²⁶ Overall, poverty has increased by between 1% and 1.8% over the last four or five years (0.9 or 1.4 million people) to 18.1% or 22.3% (the difference depends on whether income is measured before or after housing costs).

Although there has recently been a slight decline in the level of personal debt (at the rate of 19p a day), in July this year the annual growth rate was still 8% and the total owed was £1,456bn,²⁷ which as we have pointed out before is more than the total produced in the country each year. This comprises £1,239bn in secured lending on homes and £217bn consumer credit lending. It is estimated that average families have to spend 15% of their net income to service debt payments.

This situation has resulted in an increase in the number of personal bankruptcies and Individual Voluntary Arrangements. This increased significantly from 67,000 in 2005 to between 106,000 and 107,000 in during 2006 to 2008 before jumping again to reach 134,000 in 2009. The first quarter of this year saw another 36,500, which if continued would mean a further increase.²⁸ This rate is very substantially above that seen in previous recessions, although legal changes make direct comparisons difficult.²⁹

Accompanying the fall in the growth of personal debt, the ONS reports an increase in the rate of household saving from -0.9% at the start of 2008 to 8.5% at the end of 2009.³⁰ It seems that many workers are trying to prepare for the hard times ahead.

Perspectives

Although the impact of the crisis on the working class is greater than the publications of the bourgeoisie tend to present it as, it has nonetheless been relatively contained both at the level of employment and of income. In part this is due to circumstances, in part to the strategy adopted by the bourgeoisie including the use of debt, and in part to the response of the working class, which seems to have focussed more on surviving the recession

than combating it. However, it is unlikely that this situation will continue. Firstly, the overall global economic situation will remain very difficult, as the bourgeoisie is unable to resolve the fundamental contradictions undermining the foundations of its economy. Secondly, the strategy of the British ruling class has now switched to one of imposing austerity, partly because of the global situation. It could conceivably return to the use of debt in the short term but the cost would be to worsen the long-term problems. Thirdly, the impact on the working class will increase in the period ahead and so will contribute to further developing the objective conditions for a development of the class struggle.

10/10/2010

26. Institute for Fiscal Studies, *Poverty and Inequality in UK 2010*.

27. The figures in this paragraph are taken from *Debt Facts and Figures* for September 2010 compiled by Credit Action.

28. Source: ONS, *Financial Statistics*, August 2010, p.120.

29. Economic and Labour Market Review, August 2010, p.61. Between 1979 and 1984 the increase was from 3,500 to 8,229 and between 1989 and 1993 it was from 9,365 to 36,703.

30. *Ibid*, p.60.

The example of Russia 1917 inspires the workers in Hungary

In the previous article in this series,¹ we saw how the Social Democratic Party, the main rampart of capitalism, carried out a despicable manoeuvre in order to deal with the developing workers' struggle. This manoeuvre aimed at making the Communists appear to be responsible for a mysterious attack perpetrated against the editorial board of the Social Democratic paper *Népszava*. The intention was to criminalise them and so unleash a wave of repression, initially against the Communists but then going on to annihilate the new-born workers' councils and destroy any revolutionary spirit in the Hungarian proletariat.

In this second article we will see how this manoeuvre failed and how the revolutionary situation continued to mature so that the Social Democratic Party tried another manoeuvre, which was risky but which in the end was a success for capitalism: to ally with the Communist Party, "take power" and organise "the dictatorship of the proletariat". This blocked the dynamic of rising struggles and the development of proletarian self-organisation and led the revolution into an impasse that resulted in its utter defeat.

March 1919: the crisis of the bourgeois republic

The truth about the attack on the newspaper soon came out. The workers felt that they had been tricked and their indignation grew even more when the torture inflicted upon the Communists came to light. The credibility of the Social Democratic Party was seriously damaged and this increased the popularity of the Communists. Struggles around specific demands grew in number from the end of February: the peasants seized the land without waiting for the eternal promise of "agrarian reform",² more and more workers flocked to the Budapest workers' council and tumultuous discussions led to bitter criticism of the Social Democratic and union leaders. The bourgeois republic, that had created so many illusions in October 1918, was now a disappointment. The 25,000 soldiers who had been sent home from the front were shut up in their barracks and organised themselves into councils; during the first week of March, not only did the assemblies in the barracks re-elect their representatives

– with a significant increase in the number of Communist delegates – they also passed motions stating that, "*government orders will not be obeyed unless formerly ratified by the Budapest soldiers' council*".

On 7th March, an extraordinary session of the workers' council of Budapest adopted a resolution which, "*demanding the socialisation of all the means of production and that they be placed under the direction of the councils*". Although socialisation without first destroying the bourgeois state apparatus is bound to be a lame measure, this declaration nevertheless expressed the enormous self-confidence of the councils and was a response to two urgent questions: 1) the bosses' sabotage of production, which was completely disorganised by the war effort; 2) the tragic lack of foodstuffs and of goods to satisfy basic needs.

Events took a radical turn. The metal workers' council presented the government with an ultimatum; it gave it five days to hand over power to the proletarian parties.³ On 19th March, there took place the biggest demonstration seen up to then, which was

3. This shows the growing politicisation of the workers' movement but also its weaknesses in terms of consciousness because they were demanding a government composed of the Social Democratic traitors together with the Communists, who had been imprisoned thanks to the manoeuvres of the former.

called by the workers' council of Budapest; the unemployed demanded an allowance and a ration card, as well as the abolition of rents. On 20th, the typographers went on strike; this became generalised from the following day and made two demands: the liberation of the Communist leaders and a "workers' government".

Although this demonstrates that there was a maturation towards a revolutionary situation, it also shows that the political level was still far below what was necessary for the proletariat to take power. In order to take power and keep it, the proletariat must be able to count on two indispensable factors: the workers' councils and the communist party. In March 1919 the workers' councils in Hungary had just taken their first steps, they had just begun to feel their power and autonomy and they were still trying to free themselves from the stifling control of Social Democracy and the unions. Their two main weaknesses were:

- their illusions in the possibility of a "workers' government" which would unite the Social Democrats and the Communists. As we will see, this was to be the death knell of a revolutionary development of the situation;
- they were still organised according to economic sectors: councils of metal workers, of typographers, of textile workers, etc. In Russia, from 1905 onwards, the councils were organised horizontally, regrouping the workers as a whole across divisions of sector, region, nationality, etc; in Hungary there existed both councils based on sector and also horizontal councils within towns, which meant that there was a risk of corporatism and dispersion.

In the first article in this series, we stressed that the Communist Party was still very weak and heterogeneous, that the debate had only just begun to develop within it. It was weakened by the absence of a solid international structure to guide it – the Communist International had only

1. See *International Review* n° 139, <http://en.internationalism.org/ir/139/1919-Hungarian-Revolution-01>

2. By means of a co-ordinated action, the peasant committees seized the land from the highest aristocrat in the country, Count Esterhazy.

just celebrated its first congress. For these reasons, as we will see, it had enormous weaknesses and an absence of clarity that was to make it an easy victim of the trap that Social Democracy laid for it.

The merger with the Social Democratic party and the proclamation of the Soviet Republic

Colonel Vix, the representative of the Entente,⁴ issued an ultimatum, which stipulated that there be created a demilitarised zone within Hungarian territory, to be governed directly by allied command. It was to be 200 kilometres wide, which meant that it would occupy a third of the country.

The bourgeoisie never confronts the proletariat openly. History teaches us that it tries to trap it between two fronts, the left and the right. Here we see the right opening fire with the threat of military occupation; this was to be concretised from April onwards with a full-blown invasion. For its part, the left went into action immediately afterwards with a pathetic declaration by President Karolyi: *“Our homeland is in danger. The most serious moment in our history is upon us. [...] The time has come for the Hungarian working class to use its force - the only organised force in the country - and its international relations to save its homeland from anarchy and dismemberment. I therefore propose that a Social Democratic government be formed that will confront the imperialists. The stakes of this struggle are the fate of our country. In order to wage such a struggle it is indispensable that the working class recover its unity and that the agitation and disorder brought about by the extremists, cease. With this in mind, the Social Democrats must find common ground for an agreement with the Communists”*.⁵

This crossfire in which the working class was caught up; the right with its military occupation, and the left with the appeal for national defence, converged on the same aim: to save capitalist domination. The military occupation – the worst affront that can be inflicted on a nation state – was really intended to crush the revolutionary tendencies of the Hungarian proletariat. In addition, it enabled the left to drive the workers towards the defence of the fatherland. This kind of trap had been used before; in Russia in October 1917, when

4. During the First World War, the Entente regrouped the imperialist camp composed of Great Britain, France and Russia, at least up until the October Revolution.

