

**Economy • Trade Unions • Child Poverty • Railways**

# **Socialist Appeal**

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## **Financial crisis**



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BANKS**

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editor: Mick Brooks  
 PO Box 50525  
 London, E14 6WG  
 tel 020 7515 7675  
 contact@socialist.net  
 www.socialist.net  
 www.marxist.com  
 www.newyouth.com

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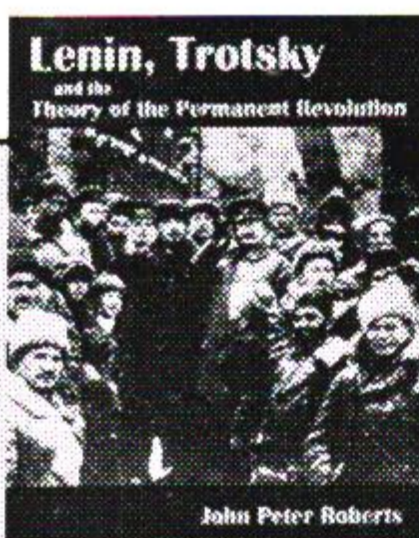
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# Nationalise the banks!

THE GOVERNMENT has now pumped about £60 billion of our money into Northern Rock. That's a lot of money – it's more than half what the health service costs. Now the NHS is looking after millions of people at any one time and hospital services are available round the clock for you in case anything goes wrong. It employs over a million people and its benefits are there for all to see.

What benefit are we getting from the money used to prop up Northern Rock? Why does a failed bank deserve to have all this money thrown at it? To New Labour's shame it is LibDem Vince Cable who points out, "This is a very small tail wagging a very large dog."

As we explained in the last issue, the vultures are hovering round Northern Rock. There are the shareholders on the one hand, people who think the rest of us owe them a living and, if they bet on a horse that loses, then we should just give them their money bank. The existing management are still hanging on, selling off the bank's assets as fast as they can. Then there are the profiteers like Richard Branson, always on hand when the government is handing out free money.

New Labour fears that if Northern Rock goes down the tubes large chunks of the financial system could follow. And that would reverberate throughout the economy. Recession is on its way. A financial collapse could be the trigger. The right thing to do is staring Brown and Darling in the face. They should take over Northern Rock. That

would not be a socialist policy. Thatcher took over the Johnson Matthey Bank for £1 after a similar collapse twenty years ago. She was a consummate representative of the capitalist system.

The government has not nationalised the Rock so far because of what Vince Cable calls their "ideological preoccupations against public ownership." They want to be seen as bigger Tories than Thatcher! They have been pathetically hoping against hope for a white knight to gallop along and solve all their problems.

## Fantasy-land

By dithering, they have of course made the financial crisis worse. Unite is also encouraging its members at Northern Rock to live in fantasy-land by opposing nationalisation. It's time they snapped out of it.

Why are banks so special for capitalism? Why do they have to be bailed out when they fail? As Trotsky argues (*Transitional Programme*), "The banks concentrate in their hands the actual command over the economy." So when

they have a crisis, we're all in the firing line. As Trotsky goes on, "They combine tendencies of monopoly with tendencies of anarchy...they organise high prices, crises and unemployment."

## Surplus value

That is why, while other firms have had crises in their profits, the sums made by the financial institutions, and their share of the surplus value extracted by the working class, just goes up and up. Actually they're holding us all to ransom. And it's time it stopped.

Banks are not popular. At the time of writing *I fought the Lloyds* is in the charts. Even bank adverts emphasise the arrogance and poor service of 'other' banks. The Consumers' Association are taking the banks to court. They're sick of the arbitrary charges the banks put on people's accounts. Not only do the banks charge us for the privilege of borrowing our money. They don't even do us the decency of telling us how much the charges are – like selling goods with no price tag. Who will win the

case? The banks will win. If the Consumers' Association gets free banking, the banks will just introduce a new structure of arbitrary charges so as to make sure their safe steady profits stay sky high.

The government will probably end up nationalising Northern Rock, after they've wasted so much of our money. It's time to take over all the banks! They are a conduit through which everyone's money is channelled. If we want to plan the economy we have to own the banks and control where the money goes.

A socialist Labour government would take over the banks. We can guarantee the value of your bank account, unlike Northern Rock. We will compensate small shareholders, but generally the banks have had their hands in our pockets for long enough. No compensation to the fat cats who've fed off us for generations! Under capitalism the banks can never lose. And we can never win. Let's take them all over, eliminate their power over us and use the resources they control for the good of working people. □

***This is a song for anyone who's currently spending their leisure time trying to get their bank charges back - Rubbish!***

Cos I fought the Lloyds and the Lloyds lost  
They even paid the interest and the court costs  
At first they sent me letters saying 'Dear Sir/Madam, get lost'  
But I fought the Lloyds and the Lloyds lost

At first I tried to call them, they made me listen to Elton John  
I even went along in person and they said, "sorry Sir but the first rule of banking is the bank is never wrong"

So I crawl home, turn the web and mitchell on  
Open up Mozilla and go to MoneySavingExpert.com

Where they made my heart beat far faster  
With their talk of the banking charter

Yeah I fought the Lloyds, but I could have had Barclays  
And I've noticed HSBC has been getting a little bit sarky  
It's time us clients to alliance and lets just show them who's boss [...]

***"I fought the Lloyds"  
by Oystar***

## NUT: vote 'Yes' for a political fund

by Ed Doveton (Wakefield NUT)

LAST YEAR'S conference of the National Union of Teachers voted to ballot members of the union to vote in favour of setting up a political fund. This successful vote was a significant advance for the largest and traditionally most militant of the teacher trade unions. While other education trade unions, such as the UCU and even the NASUWT already have political funds, the NUT has remained without. Consequently it has been limited in terms of the political influence it could exert through the use of such a fund.

Although the proposal is not asking the union to affiliate to the Labour Party, the new fund will enable the union to campaign and advertise, both year-on-year and during election campaigns. The union will be able to raise issues important to education in the UK and be more directly active in persuading people to vote or not to vote for a political party. A postal ballot of members on the political fund proposal is now going to take place in January 2008. All members of the union should be arguing in their workplace for a "Yes" vote which will increase the union's ability to be a campaigning organisation in defence of members interests, fight against privatisation and argue the case for improved education in the country. □

## Walkout at Revenue & Customs

THOUSANDS OF Revenue and Customs workers are to start voting on whether to stage a one-day strike and a ban on overtime in protest at job cuts and office closures.

The walkout will be held on January 31, the deadline for self assessment tax returns, if there is a yes vote by members of the Public and Commercial Services union.

The union accused the department of "ploughing on" with closures and job losses despite deteriorating services and problems such as the recent loss of discs containing the personal details of 25 million people.

Up to 250 offices faced closure with 25,000 jobs lost by 2011, leaving staff having to work overtime or see consultants hired to mask the impact of the cuts, said the union.

PCS general secretary, Mark Serwotka, said: "With office closures and 13,000 job cuts to date, the department is already running on empty, resulting in deteriorating services. It is lunacy for HMRC to plough ahead with closing over 250 offices and to cut a further 12,500 jobs by 2011.

"As HMRC's own staff survey indicates, morale is dangerously low. These are some of the most loyal staff, responsible for collecting taxes to build schools and hospitals, securing our borders and overseeing the payment of tax credits.

"HMRC cannot deliver a quality service in the face of continued arbitrary cuts and the Government and the department need to recognise that HMRC needs to be properly resourced and staffed if public confidence is to be restored."

The ballot closes on January 23. □

## The construction industry in Britain: 1.2 million unorganised workers

by Steve Kelly  
Amicus London Construction Branch

THE CONSTRUCTION industry consists of roughly 1.2 million workers at present, a massive boost for the capitalists and the UK economy. Just think how much can be made once all the new office blocks and 'affordable' housing, and not forgetting the Olympic Games, are built. Any chance of the workers who build these new structures getting a slice of the cake? You are more likely to be sacked or even killed on a building site in Britain today.

The workforce is totally unorganised partly due to the transient nature of the work, unlike a factory where you have a permanent workforce.

One of the main reasons for the low level of unionisation is the fear factor of losing your job if you speak out. UCATT claim to have 125,000 members, with UNITE having slightly more, and GMB having a few thousand. There are very few site stewards or safety reps on sites with the death rate rising. Eight workers were killed in November 2007 alone.

The UK Rank and File Building Workers Committee is a group of building workers, with members of GMB, UCATT and UNITE who can help you get organised on your site. We would gladly meet you near a site after work to discuss any problems you may have and advise on how to elect stewards and safety reps. Never rely on appointed full-time officers. Always elect your own reps from the workforce. We will also advise you on your rights and how to claim your holiday pay. Phone us on 07942252280.

We produce a paper four times a year as well as various other useful leaflets. Any donations would be most welcome. Cheques are payable to UK Rank and File Building Workers Committee. □



# Child Poverty

by Caron Walker

"The true measure of a nation's standing is how well it attends to its children" (UNICEF, 2007)

SOON AFTER being elected in 1997, Tony Blair pledged to halve child poverty by 2010 and to abolish it by 2020. However, even 'experts' are predicting the Government is not going to meet these targets. The Government states that since coming to power they have taken three-quarters of a million children out of poverty. The Work and Pensions Secretary John Hutton boasted, 'We have made considerable progress against our historic goal to end child poverty' (BBC News 27.3.07). However, the Government's own target of taking 1 million children out of poverty has been missed.

## Child Poverty in the UK

Since 1979 UK child poverty has doubled. In 2006, 3.8 million children were living in poverty in homes on less than 60% of average income. Although this is a fall of about 600,000 since 1998, this still leaves 500,000 children above the Government's own target. This is not the whole picture either - poverty in the whole population is increasing. Between 2005 and 2006, the number of people living in poverty in the UK increased by about 750,000 and the fact is that in one of the richest countries in the world, almost 13 million people (22%) remain in poverty.

Only a tenth of children living in poverty have mothers under 25 and one in fif-

teen are born to people under 20. Regardless, New Labour would have us believe that the best way to lift children out of poverty is to get parents, especially lone parents, off benefits and into work. Yet the value of social security benefits for working age adults continues to fall even further behind wages. Therefore the present welfare 'reforms' will make things worse, not better, for children living in poverty.

## The impact of low pay

16% of children live in homes that earn half the average national wage. The Joseph Rowntree Foundation highlighted that half of all children living in poverty live in working families and that one and a half million children live in households that pay full council tax. Gordon Brown's announcement when Chancellor to give an extra £3 a week per child to families on low incomes through the Child Tax Credit is a drop in the ocean. The Institute for Public Policy Research estimates that to lift children out of poverty would cost a further £3.8bn.

## Children in low income households

Working Families with 2 parents	43%
Working families with 1 parent	9%
Non working families with 2 parents	15%
Non working families with 1 parent	33%

Source: Households Below Average Income 2005/06, DWP; UK

This is reflected in the reality that that inequalities in earnings are widening and the gap between benefits and wages is also widening.

## Bottom of the league

Last year UNICEF - the United Nations children's organisation - concluded that children growing up in the UK suffered greater deprivation than those in any other wealthy country in the world. The UK came bottom of the league of 21 top capitalist countries, trailing the USA which came second last. Looking at material well-being on its own, UNICEF showed that only Ireland, Hungary and Poland came below the UK. Overall, the Netherlands came top. While nine countries in Northern Europe brought child poverty down to below 10%, in the UK, Ireland and the USA it remains at 15%. The UNICEF report was scathing and clearly highlighted the long term effects of children living in poverty,

"The evidence from many countries persistently shows that children who grow up in poverty are more vulnerable: specifical-

ly, they are more likely to be in poor health, to have learning and behavioural difficulties, to underachieve at school, to become pregnant at too early an age, to have lower skills and aspirations, to be low paid, unemployed and welfare-dependent".

One of the report's authors from York University put the UK's poor ratings down to long term under investment and a 'dog-eat-dog' society (BBC News, 14.2.07) What an indictment for ten years of a Labour government!

Marx highlighted the accumulation of colossal wealth at the top, while at the same time an accumulation of "misery, agony of toil, slavery, ignorance, brutality, mental degradation" at the lower end of society. Banks are reporting record profits at a time when millions of working people (whose labour produces the real wealth of society) are forced to live in constant debt and get by on minimum wages. We must be clear that capitalism will always put material success above all else. It is the price paid by a sharply divided class society.

Worldwide, 1.2 billion people continue to live on less than \$1 a day with 30% of these being children. Child poverty, therefore, will always be an inevitable consequence of capitalism and we must fight to end capitalism and rid the world of child poverty once and for all. □

## Andrew Glyn – Marxist economist and socialist fighter

by Michael Roberts

ANDREW GLYN died from a brain tumour on 22 December 2007. He was 64 years old. A fellow of Corpus Christi College in Oxford since 1969, he was a leading socialist economist for all that time.