5. Roland Bardy, 1919, *the Commune of Budapest*, p.83. Most of the information used in this article is taken from the French edition of this work, which contains copious documentation.

the Russian bourgeoisie realised that it was unable to crush the proletariat, it preferred to let German troops occupy Petrograd; at the time the working class parried this manoeuvre well by embarking on the seizure of power. The right-wing Social Democrat Garami revealed the strategy that was to follow in the wake of Count Karolyi's appeal: *“entrust the government to the Communists, await the total failure that will be theirs and then, and only then, when rid of these dregs of society, can we form an homogenous government”*.⁶ The centrist wing of the party⁷ adopted the following policy: *“As Hungary has essentially been sacrificed by the Entente, which has obviously decided to annihilate the revolution, it would seem that the only tools that the latter has at its disposal are Soviet Russia and the Red Army. To win the support of the latter, the Hungarian working class must essentially wield power and Hungary must become a real popular and soviet republic.”* adding that *“in order to ensure that the Communists do not abuse this power, it would be better to wield it with them!”*⁸

The left wing of the Social Democratic Party defended a proletarian position and tended to evolve towards the Communists. Garami's right-wingers and Garbai's centrists manoeuvred cleverly against them. Garami resigned from all of his responsibilities. The right wing agreed to be sacrificed in favour of the centrist wing which, *“declaring its agreement with the communist programme”* positioned itself to seduce the left.⁹

Following this U-turn, the new centrist leadership proposed the immediate merger with the Communist Party and nothing less than the seizure of power! A delegation of the Social Democratic Party went to meet Bela Kun in prison and made the proposal to unite the two parties, to form a “workers' party”, to exclude all “bourgeois parties” and to form an alliance with Russia. The talks took place in the space of one day, at the end of which Bela Kun draw up a six-point statement which, among other things, underlines, *“The directive committees of the Hungarian Social Democratic Party and of the Hungarian Communist Party have decided in favour of the total and immediate unification of their respec-*

6. Ibid.

7. The centrist wing of the Hungarian party was composed of cadres that were as reactionary as those of the right wing but they were much more cunning and able to adapt to the situation.

8. Roland Bardy, op. cit., p.84.

9. Bela Szanto, in his book *The Hungarian Revolution of 1919*, p 88 of the Spanish edition, chapter entitled, *“With whom should the communists have united?”*, quotes a Social Democrat, Buchinger, who admits that *“uniting with the Communists on the basis of their programme as a whole was done without the slightest conviction”*.

*tive organisations. The name of the new organisation is to be Unified Socialist Party of Hungary (PSUH). [...] The PSUH will immediately take power in the name of the dictatorship of the proletariat. This dictatorship is to be exercised by the councils of workers, peasants and soldiers. There will be no more National Assembly [...]. A military and political alliance will be concluded with Russia as completely as is possible.”*¹⁰

President Karolyi, who followed these negotiations closely, handed in his resignation and made a declaration addressed *“to the world proletariat to obtain help and justice. I resign and hand over power to the proletariat of the Hungarian people.”*¹¹

During the demonstration of 22nd March, *“the ex-Regent, Archduke Franz-Joseph, Philippe-Egalité himself, he too came to take his place at the side of the workers at the demonstration.”*¹² The new government, formed the day before with Bela Kun and other Communist leaders, who had been recently freed, was presided over by the centrist Social Democrat Garbai.¹³ It had a centrist majority with two places reserved for the left wing and two others for the Communists, one of whom was Bela Kun. So there began a very risky operation which consisted in holding the Communists hostage to Social Democratic policies and in sabotaging the newly formed workers' councils by means of the poisoned framework of the “seizure of power”. The Social Democrats left the leading role to Bela Kun who – completely caught in the trap – became the spokesman and the guarantor for a series of measures that could only destroy his credibility.¹⁴

“Unity” creates division within the revolutionary forces

The declaration of the “unified” party managed in the first place to halt the regroupment of the left Social Democrats with the Communists, who had been cleverly seduced by the radicalisation of the centrists. But the worst thing was that there was opened up a Pandora's box among the Communists, who split up into various tendencies. The majority, around

10. Roland Bardy, op. cit., p.85.

11. Ibid., p.86.

12. Ibid., p.99.

13. In February 1919, this individual declared: *“the Communists should be sent before a firing squad”* and in July 1919 he stated: *“I am unable to take my place in the mental universe on which the dictatorship of the proletariat is based”* (Szanto, op. cit., p.99).

14. Bela Szanto (op. cit., p. 82 of the Spanish version) reports that on the following day, Bela Kun admitted to his party comrades: *“Things are going too well. I couldn't sleep, I kept wondering all night how they could trip us up”*, chapter entitled, *“Forward towards the dictatorship of the proletariat”*.

Bela Kun, became hostage to the Social Democrats; another tendency, formed around Szamuely, remained within the party but tried to carry out an independent policy; the majority of the anarchists split to form the Anarchist Union, which still supported the government but with an oppositional stance.¹⁵

The Party, that had been formed only a few months previously and had only just begun to develop its organisation and intervention, dissolved completely. Debate became impossible and its old members were in permanent opposition to one another. They did not have the support of a framework of principles or independent analysis, but were constantly dragged onwards by the evolution of events and the subtle manoeuvres of the centrist Social Democrats.

The disorientation about what was really happening in Hungary even affected Lenin, a militant with considerable experience and lucidity. In his complete works there is a transcription of the discussions with Bela Kun on 22nd and 23rd March 1919.¹⁶ Lenin asks Bela Kun: “Please inform us what real guarantees you have that the new Hungarian government will actually be a communist, and not simply a socialist, government, i.e. one of the traitor-socialists. Have the Communists a majority in the government? When will the Congress of Soviets take place? What does the socialists’ recognition of the dictatorship of the proletariat really amount to?” Lenin asks the right basic questions. However, as everything depends on personal contact and not on collective international debate, Lenin concludes: “Comrade Bela Kun’s reply was quite satisfactory and dispelled all our doubts. It appears that the Left Socialists had visited Bela Kun in prison to consult him about forming a government. And it was only these Left Socialists, who sympathised with the Communists, and also people from the Centre who formed the new government, while the Right Socialists, the traitor-socialists, the irreconcilables and incorrigibles, so to speak, left the Party and not a single worker followed them.” We can see from this that Lenin was at least badly informed or else he did not evaluate the situation correctly, because the Social Democratic centre was in the majority in the government and the left Social Democrats were in the hands of

15. Within the Anarchist Union there was a tendency organised autonomously, which called itself Lenin’s Boys and which called for the “defence of the power of the workers’ councils”. It was to play a significant role in the military actions in defence of the revolution.

16. Volume 29 of the English edition, p. 227 and p. 242. The documents are entitled “Record of wireless message to Bela Kun, March 23, 1919” and “Communication on the wireless negotiations with Bela Kun”.

their centrist “friends”.