Andrew left a wealth of important writing that analysed the development of post-war capitalism. His best-known works were *British capitalism, workers and the profits squeeze* with Bob Sutcliffe in 1972; *Capitalism since 1945* with Phil Armstrong and the late John Harrison in 1984 and most recently, *Capitalism Unleashed* (2006), reviewed in issue 148.

In those books, Andrew explained how capitalism expanded after 1945 and, in the case of Britain, eventually moved into crisis in the 1970s, leading to major confrontations between big business and the trade unions. The 1970s were a period of social upheaval as big business tried to drive back the labour movement and restore its profitability from the low levels it was experiencing by then as the Golden Age of Capitalism (1948-74) came to an end.

His later works dealt with how the capitalist ruling class (both big business and the politicians) organised to defeat the labour movement in Britain (the miners' strike in 1984-5 being "the decisive turning point", as Andrew correctly argued) and in the US (as Reagan and monetarism began to replace Keynesianism and the Great Society of Lyndon Johnson). The gains of

labour and the welfare state were brutally and callously reversed over the next two decades from the 1980s onwards.

But Andrew was no academic in an ivory tower. Although he came from a privileged background – his father was banker and he went to Eton – he dedicated himself to the labour movement, participating in a practical way in many struggles over those years, including the miners' strike, the anti-poll tax campaign and many others.

### The miners

Andrew became an advisor to the National Union of Mineworkers and developed research to defend their cause. He wrote an excellent pamphlet that defended the position of the miners and exposed the false arguments of Thatcher about the finances of coal.

He became closely associated with the Marxist tendency in the Labour Party built around the Militant newspaper, which is where I came into contact with him. And he came to be known by many Militant supporters at study meetings, conferences and in articles that he contributed to the development of the tendency.

In those early years of the 1970s, there were not many economists who considered themselves socialists (there are probably even less now!). But those that did were usually wedded to reformist or stalinist ideas. Andrew was one of the few that stood for workers'

democracy and Trotskyism. It is this part of his contribution that has been quietly ignored by the obituaries you can read in the capitalist press (and even many of the socialist journals).

In the 1970s, Andrew also contributed to the debate about Marxist economic ideas. The capitalist economists continued to dismiss Marxist explanations of capitalist development and particularly booms and slumps. They preferred the explanation that crises could be evened out by government taxation or spending (as Keynes believed). Others took the view the view that capitalist did not breed inherent crises. These only happened because trade unions and the labour movement held a 'monopoly' over wages levels. So the best way to end a crisis was for workers to accept massive cuts in their living standards and for the government to do nothing but preserve 'law and order'.

### Decent conditions

Andrew argued that capitalism was incompatible with decent conditions for workers and the end of poverty. In this, of course, he was right. However, his analysis of capitalism was flawed, in my view, by his conviction that the 'classical' capitalist economist, David Ricardo, was more theoretically right than Marx.

By that I mean that Andrew argued that Marx's categories to explain the booms and slumps in capitalism were wrong. In his

1972 book (and in the debates that he had with many of us 'orthodox' Marxists later), he argued that Marx's view (that capitalism led to a rising organic composition of capital that would eventually squeeze capitalist profitability) was both wrong theoretically and empirically.

As he said recently, just before he died, "I placed strong emphasis on the relations between capital and labour. It is still my view that as labour's position became stronger in the long boom... the strength of labour forced an increase in real wages at the expense of profits. For me, that was the most important cause of the transition from the golden age to an era of instability". This is pure Ricardo, not Marx.

Andrew adopted an approach that many socialist economists have done when convinced more by bourgeois economics than Marxist value theory: "I don't believe, as I used to, that Marx's concepts should be applied too literally to economic data. I prefer the view... that Marx's analysis should inform one's way of looking at the world and the questions one asks".

Andrew's position opens him up to the charge that capitalism could solve its problems if it could get wages (or the share of labour in national output) down – exactly what the followers of Ricardo argued. Strong productivity growth through investment in new technology plus vicious attacks on the labour move-

## Brown's reactionary 'Britishness'

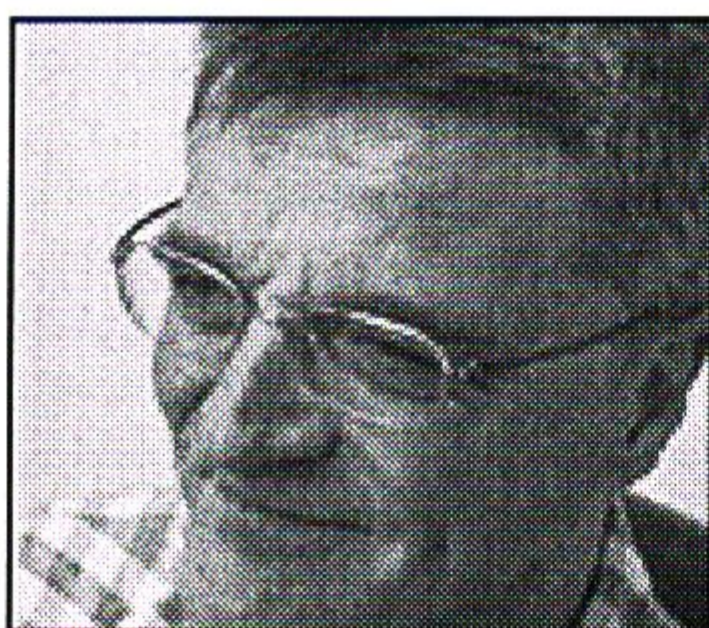
by Niklas Albin Svensson

ment could do it – and was achieved in the 1980s and 1990s.

But Marx argued that, even then, capitalism cannot grow without crises. Rising productivity would come at the expense of falling profitability as the ratio of capital invested in machinery and plant mounted relative to that invested in the workforce – the only investment that generates new value. For Marx, falling profitability leads to a rising share of labour in production, not vice versa. Thus cutting wages will not save capitalism from crisis.

Subsequent research and debate among Marxist economists have now shown that Marx did have a consistent theory that was not flawed as Andrew thought (see my review of Kliman's recent book *Reclaiming Marx's Capital* in issue 154) and moreover, empirical evidence increasingly supports Marx's analysis of capitalist crises (see recent pieces, for instance in issue 153)

But these differences are secondary to the memory of Andrew as a great educator and fighter for socialism committed to the struggles of working people and the labour movement. We will miss him badly. ■



IN A speech on 'liberty' at the University of Westminster, Gordon Brown outlined his vision for 'Britishness'. Brown is, of course, a Scot. Listing the achievements of so-called 'British liberty' from Magna Carta to the Reform Act of 1832, he announced a debate on what it means to be British. Brown's vision, however, amounts to nothing more than reactionary politics dressed in liberal-radical language.