Carried away by a debilitating optimism, Lenin concludes: “*The bourgeoisie itself has handed over power to the Communists in Hungary. The bourgeoisie has shown to the whole world that when there is a serious crisis, when the nation is in danger, it is unable to govern. The only power that the people really want is the power of the councils of worker, soldier and peasant deputies.*”

Once hoisted to power, the workers’ councils are sabotaged

In reality this power existed only on paper. In the first place, it was the Unified Socialist Party that took power without any participation whatsoever on the part of the Budapest council or any other council in the country.¹⁷ Although the government formally declared itself to be “subordinate” to the Workers’ Council of Budapest, in fact it was the one who issued decrees, orders and decisions of every kind, as the facts attest, and the Council had no more than a relative right of veto. The workers’ councils were tied up in the straitjacket of parliamentary practice. “Proletarian affairs continued to be administered – or more precisely sabotaged – by the old bureaucracy and not by the workers’ councils themselves, which therefore never managed to become active organisms.”¹⁸

The most brutal blow against the councils was the government’s call for elections in order to form a “National Assembly of Workers’ Councils”. The electoral system imposed by the government was to concentrate the elections on two dates (7th and 14th April 1919), “following the modalities of formal democracy (vote using electoral lists, with cubicles, etc)”¹⁹. This is a reproduction of the mechanism typical of bourgeois elections, which simply sabotages the very essence of the workers’ councils. Whereas in the case of bourgeois democracy the elected organs are the result of a vote made by a sum of atomised individuals who are completely separated one from another, the workers’ councils are based on a radically new and different concept of political action: decisions

17. The Workers’ Council of Szeged – a town in the “demilitarised” zone although it was in fact occupied by 16,000 French soldiers – took revolutionary action. On 21st March, the Council organised the insurrection and occupied all strategic points. The French soldiers refused to fight against them and so their army command decided to retreat. On 23rd the council elected a governing council composed of a glass worker, a building worker and a lawyer. On 24th it contacted the new government of Budapest.

18. Szanto, op. cit., p.106, chapter entitled, “Contradictions in theory and practice and their consequences”.

19. Roland Bardy, op. cit., p.101.

and action to be taken are thought out and discussed during debates in which a huge and organised mass participates and the latter do not just make the decisions but they themselves carry them out.

The triumph of the electoral manoeuvre was due to the clever manoeuvres of the Social Democrats, who exploited the confusions existing not only within the masses but also within the majority of its Communist militants and especially in Bela Kun’s group. Years of participation in elections and in parliament – activities that were necessary for proletarian groups during the ascendant period of capitalism – had produced habits and a vision belonging to a past that had decisively ended and which impeded a clear reply to the new situation; one that necessitated a complete break with parliamentarism and electoralism.

The electoral mechanism and the demand for discipline to the “unified” party meant that, as Szanto puts it, “*in presenting the candidates for election to the councils, the Communists were obliged to defend the Social Democratic cause and even so, many of them were not elected*”; and he adds that this enabled the Social Democrats to give vent to “*a revolutionary and communist verbiage that made them seem more revolutionary than the Communists!*”²⁰

This policy produced lively resistance. The April elections were contested in the 8th district of Budapest and Szamuely managed to get the official list of his own party annulled (!) and to impose elections based on debate at mass assemblies. This gave the victory to a coalition of dissidents from the PSUH and to the anarchists, regrouped around Szamuely.

Other attempts to bring to life real workers’ councils took place in mid-April. A movement of the district councils managed to hold a Conference of District Councils in Budapest, which harshly criticised the “soviet government” and put forward a series of proposals regarding provisioning, the counter-revolutionary repression, the relationship with the peasantry, the continuation of the war; and it proposed – just one month after the elections! – new elections to the councils. Held hostage to the Social Democrats, Bela Kun made an appearance at the last session of the conference in the role of duty fireman and with a speech brimming with demagoguery: “*We are already so far to the left that it is impossible to go further. To veer still further to the left could only be counter-revolution.*”²¹

20. Bela Szanto, op. cit., p.91, chapter entitled “With whom should the Communists have united?”

21. Roland Bardy, op. cit., p.105.

Economic reorganisation based on the unions against the councils

The attempt at revolution came up against economic chaos, scarcity and the sabotage of the bosses. Although it is true that the proletarian revolution's centre of gravity is the political power of the councils, this does not in any way mean that it can afford to neglect the control of production. Just because it is impossible to begin the revolutionary transformation of production towards communism until the revolution is victorious internationally, we should not conclude that the proletariat does not need to carry out an economic policy from the very beginning of the revolution. This has to deal with two main issues in particular: the first is to adopt all possible measures to reduce the exploitation of the workers and to guarantee them the maximum free time so that they can devote their energy to the active participation in the workers' councils. With this in mind, under pressure from the Workers' Council of Budapest, the government took measures such as eliminating piecework and reducing the working day, with the aim of "enabling the workers to participate in the political and cultural life of the revolution."²² The second issue is the struggle to guarantee supplies and prevent sabotage in order to prevent hunger and the inevitable economic chaos from sounding the death knell of the revolution. In the face of this problem, from January 1919 the workers formed factory councils and councils by sector; and, as we saw in the first article in this series, the Budapest Council adopted an audacious plan to control supplies satisfying basic needs. But the government, which should have been supporting them, carried out a systematic policy of taking production and supplies out of their hands and handing it over increasingly to the unions. Bela Kun made serious mistakes here. In May 1919, he declared: "Our industrial apparatus is based on the unions. The latter must be emancipated and transformed into powerful corporations that encompass first the majority and then all of the individuals in a given branch of industry. The unions participate in technical management and their activity tends to gradually take on the task of management as a whole. In this way they guarantee that the main economic organs of the regime and the working population pull together and that the workers get used to conducting economic life."²³ Roland Bardy criticises this analysis: "Imprisoned in an abstract framework, Bela Kun was unable to realise that the logic of his position led to handing back to the socialists the power that had been gradually taken from them

[...] For a long period the unions would be the bastion of reformist Social Democracy and would constantly come into direct competition with the soviets."²⁴

The government managed to ensure that only the unionised workers and peasants had access to the co-operatives and to the stewardship of consumption. This gave the unions an essential lever of control. Bela Kun theorised this: "the communist regime is that of an organised society. Anyone who wants to live and to be successful must belong to an organisation, so the unions should not place obstacles to membership."²⁵ As Bardy points out: "Opening up the unions to everyone was the best way to destroy the proletarian majority within them and, in the long term, make it possible to 'democratically' re-establish class society" in fact, "the old bosses, investors and their powerful valets, did not actively participate in production (industry and agriculture) but rather in the administration or in the legal institutions. By enlarging this sector it was possible for the old bourgeoisie to survive as a parasitic class and to have access to the distribution of produce, without even being actively integrated into the productive process."²⁶ This system favoured speculation and the black market, without ever managing to resolve the problems of famine and scarcity, which caused such suffering to the workers in the large cities.

The government encouraged the formation of large-scale agricultural exploitation directed by a system of "collectivisation". This was a big swindle. "Commissars of production" were placed at the head of the collective farms. When they were not arrogant bureaucrats, these were...the old landowners! The latter continued to occupy their properties and insisted that the peasants continue to call them "master".

The collective farms were supposed to spread the revolution to the countryside and guarantee supplies but they did neither. The day workers and poor peasants were profoundly disappointed by the reality of the collective farms and took an increasing distance from the regime. Their managers demanded a deal that the government was unable to guarantee: to supply agricultural products in exchange for fertiliser, tractors and machines. So they sold their produce to speculators and hoarders with the result that hunger and scarcity reached such levels that, in desperation, the Workers' Council of Budapest organised the transformation of parks and gardens into zones for agricultural production.

The evolution of the international revolutionary struggle and the situation in Hungary

The only hope for the Hungarian proletariat to break out of the trap in which it was caught lay in the development of the international proletarian struggle. There was great hope in the period from March to June 1919 in spite of the massive blow represented by the crushing of the Berlin insurrection in January.²⁷ In March 1919 the Communist International was formed, April saw the proclamation of the Republic of Bavarian Councils, which was tragically crushed by the Social Democratic government. Revolutionary agitation in Austria, where workers' councils were strengthened, was also aborted by the manoeuvring of a provocateur, Bettenheim, who incited the young Communist Party to a premature insurrection that was easily crushed (May 1919). In Great Britain the huge strike of the Clyde shipbuilders broke out. Workers' councils were formed and this gave rise to mutinies in the army. Strike movements took place in Holland, Norway, Sweden, Yugoslavia, Rumania, Czechoslovakia, Poland, Italy and even in the United States. But these movements were still too immature. This situation also gave a significant margin for manoeuvre to the French and British army, which remained mobilised at the end of the world war and were now charged with the dirty work of policemen to crush the revolutionary nuclei. Their intervention was concentrated on Russia (1919-20) and Hungary (from April 1919). When the first mutinies broke out in the army and in the face of campaigns against the war being waged against revolutionary Russia, these troops were rapidly replaced by colonial troops that were much more resilient when used against the proletariat.

As regards Hungary, the French command drew the lessons of the soldiers' refusal to repress the Szeged insurrection. France took a back seat and encouraged the neighbouring states to move against Hungary: Rumania and Czechoslovakia were to be the spearhead of these operations. These states combined the job of policeman with the conquest of territory at the expense of the Hungarian state.

Soviet Russia was under siege and unable to supply any military support. The attempt of the Red Army and Nestor Makhno's guerrillas to launch a western offensive in June 1919 in order to open up a communication route with Hungary, came to nothing because of General Denikin's violent counter-attack.

22. Ibid., p.117.

23. Ibid., p.111.

24. Ibid., p.112.

25. Ibid., p.127.

26. Ibid., p.126.

27. See the fourth article in our series on the German Revolution in *International Review*, n°. 136. <http://en.internationalism.org/ir/2009/136/german-revolution-1919>

But the main problem was that the proletariat's enemy was inside its own house.²⁸ On 30th March, the government of the "workers' dictatorship" pompously created the Red Army. It was the same old army under a new name. All the posts in the command structure remained in the hands of the old generals, who were supervised by a body of political commissars dominated by the Social Democrats and from which the Communists were excluded.

The government rejected a proposal from the Communists to dissolve the police force. The workers, however, took it upon themselves to disarm the guards; several Budapest factories passed resolutions on this point and they were immediately put into action: "So, only the Social Democrats were allowed to give permission but they did not authorise their disarmament. It was only after a long period of resistance that they agreed to sack the police and the security guards."²⁹ The formation of the Red Army was then decreed, integrating into its ranks the sacked police officers!

In this way, the army and the police, the backbone of the bourgeois state, remained intact thanks to these little manoeuvres. So it is not surprising that the Red Army disintegrated so easily in the face of the April offensive launched by Rumanian and Czech troops. Several regiments even went over to the enemy.

On 30th April, when invading troops were at the gates of Budapest, the mobilisation of the workers managed to reverse the situation. The anarchists and Szamuely's group carried out powerful agitation. The 1st May demonstration was a massive success, there were slogans demanding "the armament of the people" and Szamuely's group called for "all power to the workers' councils". On 2nd May there was a huge meeting demanding the voluntary mobilisation of the workers. Within a few days in Budapest alone 40,000 of them had enrolled in the Red Army.

The Red Army, reinforced by the incorporation of masses of workers and by the arrival of international brigades of French and Russian volunteers, launched a huge offensive which obtained a series of victories over the Rumanian, Serbian and, particularly, over the Czech troops, who suffered an enormous defeat and whose soldiers deserted en masse. In Slovakia the actions of the workers and rebel soldiers led to the formation of a workers' council

28. Bela Szanto, op. cit., p 146: "The counter-revolution was so strong that in its magazines and pamphlets it was able to claim as its own, men who were at the head of the workers' movement or who held important positions in the dictatorship of the councils."

29. Ibid, p.104, chapter entitled "Contradiction in theory and in practice and their consequences".

which, supported by the Red Army, proclaimed the Slovak Republic of Councils (16th June). The Council concluded an alliance with the Hungarian Republic and published a Manifesto addressed to all Czech workers.

This success alerted the world bourgeoisie: "On 8th June, the Paris Peace Conference, alarmed by the success of the Red Army, issued another ultimatum to Budapest, in which it demanded that the Red Army stop advancing and invited the Hungarian government to Paris to 'discuss Hungary's borders'. There was a second ultimatum, in which the use of force was threatened if the ultimatum was not respected."³⁰

The Social Democrat Bohm, with the support of Bela Kun, began negotiations "at any cost" with the French state, which demanded that the first step be to abandon the Slovak Republic of Councils: this was accepted on 24th June. This Republic was crushed on 28th of the same month and all its known militants were hanged the day after.

At this point the Entente changed tactic. The demands of the Rumanian troops and their territorial pretensions had acted as a spur to tighten up the ranks of the Red Army, which had contributed to its May victories. A provisional Hungarian government was hastily formed around two brothers of the former president Karolyi, which was based in the zone occupied by the Rumanians, but it was then forced to withdraw reluctantly in order to give the impression of an "independent government". At this point the right wing of Social Democracy re-appeared, giving its open support to this government.

On 24th January there was an attempted uprising in Budapest, organised by the right wing social democrats. The government negotiated with the insurgents and gave way to its demand to ban Lenin's Boys, the international brigades and the regiments controlled by the anarchists. This repression precipitated the disintegration of the Red Army: violent confrontations broke out within its ranks and desertions and mutinies became increasingly frequent.

The final defeat and brutal repression

The working population of Budapest was utterly demoralised. Many workers fled the city with their families. In the countryside the peasant revolts against the government increased. Rumania made a new push in

its military offensive. From the middle of June the Social Democrats re-united and demanded that Bela Kun resign and that a new government be formed without the participation of the Communists. On 20th July, Bela Kun launched a desperate military offensive against the Rumanian troops with what was left of the Red Army, which finally surrendered on 23rd. On 31st July, Bela Kun at last resigned and a new government of Social Democrats and unions was formed, which unleashed a brutal repression against the communists, the anarchists and every militant worker who was unable to flee. Szamuely was assassinated on 2nd August.

On 6th August this government was in its turn overthrown by a handful of army officers who did not come up against any resistance. Rumanian troops entered Budapest. The prisoners were subjected to forms of torture worthy of the Middle Ages, before being murdered. Wounded soldiers were thrown out of the hospitals and dragged onto the streets, where they were subjected to all kinds of humiliation before being killed. In the villages, the troops forced the peasants to organise trials against their neighbours who were under suspicion, and to torture and kill them. Any refusal was punished by setting fire to their houses with the occupants inside.

Whereas 129 counter-revolutionaries were executed during the 133 days that the Soviet Republic lasted, more than 5,000 people were assassinated between 15th and 31st August. There were 75,000 arrests. Mass trials began in October; 15,000 workers were tried by military tribunals, which gave out the death penalty and hard labour.

Between 1920 and 1944, the vicious dictatorship of Admiral Horthy was supported by democrats in the west, in spite of his fascist sympathies, in gratitude for services rendered against the proletariat.

C.Mir, 4-9-2010

30. Alan Woods, *The Hungarian Soviet Republic in 1919, the Forgotten Revolution*. <http://www.marxist.com/hungarian-soviet-republic-1919.htm>

The Communist Left in Russia

The *Manifesto* of the Workers' Group of the Russian Communist Party (iii)

We saw in the previous part of the *Manifesto* (published in *International Review* n° 143) how it violently opposed any united front with the social democrats. In contrast, it called for a united front of all genuine revolutionary elements, among which it included the parties of the Third International as well as the Communist Workers' Parties (KAPD in Germany). Faced with the national question that arose in the soviet republics, dealt with in the third part of this document, it advocated making a united front with the CPs of these republics which, according to the CI, "will have the same rights as the Bolshevik Party".

However, the most important point discussed in this penultimate part of the *Manifesto* is that concerning the NEP.

The position of the *Manifesto* on this question is the following: "*The NEP is the direct result of the situation of the productive forces in our country [...] What capitalism did to smaller producers and landowners in agriculture and industry in the advanced capitalist countries (in England, the United States, Germany), the proletarian power must do in Russia.*" In fact, this is not very different from Lenin's view that the NEP was a form of state capitalism. In 1918, Lenin already argued that state capitalism constituted a step forward, a step towards socialism for the backward economy of Russia. In his speech at the Congress of the Bolshevik Party in 1922 he returned to this theme, stressing the fundamental difference between state capitalism under the direction of the reactionary bourgeoisie, and state capitalism administered by the proletarian state. The *Manifesto* sets out a series of suggestions for the "improvement" of the NEP, including independence from foreign capital.