Appealing to interests of the nation is one of the few ways that the bourgeoisie can rally mass support for its own interests. It was with the appeal to the good of the "commonwealth" (i.e. the nation) that Cromwell rallied the masses against the absolutist monarchy and it was with similar slogans that the masses rallied to the French bourgeoisie in 1789. Another example is of course the U.S. War of Independence from (British) King George III. These progressive, revolutionary movements mobilised under the banner of nationalism.

However, by the 20th century, the bourgeoisie had played out its progressive role, and appeals to 'the nation' in much of the developed world have become synonymous with reactionary politics and imperialist ambitions. It became an appeal for unity between classes against other nations or against the independent working class. It was the tool that was used to rally masses of ordinary people into the slaughterhouse of World War I and used against the revolutionaries in Spain in the 1930s. Nationalism in this context

has become reactionary.

What can we then expect of Brown's version of 'Britishness'? A consultation process is to begin about rights and obligations of British citizens. Gordon Brown, in typical New Labour fashion has already decided its outcome: increased detention without right of appeal for 'terror suspects' (so much for Magna Carta - which forbade imprisonment without a fair trial!), continued attacks on workers and public services, more restrictions on immigration and more racism along the lines of 'British jobs for British workers'.

More specifically, the Prime Minister ties an expansion of the voluntary sector into all of this. The recent decision by the Stirling Citizen Advice Bureau, to start handing out food vouchers to those that can't get benefits because of cuts in the civil service, illustrates with painful clarity what this means. It is clear that Brown sees in the future of Britain a return to the 19th century 'Victorian values'. Back to a time when workers had to beg for the charity of the so called 'community organizations' (i.e. the churches and the rich), rather than have automatic access to support from the state. It is a most terrible irony that he invokes 'liberty' - the slogan of the French Revolution - for this reactionary project.

For the Welsh and Scottish workers who are being tempted by nationalist promises of Norwegian or Irish utopias, this is hardly a tempting solution to their problems. In fact, by imposing his notion of

'Britishness,' Gordon Brown is most likely to further antagonize these workers - in Stirling and elsewhere. The persistent failure of the Labour Party to present any real solutions to the problems of the working class is likely to lead to more votes for the SNP, Plaid Cymru and BNP, and possibly even the breakup of Britain. After all, capitalism tends not only to unite along national lines but also to create splits in the working class, often with disastrous consequences.

Gordon Brown's idea of 'Britishness' is not inclusive, but divisive, not only on national lines but also inciting hatred against immigrants and in particular Muslims. For all their talk about 'community', Brown and Blair have persistently identified immigrants with economic problems and crime. They have associated Muslims with extremism in both the veil controversy and in the so called 'war on terror'. Of course, neither immigrants, nor Scots, nor Welsh, nor English are to blame for the present crisis of capitalism, but only the system itself.

For Marxists, the response to all these attempts to divide and attack the working class is clear. Marx and Engels called for the workers of all countries to unite in the Communist Manifesto. This is just as true today. We stand for the unity of the working class across all sectarian and national boundaries. We oppose New Labour's nationalism and call for a socialist government of Britain to get rid of capitalism in the interest of all workers. ■

## No way to run a railway

by Andy Viner (ASLEF)

SIXTY YEARS ago on 1st January 1948, Railway companies up and down the country were nationalised. They were not necessarily nationalised for ideological reasons, but because the vast majority were on the brink of bankruptcy and the privately owned rail companies were hindering the development of the British economy after the Second World War. The railway network is vitally important to our economy. At the time the view was that you cannot plan what you don't control and you can't control what you don't own. That view still holds true today.

Fifty years later there had been massive amounts of public investment that would not have accrued if private ownership continued. Just then the benefits of public ownership of a whole number of industries came into question. The Tories argued that nationalised industries were costly to taxpayers and passengers; that the public monopolies were not in our interest; that competition would make the railways run more efficiently. Privatisation was a win-win situation. Why had no one thought of it before?

So the Conservative government in the 1980s was dominated by an ideology of 'pri-

vate ownership good, public ownership bad'. They used reports by right wing organisations, that promoted the destruction of collectivism and social responsibility in favour of individualism and private ownership, that have led us to where we are today.

### 'The Right Lines'

In 1987 the Adam Smith Institute produced a discussion document called 'The Right Lines', on the possibility of privatising the railways. The view was that privatisation of the railways would lead to dramatic reductions, if not phasing out, of public funding. An infrastructure company would be able to build new lines or re-open closed lines on commercial grounds. 'Naturally no subsidy would ever be paid should these new lines make a loss'. They con-

cluded that, 'The franchising of local lines as provincial profit-centres will benefit local authorities, taxpayers and passengers alike in addition to keeping the provincial sector on their toes'.

So, after more than ten years of privatisation, have taxpayers and passengers benefited? Has competition made things more efficient? Has everything turned out rosy as we were promised?