Where the *Manifesto* diverges from Lenin and the official position of the Bolshevik Party is in stressing that: "*The greatest peril linked to the New Economic Policy resides in the fact that the conditions of life of a very large number of leading cadres have begun to change rapidly.*" It advocates measures for the regeneration of the soviet system: "*In order to prevent the process of the degeneration of the New Economic Policy into a new policy of exploitation of the proletariat, it is necessary to lead the proletariat towards the accomplishment of the great tasks which are in front of it by a consistent realisation of the principles of proletarian democracy, which will give the working class the means to defend the conquests of the October revolution against all dangers wherever they come from. The internal regime of the party and the relationship of the party with the proletariat must be radically changed in this sense.*"

The national question

The achievement of the united front tactic was especially difficult because of the national and cultural variety of peoples in the USSR.

The pernicious influence of the leading group of the RCP (B) is particularly revealed on the level of the national question. To any criticism and all protests: endless proscriptions ("systematic division of the workers' party"); nominations which sometimes have an autocratic character (unpopular people who don't have the confidence of local party comrades); orders given to the republics (to peoples who for decades and centuries have lived under

the uninterrupted yoke of the Romanovs, personifying the domination of the Great Russian Nation), giving new vigour to chauvinist tendencies within the working masses, even penetrating into the national organisations of the Communist Party.

In these Russian republics the Russian revolution was indubitably accomplished by the local proletariat with the active support of the peasants. And if such and such national communist party developed an important and necessary work, this consisted primarily of supporting local organisations of the proletariat against the bourgeoisie and its local supporters. But once the revolution was accomplished, the praxis of the party, of the leading group of the RCP (B), inspired by defiance towards local

demands, ignored local experiences and imposed on the national communist parties various controllers, often of different nationalities, which exasperates chauvinist tendencies and gives the impression to the working masses that these territories are submitting to a regime of occupation. The realisation of the principles of proletarian democracy, with the institution of local state organisations and the party, will eliminate the roots of differences between workers and peasants in all nationalities. To effect this "united front" in the republics which have accomplished the social revolution, to effect proletarian democracy, means the institution of a national organisation within the International with communist parties having the same rights as the RCP (B) and constituting a particular section of the International. But since all the socialist republics have certain common tasks and that the communist party on the whole develops a leading role, one must convoke - for discussion and decisions on the common problems of all the nationalities of the Union of Soviet Socialist Republics - periodic general conferences of the party which elect, with a view to stable activity, an executive of the communist parties of the USSR. Such an organisational structure of the communist parties of the USSR can uproot, and without doubt will uproot, the distrust within the proletariat and it will moreover lend enormous importance to the agitation of the communist movement in every country.

The NEP (New Economic Policy)

The NEP is the direct result of the situation of the productive forces in our country.

And really, suppose that our country is covered by a thick forest of factory chimneys, the land cultivated by tractors and not by ploughs, that wheat is harvested using reapers not a sickle and scythe, threshed with a threshing machine and not a flail, winnowed by a winnowing machine, not a shovel; all these machines driven by a tractor - in these circumstances would we need a New Economic Policy? Not at all.

And imagine now that last year in

Germany, France and England there was a social revolution, and that here in Russia the club and the plough have not been retired, replaced by Queen machine, but reign supreme. Just as they reign today (especially the plough), and the lack of animals requires a man to harness himself with his children, his wife following the plough. Would we then need a New Economic Policy? Yes.

And for what? For the same thing, to support a peasant family culture with its plough and, by this, to replace the plough with the tractor, and so change the material basis of a rural petty bourgeois economy in order to expand the economic base of the social revolution.

What capitalism did to smaller producers and landowners in agriculture and industry in the advanced capitalist countries (in England, the United States, Germany), the proletarian power must do in Russia.

But how to accomplish this task? By ordering, shouting: "Hey you, petty bourgeois, disappear!"? You can make as many decrees as you like ordering a petty bourgeois element to disappear, the petty bourgeoisie still lives, like a fighting cock. And what would the pure proletarians do without it in a country like Russia? They would starve! Could we gather all the petty bourgeois elements into a collective commune? Impossible. So it will not be by decrees that we will fight the petty bourgeoisie, but by submitting it to the needs of a rational, mechanised, homogeneous economy. By the free struggle of economies based on the use of machines and new technical improvements against all other archaic modes of production that still dominate in a small artisanal economy. We cannot build communism with a plough.

But imagine that the socialist revolution took place in Germany or England. Would a New Economic Policy be possible at any time of the revolutionary process?

It depends entirely on the importance and scale of petty bourgeois production. If its role in the life of the country is insignificant, we can dispense with the New Economic Policy and, by speeding up the legislative activity of the proletarian dictatorship, introduce new work methods.

And where petty bourgeois production exerts a considerable influence on the economic life of the country, and the industry of the city and the countryside cannot do without it, the New Economic Policy will take place. The more large industries depend on small-scale production, the larger the scale of the NEP will be and its duration determined by the speed of the triumphant march of national socialist industry.

In Russia, the New Economic Policy will last for a long time - not because anyone wants it to, but because one cannot do otherwise. Until our socialist industry ceases to depend on petty bourgeois production and property, there will be no question of suspending the NEP.

The NEP and the countryside

The question of changing economic policy, of suspending the NEP, will be put on the agenda after the disappearance of petty bourgeois domination in agriculture.

Currently, the strength and power of the socialist revolution are totally conditioned by the struggle for industrialisation, for the tractor over the plough. If the tractor tears the Russian land from the plough, socialism will win, but if the plough chases away the tractor, capitalism will win. The New Economic Policy will only disappear with the plough.

But before the sun rises, the dew can put out your eyes;¹ and for our eyes, and those of the socialist revolution, to stay healthy and safe, we must follow the right line towards the proletariat and the peasantry.

Our country is agrarian. We must not forget that the peasantry here is strongest and must be attracted to our side. We cannot abandon it to bourgeois ideology, because it would be the death of soviet Russia and paralyse the world revolution for a long time. The form of peasant organisation is a matter of life and death for the Russian and international revolution.

Russia entered the path of socialist revolution with 80% of its population still living on individual holdings. We pushed the peasant to expropriate the expropriators, to seize the land. But he did not understand this expropriation as the industrial worker understands it. His rural being determined his consciousness. Every peasant, with his individual holding, dreamed of increasing it. Landholdings did not have the same internal organisation as industrial enterprises in the cities, which is why it was necessary to "socialise the land" even though this was a regression, a decline of the productive forces, a step backwards. By expropriating more or less the expropriators, we could not think of immediately changing a mode of production with the existing productive forces, the peasant with his individual holding. We must never forget that the shape of the economy is entirely determined by the degree of development of productive forces, and our wooden plough cannot in any way be predisposed to the mode of socialist production.

There is no reason to believe that we can influence an owner by our communist propaganda and that he will then feel at home in a commune or a collective.

For three years, proletariat and bourgeoisie battled to win over the peasantry. Whoever gained ascendancy over the latter won the fight. We won because we were the strongest, most powerful. We must strengthen that power, but at the same time realise one thing: it will not be consolidated by the quality or quantity of speeches by our chatterboxes, but by the growth of the productive forces, by the triumph of the winnower over the shovel, the mower over the scythe, the combine harvester over the sickle, the tractor over the plough. In this way the socialised economy will triumph over petty bourgeois production and property.

Who can prove that the peasant is opposed to mowers, winnowers, reapers, binders and tractors? No one. No one can prove that the peasant will never adopt socialised forms of economy, but we know he will arrive on a tractor and not by yoking himself to the plough.

G. V. Plekhanov tells of a native African tribe that had it against the Europeans and considered abominable everything they did. The imitation of European manners, customs and ways of working was seen as a cardinal sin. But the same natives, who used stone axes, having seen the Europeans handle axes of steel, soon began to obtain the latter, despite chanting magic spells and hiding.

Certainly, for the peasant, all that the communists do and all that tastes of the commune is abominable. But we must force him to substitute the tractor for the plough, just like the natives substituted the steel axe for the stone. It is much easier for us to do this than for the Europeans in Africa.

If we want to develop the influence of the proletariat in the peasant milieu, we shouldn't remind the cultivator too often that it's the working class that gave him the land, because he may well answer: "Thank you, my good man, and now, why are you here? To levy a tax in kind? This tax, you will have it, but don't say yesterday you did a lot of good things, tell us what good things you can do today. Otherwise, my colonel, fuck you!"

All the counter-revolutionary parties, from the Mensheviks to the SRs and the monarchists included, based their pseudo-scientific theories of the inevitable coming of a bourgeois paradise on the thesis that in Russia capitalism has not yet exhausted all its potential, that there remains great potential for development and prosperity, that it will gradually embrace all agriculture

1. Russian proverb

by introducing industrial working methods. This is why, they concluded, if the Bolsheviks made a coup d'état, if they took the power to build socialism without waiting for the necessary material conditions, they must either transform themselves into a true bourgeois democracy, or the forces developed inside would explode politically, overthrowing the communists resistant to economic laws and putting in place a coalition of Martov, Chernov, Miliukov, whose regime would give a free reign to the development of the country's productive forces.

Of course, everyone knows that Russia is a country more backward than England, the United States, Germany, France etc. But everyone must understand: if the proletariat in this country was strong enough to take power, to expropriate the expropriators, remove the stubborn resistance of the oppressors supported by the bourgeoisie of the entire world, then this proletariat is certainly strong enough to supplant the anarchic capitalist mechanisation of agriculture through a consistent and planned mechanisation favourable to industry and the proletarian power, supported by the conscious aspirations of the peasants to see their work made easier.

Who says this is easy to do? No one. Especially after the immense devastation that the SRs, Mensheviks, bourgeoisie and landowners have created by triggering the civil war. It is hard to do but it will be done, even if the Mensheviks and SRs, allied with Cadets and the monarchists, will leave no stone unturned in pushing for the return of the bourgeoisie.

We need to ask this question in a practical setting. Not long ago, comrade Lenin wrote a letter to émigré American comrades thanking them for the technical assistance they had lent us in organising model sovkhoses and kolkhozes using American tractors for ploughing and harvesting. And *Pravda* published a report of the work of such a commune in Perm.

Like any communist, we are delighted that the proletarians of America come to our aid, where it is needed most. But our attention was involuntarily drawn to a fragment of this report saying that the tractors had been idle for a long time because: 1) gasoline had proved impure and 2) they had been obliged to import it from afar, with delays; 3) drivers in the village had taken a long time learning how to handle the tractors, 4) roads and especially bridges were not good for the tractors.

If the mechanisation of agriculture determines the fate of our revolution and is a matter of concern for the world proletariat, it should develop on a more

solid foundation. Without renouncing aid of such a magnitude (which our overseas comrades have granted us) or diminishing its importance, we have yet to think about the results it will enable us to obtain.

First we need to draw attention to the fact that these tractors are not produced in our factories. Perhaps they don't have to be produced in Russia, but if this assistance takes the scope, our agriculture will be linked to the industry of the United States.

Now we must ask what type of tractor, what engine is applicable to Russian conditions. 1) It must use oil as fuel and not be unreliable due to poor quality of gasoline; 2) it must be easy to use so that not only professional drivers know how to drive it and so we can easily train drivers as needed; 3) you must have strength levels: 100, 80, 60, 40, 30, 25, depending on the type of soil, to plough virgin or already cultivated land; 4) it must be a universal motor for ploughing, threshing, mowing, transportation of wheat; 5) it needs to be manufactured in Russian factories and not go in search of parts overseas; otherwise instead of an alliance of city and countryside, there will be an alliance of the countryside and foreign traders; 6) it must use a local fuel.

After the horrors of war and famine, our country promises to the machine in agriculture a triumph larger and more imminent than anywhere in the world. For now, even the simple wooden plough, the main tool of work in our countryside, is lacking, and where there are any, there are no animals to harness. Machines could do things impossible to imagine.

Our experts believe that blind imitation of the United States would be harmful to our economy; they also think that despite everything, mass production of engines essential to our agriculture is possible with our technical means. This task is even easier to solve as our steel industry is always complaining about lack of orders, with factories operating at half their capacity, and therefore at a loss; so give them orders.

Mass production of a simple universal agricultural machine, that trained mechanics could quickly drive, which would use oil and not be at the whim of poor quality gasoline, must be organised in the regions of Russia where it is easy to transport oil either by train or by boat. One could use oil motors in the south of Russia, Ukraine, central Russia, in the Volga and Kama regions; it would not work in Siberia because the transport of oil would be very expensive. The vast area of Siberia is a problem for our industry. But there are other types of fuel in Siberia, including wood; this is why steam engines could

occupy an important place. If we succeed in solving the problem of wood distillation, of extracting wood spirit in Siberia, we could use wood engines. Which of the two engines will be the most cost-effective, technical specialists will decide based on practical results.

On 10 November 1920, *Pravda*, under the heading "Gigantic Enterprise" reported the news of the constitution of the "International Society of Aid for the Renaissance of Industry and Agriculture in the Urals". Some very important state trusts and "International Workers' Aid" control this society which already disposes of capital of two million gold roubles and is entering into business with the American firm "Keith" by acquiring a large number of tractors; a business evidently judged advantageous.

The participation of foreign capital is necessary, but in what domain? Here, we want to submit to everyone the following questions: if "International Workers' Aid" can help us thanks to its relationship with the firm "Keith", why can't it, with any other firm, organise amongst ourselves, in Russia, the production of machines which are necessary for our agriculture? Wouldn't it be preferable to use the two million gold roubles that the Society possesses in the production of tractors here, amongst us? Is it really necessary to give our gold to the firm "Keith" and to link to the latter the fate of our agricultural economy?

In a technical book, we read that to subject agricultural regions in occupied countries to their certain economic domination, German firms came with tractors, ploughed the land and then sold the machines to the farmers for a penny. It goes without saying that these firms thereafter asked a high price, but the tractors were sold already. This was conquest without losing a single drop of blood.

The willingness of the Keith firm to help us and give us credit looks similar and we should be very careful.

While it is relatively unlikely that the Keith firm can provide us with tractors adapted to Russian conditions, even poorly adapted tractors will be a guaranteed success given the deplorable conditions of our agriculture, because anything would succeed in such a situation. If the necessary production of engines adapted to Russian conditions is possible anyway, why do we need the Keith firm? Because, as far as we know, it is not definitive that we cannot organise production of the necessary machinery ourselves.

If the ideas and calculations of the Petrograd engineers are actually correct, the two million gold roubles awarded by

this Society would be a much more solid investment for an economic recovery in the Urals than the Keith firm's aid.

In any case, we must discuss this question seriously, because it has a significance that is not only economic but also political, not only for soviet Russia but also the world revolution. And we cannot solve it at a stroke. We need to know what we could do with this gold, and think: if the right people and the authorities decide it is not even worth a try and it is better to go directly overseas, so be it.

We're afraid of having "staircase wit":² first we give the gold to Mr Keith, then we make our disapproval public, all the while boasting that we are not afraid to admit our mistakes.

If we mechanise agriculture in Russia, by producing the necessary machinery in our factories rather than purchasing them from the foreign Keith firm, city and countryside will be indissolubly linked by the growth of the productive forces, brought closer to one another; we will then need to consolidate this ideological reconciliation by organising "unions of a particular type" (after the RCP programme). These are the indispensable conditions for the peaceful abolition of capitalist relations, enlargement of the basis of the socialist revolution with the help of a new economic policy.³

Our socialist revolution will destroy petty bourgeois production and ownership not by declaring socialisation, municipalisation, nationalisation, but by a conscious and consistent struggle of modern methods of production at the expense of outdated, disadvantageous methods, by the progressive introduction of socialism. This is exactly the essence of the leap from capitalist necessity to socialist freedom.

New economic and political policy put simply

And whatever "right-thinking" people say, it is firstly the active working class and secondly the peasantry (and not the communist officials, even the best and the brightest) who are able to implement this policy.

The New Economic Policy determined by the state of productive forces of our country hides within it dangers for the proletariat. We must not only show that the revolution stands up to a practical examination on the level of the economy and that

socialist economic forms are in fact better than capitalist ones, but we must also affirm our socialist position without engendering an oligarchic caste which keeps economic and political power above all due to a fear of the whole working class. To prevent the risk of the degeneration of the New Economic Policy into a new policy for exploitation of the proletariat, it is necessary to lead the proletariat to the accomplishment of the great tasks in front of it by a consistent realisation of the principles of proletarian democracy, which will give the working class the means to defend the conquests of the October revolution against all dangers wherever they come from. The internal regime of the party and the relationship of the party with the proletariat must be radically changed in this sense.