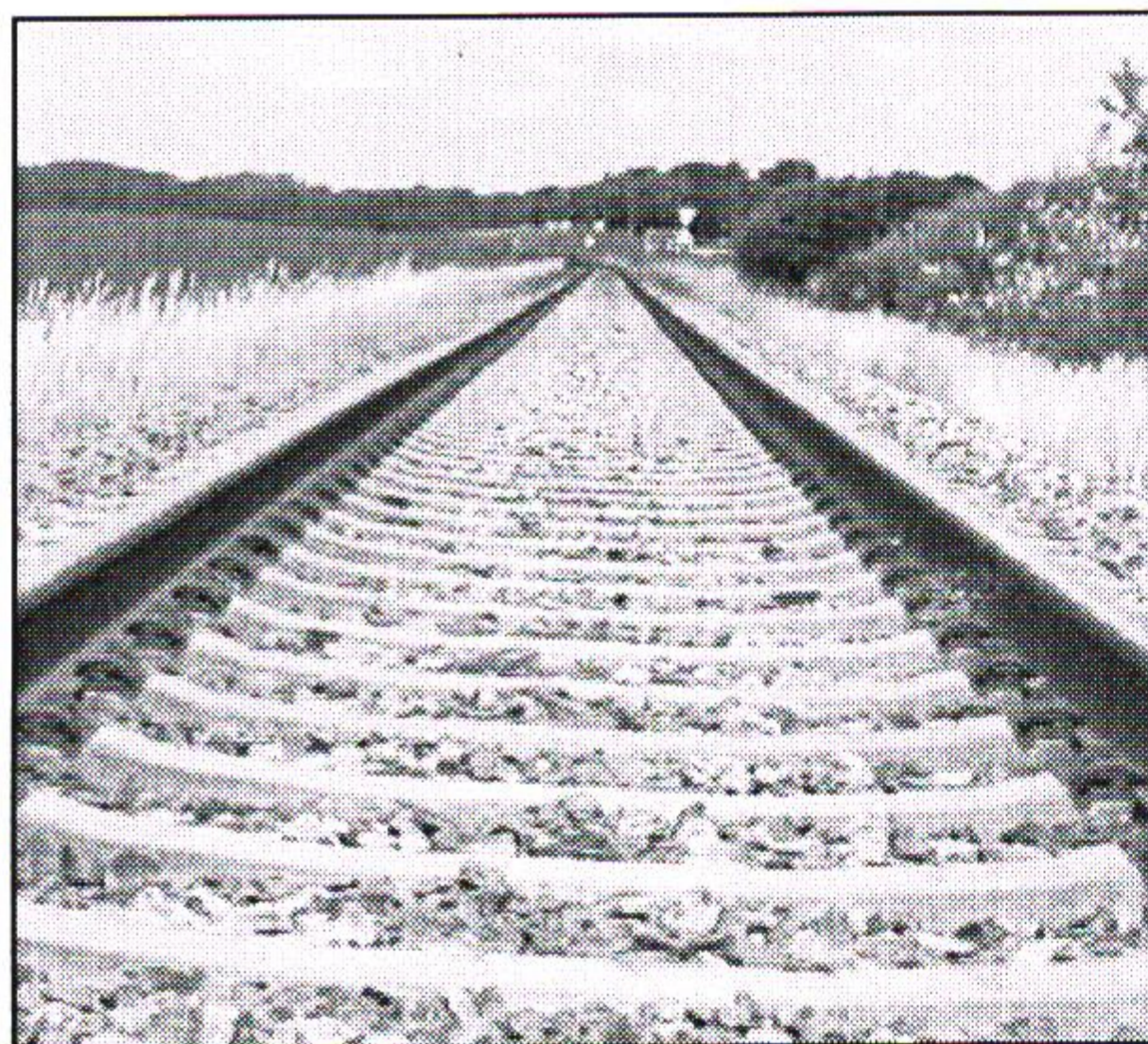
The recent government white paper (July 2007) states, 'it has been the taxpayer who for the past several years has funded expenditure increases' and 'taxpayers have stepped in to provide the additional funding'. The fact is since privatisation there has been a consistent increase in the proportion of rail cost funding by the taxpayer, and a pattern of 25-35% cent subsidy in the second half of the

1990s has become 40-50% since 2000. Direct subsidy at 2006 prices in 1996/97 was £2 billion; in 2005/06 it was £6 billion. Total spend on renewals between 2000 and 2005/06 has been £14 billion.

### The taxpayers

The Railtrack debacle (see "Railway chaos") has cost the taxpayers additional £1¼ billion each year in funding until 2009. The government intends to support the private rail companies with direct grants of £14 billion from 2009-2014. This does not include the government funding an additional 1,300 new carriages and £150 million for modernisation of 150 stations. There are number of other forms of indirect funding that have taken place, like the alleged unpaid tax by some rail companies of over £1 billion. To get to the bottom of the total amount the government has subsidised the privatised railway system is not an easy task.

Passengers should have benefited from all this money. The public performance measure indicates that in 1997/98 the percentage of trains arriving on time for all operators was 89.7%. This dipped to 79.1% by 2001, with reliability currently standing at





88%. Passengers in excess of capacity stood at 4.1% above in 2004.

Overcrowding on many lines has caused problems.

In real terms fully-flexible price first and standard class open tickets (that were the norm), have increased by 46% and 18% in price respectively over the last ten years. In January 2008 regulated fares increased by 4.8% which was 0.6% above inflation, and last year regulated fares increased above inflation. Unregulated fares, which are 60% of fares, increased between 5.8% and 14%. The government are planning for passengers to pay more of a percentage of running the railway in the future. On top of that, the complexity of fares has increased since privatisation. Rail fares are being designed for passengers to pre-book like air travel, not to be the 'turn up and go' service it has always been. For those of us who use the latter method, fares have increased dramatically.

Those who argued that competition and efficiency would be two benefits have also been shown to be wrong. What was supposed to make the railways a competitive industry with customer choice has actually transformed the railways into private monopolies. The number of managers, lawyers and non-productive consultants, has dramatically increased making the railways less efficient. The amount of time and money spent on blaming someone else when things go wrong, rather than resolving the problem, is a major issue.

One group of people benefiting from privatisation are all the rail companies' shareholders. Together the companies are making hundreds of millions in pounds

of profits a year. Stagecoach like-for-like profits are up 26% to £184 million in 2006; Go-Ahead profits increased by 19.8% before tax to £110 million in 2007 - to name but two.

One could argue, that they are taking all the financial risk and therefore should benefit. In a lot of private businesses this could be true, but not in the railways. When Railtrack was failing, or when a train operating company can no longer run services, the government steps in to financially bail them out. This Labour government saved the Channel link by underwriting it with £3.7 billion in 1998. The private companies know that the railways are too important to let go to the wall financially, and the government will therefore step in and underwrite any major financial problem.

### Privatised railway

So none of the promised benefits of a privatised railway have materialised. From a pure government/business prospective, should not conclusions be drawn? The taxpayer pays more now than when the railways were nationalised. That means the government pays more subsidies and has less control on how the railways are run. In affect we have the worst of both worlds. The Eddington Transport Study (December 2006) confirmed that 'transport can impact on the performance of the economy and will ultimately impact on overall output'. Before Labour got elected a number of statements from future Ministers claimed they would renationalise the railways. Nothing ever came from their promises. So they have left us with the fact that government does not control and cannot plan a



railway in a way that benefits the needs of people and an important part of the economy.

To plan the economy, nationalisation of the railways must take place. This then raises a whole number of other questions. Should compensation be given, if so how much? What is meant by nationalisation?

In selling the railway for less than its value we were robbed. Then to dig deeper in our pockets, paying more to private companies to run them for us, was adding insult to injury. The present so-called owners have made a fortune from privatisation, run it less efficiently and should not get one more penny of our money.

Nationalisation should not mean replacing a private manager for a public manager. This is what in effect was done in 1948. There are a number of different ideas as to what nationalisation should mean. The detail would best left to another article. The proposals below just suggest what interest groups should be involved in a socialist plan for the railways.

### Who knows best

In 1948 the workers in industry were given no say in the running of the industry. They were bossed about just as they were under private ownership. Yet they are the people who know best

in detail how the industry runs and how it can run better. Socialist Appeal argues for workers' control for that reason, as we do for any publicly owned industry. But that does not mean the workers should run the industry in their own interests, as syndicalists advocate.

In 1948 we had bureaucratic nationalisation. It is correct that the government should have a role in deciding how the railways are run. They have to provide the money for investment. (As we have seen, they have to do this even under a privatised system.) They are the only power able to assess the needs and priorities of society as a whole. They should be directing and planning economic development over the whole country. And the railways are an important part of the economy. But the government should not just appoint managers who act as little dictators, as happened in 1948.

In the old nationalised industry, the helpful suggestions of the workforce and the criticisms and complaints of passengers were just set aside. In many areas local committees of commuters meet to add their voice to safeguarding the railway service. They should be given a say in decision-making. So should local authorities, who co-ordinate public transport as a whole within their boundaries. We need bus links with train arrivals. If the council is planning new housing development or an industrial estate, the public transport links have to be put in place.

These are details to be worked out. Together we can build a publicly-owned railway service that works for all of us. □

## Railway chaos

by Eric Hollies

LIVERPOOL STREET station was closed for the whole of the Christmas period from December 23rd. This sort of thing, closure of complete arterial rail terminuses, does not happen in other countries. Liverpool Street was due to reopen on January 2nd when everybody came back to work. At the same time work was being done on the signals in Rugby, affecting the whole West Coast Main Line. As we know, neither job had been completed on time. Chaos ensued.

Why does this sort of thing happen? It hasn't always been like this. The problem started with privatisation. The Tories under John Major plotted a privatisation so stupid that even Thatcher had thought better of it. They not only sold off our railway system for a song in 1993. They also separated wheel and track by creating separate regional train operating companies and made Railtrack, responsible for track maintenance.

As Ken Loach's film *The Navigators* showed, the first thing these asset strippers did was to break up the teams of experts who had dedicated their working lives to the railways. The idea was they could just whistle up this expertise when they actually needed it. This was always going to be a fantasy.

In 2001 Railtrack was put into administration. It had already managed in its short life to build up a shortfall of £2 billion on its five year investment plan. The creation of Network Rail as a not-for-profit replacement company was actually a shamefaced renationalisation by the Labour government. They

had no choice. Under Railtrack we had seen incompetence lead to fatal accidents at Paddington and Hatfield. After the Hatfield tragedy the whole network was put on go-slow. Railtrack was the most hated company in Britain.

Network Rail has one big problem. It doesn't do the big projects itself, but puts them out to tender. The firm responsible for the Rugby refurbishment is Bechtel. The name may ring a bell. They have been busy in Iraq looting the 'aid' pumped in by the US government after the invasion. A Mosul taxi driver told Naomi Klein after they left, "It is strange how the billions of dollars spent on electricity brought no improvement whatsoever, but in fact worsened the situation" (from *The Shock Doctrine* reviewed elsewhere in this issue). Strange indeed. Now Bechtel are over here.

The Office of Rail Regulators is threatening to fine Network Rail for the chaos. This would be pointless and counter-productive. In the first place Network Rail is effectively publicly owned. If it has to pay out money in fines, then it can't keep up the same level of maintenance.

Secondly Network Rail is not the outfit that has screwed up. It is the private contractors. And the reason they can't do the job is because the teams of railway engineers were dispersed under privatisation.

Privatisation has failed utterly. It is time we began to run the railways as a service to the nation, not as a money-making scam for spivs. □

## odds'n'ends

A York woman borrowed £320 from the Early Payday Loan Co. At an annualised percentage rate of 2.6 million per cent. She has to pay £12.80 a day or £400 a month or £4,809.60 in total. EPDL manager Dawn Hodson said, "The charges on our loans are competitive in the market and we like to think we are responsible lenders." Shouldn't this be illegal?

Readers of our review of Michael Moore's film *Sicko* (issue 158) will be aware of the scams used by private health insurance firms in the USA to avoid paying out. Here's one consequence. Californian teenager Nataline Sarkisyan died after Cigna HealthCare refused to pay for a liver transplant. They said her healthcare plan did "not cover experimental, investigational and unproven services." So she died. Her mother thinks the company should face murder or manslaughter charges. She is right.

PFI alert: Socialist Appeal has been banging on about the waste of the Private Finance Initiative for years. Now the Treasury has costed it all. We are committed to pay back £170 billion by 2032 for schools, hospitals, and prisons that we'll never own. Next time you want to waste £170bn, Gordon, use you own money - not ours.

In 2006 City fatcats 'earned' £8billion in bonuses. So will they be cutting down this year in view of the financial crisis - the mess they created, after all? Not much sign of it. The Movidia nightclub has been selling a cocktail that costs £35,000 a glass for Christmas.

Right again - in issue 139 we reviewed the privatisation of Qinetiq, which was floated off from the Ministry of Defence and sold to the US Carlyle Group. 'Daft, or what?' was our headline. Ten top civil servants put in £540,000 in and saw their stake rise by 20,000% in a day. Carlyle put in £42m and saw it rise to £374m on the day of the sale - a 786% profit. Another triumph for the Chancellor of the day, gormless Gordon.

Class counts? The findings of a report conducted by the Sutton Trust into the educational achievements of working-class and poor children compared with their better-off peers were recently published. The Trust tested three-year-olds to determine their intellectual capabilities, their intelligence and 'brightness' in other words. It may come as no surprise to learn that those children who came out top but were from working-class families had, by the age of seven, fallen far behind children from middle-class and well-off families who had been in the bottom segment at the age of three. □

# Peter Hain - where did you get all that money?

by Steve Jones

THE REVELATIONS about the real funding of Peter Hain's deputy leadership campaign have not only proved to be a source of embarrassment to the Labour leadership but also a considerable source of anger to many Labour and trade union members. Just what is it about New Labour and wealthy donors?

These people seem to have no problem about cultivating donations from shadowy individuals who, we are told, want nothing in return yet seem unwilling to be identified. So one person gives money through other people's bank accounts and others pay up via the conduit of a think tank which has done no thinking.

Naturally the Tories and the rest have picked up on this yet they are also treading carefully - the Conservative Party has long enjoyed funding from various so-called Industrial Councils whose real purpose is to hide the identity of bosses who, when it comes to paying workers' wages, normally plead poverty.