The greatest peril linked to the New Economic Policy resides in the fact that the conditions of life of a very large number of leading cadres have begun to change rapidly. When such a situation arrives at a point where the members of the administration of certain trusts, for example the Sugar Trust, receive a monthly salary of 200 gold roubles, get a free or modestly priced fine apartment, have a car for their travelling and have other possibilities for the necessities of life at low prices, whereas the workers, although communist, beyond the modest food rations accorded to them by the state receive only 4 to 5 roubles a month on average (and from this they must also pay rent and electricity), it is really quite obvious that there is now a profound difference in the mode of life of one and the other. If this state of things doesn't change very quickly but exercises its influence ten or twenty years hence, the economic condition of the one and the other will determine their consciousness and they will collide from two opposing camps. We must understand that even if the - often renewed - leading posts are occupied by persons of very low social origins, they occupy a position which is in no way proletarian. They form a very slender social layer. Influenced by their economic condition they consider themselves the only ones appropriate for certain reserved tasks, the only ones capable of transforming the economy of the country, of satisfying the demands of the dictatorship of the proletariat, of the factory councils, of workers' delegates, with the help of the verse: "Lead us not into temptation, but deliver us from evil".

In reality, they consider these demands as expressions of the influence of petty-bourgeois elements, of counter-revolutionary forces. Thus, here, without any doubt, a danger threatens the conquests of the proletariat and it comes from a side where one would least expect it. For us the danger is

that proletarian power degenerates into the hegemony of a powerful group deciding to take political and economic power into its own hands, naturally under the pretence of very noble intentions "in the interests of the proletariat, of the world revolution and other very high ideals". Yes, the danger of an oligarchic degeneration really exists.

But in countries where petty-bourgeois production has a decisive influence, where economic policy helps to accelerate and strengthen the most individualistic views of the petty-bourgeois landowner, we must exert constant pressure on the foundations of the petty bourgeois element. And who will do this? Will it be the same officials, these saviours of distressed humanity? Even if they have all the wisdom of Solomon - or Lenin - they will still not be able to do it. Only the working class is capable of this, led by the party that lives its life, suffers its sufferings, its maladies, a party that is not afraid of the active participation of the proletariat in the life of the country.

It is harmful and counter-revolutionary to tell fables to the proletariat to lull its consciousness. But what are we told? "Stay silent, attend demonstrations when you are invited, sing the *Internationale* when necessary, the rest will be done without you by brave boys, almost workers like you, but who are smarter than you and know everything about communism, so stay quiet and soon you will enter the socialist kingdom". This, we are told, is revolutionary socialism pure and simple. It is they who defend the idea that brilliant individuals, full of dynamism and armed with diverse talents, from all classes of society (and this seems to be the case) can take this grey mass (the working class) to a high and perfect kingdom, where there will be neither disease nor punishments, nor sighing, but life everlasting. This is exactly the style of the Socialist-Revolutionary "holy fathers".

We need to replace existing practice with a new practice based on autonomous working class activity and not on intimidation by the party.

In 1917, we needed a developed democracy and in 1918, 1919 and 1920, it was necessary to cut out all the apparatus leaders and replace them with the autocratic power of officials appointed from above who decreed all; in 1922, faced with very different tasks than before, it is beyond doubt that we need other forms of organisation and working methods. In the factories and plants (domestic) we must organise councils of workers' deputies to serve as the main nuclei of state power; we must put into practice the point of the RCP programme that says: "*The Soviet state brings together the state apparatus and the masses*

2. A French expression meaning to think of a clever riposte too late after a witty remark or insult has been made [ICC note].

3. It goes without saying that existing forms of organisation of the peasantry are historically inevitable in the transitional period [ICC note].

and an element in this is the fact that the production unit (factory, plant) becomes the main nucleus of the state instead of the district" (cf. the RCP program, policy division, item 5). It is these main nuclei of state power in the factories and plants that must be restored in councils of workers' deputies, which will take the place of our wise comrades who are currently leading the economy and the country.

Perhaps some attentive readers will accuse us of factionalism (article 102 of the Criminal Code), of undermining the sacred foundations of proletarian power. There is nothing to say to such readers.

But others say: "Show us a country where workers enjoy the same rights and freedoms as in Russia". That said, they think they deserve the Order of the Red Flag for crushing a faction, without pain and bloodshed at that. To these, we can say something. Show us then, dear friends, a country where power belongs to the working class? Such a country does not exist, so the question is absurd. The problem is not to be more liberal, more democratic than an imperialist power (which would be no great merit); the problem is to solve the tasks facing the only country in the world that made the coup of October, to prevent the NEP (New Economic Policy) from becoming an "NEP" (New Exploitation of the Proletariat), so that in ten years the proletariat, fooled again, is not forced to resume its perhaps bloody struggle to overthrow the oligarchy and ensure its major conquests. The proletariat can ensure this by directly participating in solving these tasks, establishing a workers' democracy, putting into practice one of the main points of the RCP programme that says: "bourgeois democracy restricts itself to formally declaring rights and political freedoms", namely freedom of association, press, equality for all citizens. But in reality, administrative practice and especially the economic enslavement of the workers does not allow them to fully enjoy these rights and freedoms.

Instead of formally proclaiming them, proletarian democracy puts them into practice, above all for classes of people formerly oppressed by capitalism, i.e. the proletariat and peasantry. For this, the soviet power expropriated the premises, printing works, paper depots of the bourgeoisie, and put them at the disposal of workers and their organisations.

The task of the RCP (Bolshevik) is to enable the broad masses of working people to enjoy democratic rights and freedoms on a more and more developed material basis (cf. the RCP programme, policy division, item 3).

It would have been absurd and counter-revolutionary to claim the achievement of these programmatic theses in 1918, 1919 or 1920; but it is even more absurd and counter-revolutionary to pronounce against their realisation in 1922.

If we want to improve the position of soviet Russia in the world, or restore our industry, or expand the material basis of our socialist revolution by mechanising agriculture, or face the dangerous effects of a New Economic Policy, inevitably it comes back to the working class which alone is capable of doing everything. The less it is strong, the stronger it must organise itself.

And the good boys who occupy the offices cannot resolve such grand tasks.

Unfortunately the majority of the leaders of the RCP doesn't think in the same way. To all questions of workers' democracy, Lenin, in a speech made to the Ninth All-Russian Congress of Soviets, responded thus: "To every union which poses, in general, the question of whether the unions should participate in production I would say: stop such chattering (applause), rather answer practically and tell me (if you occupy a responsible post, if you have the authority, if you are a militant of the communist party or a union): have you organised production well, in how many years, how many people do you have under you, a thousand, tens of thousands? Give me a list of those to whom you have confided an economic work that you have brought to a conclusion, instead of you attacking twenty things at once and not finishing any of them because of lack of time. Among us, with our soviet morals, we don't always conclude things well, one talks of success over a number of years; we are afraid of learning in comparison with the merchant who pockets a 100% profit and more, you prefer to write a fine resolution on raw materials and are proud of the title of communist party or union representative of the proletariat. I ask your pardon. What do you call the proletariat? It is the class that works in industry. But where is this great industry? What is this proletariat then? What is your industry? Why is it paralysed? Because there are no longer any raw materials. Have you been able to procure any of them? No. You write an enactment resolution to collect them, and you are in the soup; and the people will say that that is absurd; thus you resemble the geese who, in antiquity, saved Rome", and who, to continue the speech of Lenin (according to the moral of the well known fable of Krylov) must be guided to market with a big stick in order to be sold.

Suppose that the point of view of the former Workers' Opposition on the role

and tasks of trade unions is wrong. That this view expresses not the position of the working class in power, but that of a professional ministry. These comrades want to take back the management of the economy by snatching it from the hands of soviet officials without involving the working class in that management through proletarian democracy and the organisation of councils of workers' deputies intended as the main nuclei of state power. They simply call for the proletarianisation of these bureaucratic nests. And they are wrong.

We cannot share Lenin's words about proletarian democracy and the participation of the proletariat in the popular economy. The greatest discovery made by comrade Lenin is that we no longer have a proletariat. We rejoice with you, comrade Lenin! You are thus the leader of a proletariat which doesn't even exist! You are the leader of the government of a proletarian dictatorship without a proletariat! You are the leader of the communist party but not of the proletariat!