But they have all homed in yet again on the question of funding for the Labour Party from the trade unions. Yet this is the only source of political funding, apart from individual party memberships, to be completely open and above board requiring a proper democratic vote from all involved. The reality is that both Labour and Tory

leaderships are quite happy to receive money from big business - the only problem they face is that people quite reasonably draw the conclusion that these benefactors want something in return. The way in which many of them have hidden their identities and in truth are people with little natural sympathy for the Labour movement has only made people even more suspicious.

We should reject any attempt to attack the Labour-trade union link or replace it with some form of increased state funding to cover the shortfall in donations from the rich and powerful, who anyway will only fund Labour so long as it

suits them. These donations come at a price and the pro-big business agenda of New Labour over the years shows what that price is. The articles alongside remind us that the Labour right wing have had dodgy links with big business at every level for decades - nothing has changed with the replacement of the Old Labour rightwing with its New Labour version.

The Labour Party should be funded by the organisations of the working class and - more to the point - act in its interests rather than fawning to the ambitions and aims of the wealthy few. □

## Workers in the street

by Matt J. Wheatley

A SINGLE mother in Keighley is being evicted from her residence with two months' notice. The 'owner' of the property does not claim any fault on the part of the worker, calling her an exemplary tenant in the eviction notice. The company that owns the property is Britannic Lifts PLC and is itself a relatively small company. The move is sound business; house prices may fall so it would be better to cash in now and let someone else (i.e. someone poorer) take the loss. The move is openly a business decision; yet this woman is a nurse suffering attacks at work by privatisations and a mother of four with no other housing options. This is the nature of capitalism; inhuman, profit before people. This incident is by no means isolated; around the country the crisis in the capitalist system will be another burden on the shoulders of the workers while the bosses

worry about their slightly reduced profits. "I'm not sure what to do; I may have to move in with my mother while I try to find another place to live," she said when asked of her plans. We all our fear a return to 1929-33; while I do not wish to claim we are in anything like as bad a situation the only response for the person in this example is to get into debt. Although systems are in place to protect an individual in situations such as this, they are a bureaucratic mess, and even workers in key sectors (as in this case) can find themselves without a home. It is clear that capitalism will not and cannot solve the current crisis in a way that will not cause great suffering to the working class; the only solution is nationalisation of key industries under a socialist planned economy. □

## Friends in the North or just in high places?

by Terry McPartlan

SO IF things weren't bad enough for Gordon Brown, it looks like the Labour Party has been taking big donations from Tory voters and small builders. Or at least that's what David Abrahams the shy, retiring and seemingly eccentric millionaire would have us believe.

Apparently, a number of confused and shocked members of the public have been stunned to discover that their bank accounts have been used to transfer funds to the Labour Party on behalf of Mr Abrahams. This all sounds a bit fishy. Could it be that another scandal akin to the cash for honours is in the offing? Is it another case of corruption? Can we expect a new episode of "Our friends in the North"?

### Undesirable Quarters

The North East is forever linked to the corruption trial of T Dan Smith and John Poulson which took place in 1974. Inevitably, the recent revelations around David Abrahams have brought comparisons with the fictionalised account of the circumstances leading to the downfall of Dan Smith in the drama "Our friends in the North". But as Mark Twain observed, "History doesn't repeat itself - at best it sometimes rhymes". After all, it's not unknown for Labour politicians to receive funds from undesirable quarters, but the circumstances aren't always the same.

It is quite possible that Abrahams as an individual is nothing more than an eccentric with a lot of money and a shy nature, but the whole issue brings into sharp focus the relationship between the right wing of the Labour Party and big business.

It's well known that Blair and his mentor Peter Mandelson admired rich people and sought their company. It's also clear that to a large extent Blair's crusade to "modernise" the Labour Party was a very thinly veiled attempt to sanitise the Party in the interests of

big business and quarantine it from working class people and particularly Socialist ideas. Unfortunately for the right wing, it's life under capitalism and people's own life experience that infects them with socialist ideas. The best sections of the Labour movement are a living embodiment of "Socialismo difficile" and no amount of spin doctoring can eradicate that.

Blair consistently sought to raise finance from rich backers and so reduce the strength of the unions in the party. But, in the long run it's impossible for the Labour Party to be as efficient a vessel for the bourgeois as the Tories and inevitably the bulk of big business is a fair weather friend, if that. But in the meantime, the gravy train has rumbled on. Doubtless the corporate world, the world of rich capitalists, wealthy "friends" and mutual back scratching has provided many of the parliamentary right wing with opportunities for favours to be sought and granted and if not "cash for honours" to be provided as such; certainly there have been many opportunities for "mutual advancement".

### Corrosive

It's a different world light years away from the life of ordinary workers on the housing estates, in the factories and the offices, who get in hock with credit cards and end up still paying for Christmas months later. The parliamentary life style in and of itself is corrosive, taking even some of the best MPs away from their roots and exposing them to massive pressure from alien class forces. But that was the case anyway... before the rise of Tony Blair. The best that we can say now is that those pressures will be far worse.

There are a number of important lessons from the T Dan Smith and Poulson case which blew up in the early 1970s.

T Dan Smith was from a working class background in Wallsend. He was unemployed in the 1930s and eventually became a painter and decorator. He became active in the Independent Labour Party before becoming a member of the Revolutionary Communist Party, whose main theoretician was Ted Grant. After leading a war time shipyard strike, by 1945 Dan was in the Labour Party. But he joined as an individual, having abandoned a Marxist perspective.

Dan was articulate and managed a meteoric rise in the local party. He became leader of the council in Newcastle and became known as either politely as "Mr Newcastle" or impolitely as "The mouth of the Tyne". Certainly he was a charismatic character who sought to make Newcastle the "Brasilia of the North", although Brrrrrrzilia might have been more appropriate given the weather! But as the proverb says "the road to hell is full of good intentions". It was noted early on that half of all the council house painting contracts went to Dan's firm.

Dan's urge to make money soon became entangled with his political aspirations as "Wikipedia" explains "In 1962 he established a public relations firm to support redevelopment of other urban centres in the north-east, and later nationwide. This company formed links with John Poulson, an architect keen for the business and known for paying those who could supply it".

Poulson had a big nationwide network of councillors and others who were on his payroll. Not huge amounts of money, but just enough to turn the heads of enough people in the right places. Literally hundreds of public buildings were built - including Swan House in Newcastle, Cannon Street Station in London, much of Aviemore, and Leeds City House, as well as buildings overseas. Poulson eventually

came unstuck when he went bankrupt and his web was unearthed. The national Labour Party launched an internal enquiry but, as one old councillor said to me about 10 years later, "they came and asked us loads of questions, but they never found much out about what had been going on".