Contrary to comrade Lenin, his colleague on the central committee and the political bureau, Kamenev, has quite another opinion. He sees the proletariat everywhere. He said: "1) The balance sheet of the conquest of October is that the organised working class as a whole has at its disposal the immense riches of all domestic industry, transport, timber, mining, let alone political power. 2) Socialised industry is the principal possession of the proletariat", etc. etc. One can cite many other examples. Kamenev sees the proletariat in the functionaries who, since Moscow, have set themselves up through bureaucratic channels and he himself is, according to his own opinion, much more proletarian than no matter what worker. When talking about the proletariat, he doesn't say: "THEM", but "WE, the proletariat..." Too many proletarians of the Kamenev type participate in the management of the popular economy; that's why he comes on like a proletarian with strange speeches about proletarian democracy and the participation of the proletariat in economic management! "Please" says Kamenev, "what are you talking about? Are we not the proletariat, a proletariat organised as a compact unity, as a class?"

Comrade Lenin considers all discussion on the participation of the proletariat in the management of the popular economy as useless chatter because there is no proletariat; Kamenev is of the same opinion, but because the proletariat "as a compact unity, as a class" already governs the country and the economy since all the bureaucrats are considered by him as proletarians. They, naturally, are in agreement and, already on

some points, they particularly understand each other well because since the October revolution Kamenev has entered into a contract not to take a position against comrade Lenin and not to contradict him. They agree on the fact that the proletariat exists - naturally not only the one seen by Kamenev - but also on the fact that its low level of preparation, its material condition, its political ignorance dictates "that the geese are kept far away from the economy with a big stick". And in reality that is what has happened.

Comrade Lenin has here applied the fable in a rather improper fashion. The geese of Krylov cried that their ancestors saved Rome (their ancestors, comrade Lenin) whereas the working class doesn't talk of its ancestors but of itself, because it (the working class, comrade Lenin) has accomplished the social revolution and from this fact it wants to control the country and the economy itself. But comrade Lenin has taken the working class for Krylov's geese and waving his stick, he says to it: "Leave your ancestors in peace! You, on the other hand, what have you done?" What can the proletariat respond to comrade Lenin?

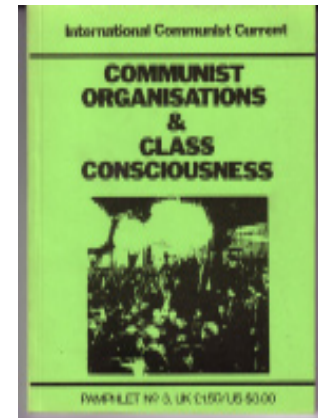
You can calmly threaten us with a stick, we will however say loud and clear that the coherent and unhesitating realisation of proletarian democracy is today a necessity that the Russian proletarian class feels to its very marrow; because it is a force. Come what may, but the devil will not always be at the door of the poor worker.

(To be continued)

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BASIC POSITIONS OF THE ICC

The **International Communist Current** defends the following political positions:

* Since the first world war, capitalism has been a decadent social system. It has twice plunged humanity into a barbaric cycle of crisis, world war, reconstruction and new crisis. In the 1980s, it entered into the final phase of this decadence, the phase of decomposition. There is only one alternative offered by this irreversible historical decline: socialism or barbarism, world communist revolution or the destruction of humanity.

* The Paris Commune of 1871 was the first attempt by the proletariat to carry out this revolution, in a period when the conditions for it were not yet ripe. Once these conditions had been provided by the onset of capitalist decadence, the October revolution of 1917 in Russia was the first step towards an authentic world communist revolution in an international revolutionary wave which put an end to the imperialist war and went on for several years after that. The failure of this revolutionary wave, particularly in Germany in 1919-23, condemned the revolution in Russia to isolation and to a rapid degeneration. Stalinism was not the product of the Russian revolution, but its gravedigger.

* The stultified regimes which arose in the USSR, eastern Europe, China, Cuba etc and were called 'socialist' or 'communist' were just a particularly brutal form of the universal tendency towards state capitalism, itself a major characteristic of the period of decadence.

* Since the beginning of the 20th century, all wars are imperialist wars, part of the deadly struggle between states large and small to conquer or retain a place in the international arena. These wars bring nothing to humanity but death and destruction on an ever-increasing scale. The working class can only respond to them through its international solidarity and by struggling against the bourgeoisie in all countries.

* All the nationalist ideologies - 'national independence', 'the right of nations to self-determination' etc - whatever their pretext, ethnic, historical or religious, are a real poison for the workers. By calling on them to take the side of one or another faction of the bourgeoisie, they divide workers and lead them to massacre each other in the interests and wars of their exploiters.

* In decadent capitalism, parliament and elections are nothing but a masquerade. Any call to participate in the parliamentary circus can only reinforce the lie that presents these elections as a real choice for the exploited. 'Democracy', a particularly hypocritical form of the domination of the bourgeoisie, does not differ at root from other forms of capitalist dictatorship, such as Stalinism and fascism.

* All factions of the bourgeoisie are equally reactionary. All the so-called 'workers', 'Socialist' and 'Communist' parties (now ex-'Communists'), the leftist organisations (Trotskyists, Maoists and ex-Maoists, official anarchists) constitute the left of capitalism's political apparatus. All the tactics of 'popular fronts', 'anti-fascist fronts' and 'united fronts', which mix up the interests of the proletariat with those of a faction of the bourgeoisie, serve only to smother and derail the struggle of the

proletariat.

* With the decadence of capitalism, the unions everywhere have been transformed into organs of capitalist order within the proletariat. The various forms of union organisation, whether 'official' or 'rank and file', serve only to discipline the working class and sabotage its struggles.

* In order to advance its combat, the working class has to unify its struggles, taking charge of their extension and organisation through sovereign general assemblies and committees of delegates elected and revocable at any time by these assemblies.

* Terrorism is in no way a method of struggle for the working class. The expression of social strata with no historic future and of the decomposition of the petty bourgeoisie, when it's not the direct expression of the permanent war between capitalist states, terrorism has always been a fertile soil for manipulation by the bourgeoisie. Advocating secret action by small minorities, it is in complete opposition to class violence, which derives from conscious and organised mass action by the proletariat.

* The working class is the only class which can carry out the communist revolution. Its revolutionary struggle will inevitably lead the working class towards a confrontation with the capitalist state. In order to destroy capitalism, the working class will have to overthrow all existing states and establish the dictatorship of the proletariat on a world scale: the international power of the workers' councils, regrouping the entire proletariat.

* The communist transformation of society by the workers' councils does not mean 'self-management' or the nationalisation of the economy. Communism requires the conscious abolition by the working class of capitalist social relations: wage labour, commodity production, national frontiers. It means the creation of a world community in which all activity is oriented towards the full satisfaction of human needs.

* The revolutionary political organisation constitutes the vanguard of the working class and is an active factor in the generalisation of class consciousness within the proletariat. Its role is neither to 'organise the working class' nor to 'take power' in its name, but to participate actively in the movement towards the unification of struggles, towards workers taking control of them for themselves, and at the same time to draw out the revolutionary political goals of the proletariat's combat.

OUR ACTIVITY

Political and theoretical clarification of the goals and methods of the proletarian struggle, of its historic and its immediate conditions.

Organised intervention, united and centralised on an international scale, in order to contribute to the process which leads to the revolutionary action of the proletariat.

The regroupment of revolutionaries with the aim of constituting a real world communist party, which is indispensable to the working class for the overthrow of capitalism and the creation of a communist society.

OUR ORIGINS

The positions and activity of revolutionary organisations are the product of the past experiences of the working class and of the lessons that its political organisations have drawn throughout its history. The ICC thus traces its origins to the successive contributions of the *Communist League* of Marx and Engels (1847-52), the three Internationals (the *International Workingmen's Association*, 1864-72, the *Socialist International*, 1889-1914, the *Communist International*, 1919-28), the left fractions which detached themselves from the degenerating Third International in the years 1920-30, in particular the *German, Dutch and Italian Lefts*.

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