Sections of the regional Labour Party fought the corruption. In one instance Eddie Milne the MP for Blyth, who was hardly a left winger, broke from the party and stood as an Independent Labour candidate on an anti-corruption ticket. Although the Marxists grouped at that time around the Militant stood against the corruption, the tendency opposed the standing of independent candidates as it basically left the right wing in control and weakened the opposition within the party. Milne won in February 1974, but was defeated in October that year in the general election. All manner of sectarian groups including the Socialist Workers' Party (then the IS) jumped on the bandwagon of the Blyth Independent Labour Party but, once Eddie Milne was defeated, the organisation collapsed.

## Lessons

The lessons from the T Dan Smith and Poulson case are clear:

- ◆ There is low level as well as high level corruption
- ◆ Only a democratic Labour party with a mass active working class membership can really prevent corruption, by taking control of the party.
- ◆ The fight needs to take place inside the party, not carping from the sidelines in little sectarian groups.

With respect to the issues of today, the situation is different. The corruption is more subtle. It's the trappings of power and the lifestyle that it brings. It's the influence of the bourgeoisie in the Labour Party, and it's the ongoing attempts of the right wing to smash the links with the unions.

The lessons are more or less the same there are bound to be further revelations as Blair's legacy unravels and the Tories set their sights on Gordon Brown and the people around him.

- ◆ Break the links with Big Business,
- ◆ Open the Labour Party books, for a labour movement enquiry into big business funding
- ◆ Don't stand on the sidelines. Reclaim the Labour Party! □

## New Labour Scottish Leader & Supporters Under Investigation Over Illegal Donation

by Kenny McGuigan, Glasgow

THE ELECTORAL Commission has launched an investigation into an illegal donation to Wendy Alexander MSP's campaign to take over from Jack McConnell as Labour leader in the Scottish Parliament, following Labour's worst electoral defeat in 50 years. The crisis unfolded when the Sunday Herald learned that every donation to the Wendy campaign was under £1,000. Many were for £950. Under the Elections Act 2000, all donations of £1,000 or more must be declared to the Electoral Commission. On November 29th, the Sunday Herald's sister daily, The Herald, discovered that Paul Green, a millionaire businessman who lives in Jersey, had donated £950 to the campaign of Charles Gordon in the Cathcart by-election for the Scottish Parliament. The by-election was brought about after the jailing of Lord Michael Watson, who set fire to a posh hotel at a Scottish political awards night. Green had a personal relationship with Charles Gordon when the latter was leader of Glasgow City Council. Green needed planning permission for a multi-million pound shopping centre in Glasgow. Green, as a non-resident of the UK and a person who cannot vote, was not allowed to donate to political parties. Charlie Gordon accepted the money nevertheless (Herald Dec 6th).

When McConnell stood down, Wendy Alexander announced immediately she wanted to be Labour's leader in Scotland. Her super-organised "Team Alexander" raised almost £17,000 and comprised a manager, treasurer, advisers and fundraisers. Charles Gordon was a fundraiser. Ultimately, there was no contest and Wendy was elected unopposed.

In a sensational development as journalists dug deeper, the Sunday Herald discovered that Paul Green had been a donor to the Alexander campaign, that 'someone' had tried to cover the facts up, and that Wendy Alexander had sent a personal letter thanking Green for his contribution.

Scottish Labour Party admits the donation was illegal. The Sunday Herald has been digging away and unearthing all the wrongdoings. Paul Green (the donor) is raging that he has been involved in the fiasco. Seems, like Abrahams with the government, he was looking for favours later on; possibly along the lines of Lord Laidlaw who has given £7 million over the last few years to the Scottish Tories in return for his peerage - but has still not fulfilled the condition that he live in the UK.

All involved blame the hapless ex-communist Charlie Gordon for soliciting the money from Green. Gordon resigned his transport spokesman position. "Team Alexander" hoped this might be an end to the matter but the SNP, as you would expect, are making hay over this spectacular own goal by the New Labour carpetbaggers and careerists. Charles Gordon now says he "mis-spoke" (Herald, Dec 6th). In the absence of any real democracy and accountability in the party, and with a weak left, the right wing has become complacent and arrogant. They are damaging the entire labour movement in Scotland. If the Electoral Commission finds the law has been broken - and nobody disputes that this is the case - the police will become involved and criminal proceedings will follow. □

## World economy in crisis

Feature by Mick Brooks

THE ADVANCED capitalist world is headed for recession. The only question is when and how deep that recession will be. In fact Merrill Lynch says the US economy is already in recession. And that's bad news for all of us.

The upswing since 2001 has been one of the most lopsided in the history of capitalism. It has been powered by the American consumer, referred to by some economists as 'the consumer of last resort,' so important are they conceived to be to the functioning of the world economy. Though comprising less than 5% of the world's people American consumers' demand has been responsible for an incredible 19% of the growth of the world economy in recent years. How is this possible?

After all American workers' incomes (and most American consumers have to work for a living) have not risen in real terms for three decades. Yet they have more money in their pockets to spend, and to buoy up a world economy of six billion souls in the process.

The answer to this question is because of what is called the wealth effect. House prices have been going up so Americans have felt richer. Consumers have been able to borrow against the rising value of their houses. In effect they have been using their homes as ATMs, spending like there's no tomorrow. Now tomorrow has arrived.

### I'm forever blowing bubbles

For years Socialist Appeal has warned that the rising price of real estate in Britain, the USA and other advanced capitalist countries is a classic bubble.

House prices have more than doubled in Britain and the States over the last ten years for no real reason - that is no reason founded in the real economy. A bubble means that prices are going up because people are buying; and people are buying because prices are going up. Figure that out! Bubbles can burst. When bubbles burst, prices fall because people are selling; and people are selling because prices are falling. That is what is happening now - in Britain, Ireland, Spain and most of all in the USA.

House prices have already fallen by 8% from their peak in the States. A speculative boom produces its own illusions. The most dangerous words in economic prediction are 'this time it's different.' That's what they were saying in 1929 before the Wall Street stock exchange crash. Read any reputable history, such as the chapter 'In Goldman, Sachs we trust' in Galbraith's *The Great Crash 1929*, to recognise the same smug complacency we encounter now. They were saying it in 2000 before the dot.com dive when the 'new economy' shares went down. They were probably saying 'this time it's different' in Holland in the 1630s at the height of tulipomania.

The dot.com collapse in 2000 is interesting since it shows how 'contagion', once it has taken hold, can wreak damage far beyond its real significance to the economy. Actually IT shares were worth only 6% of the total but their collapse sent waves of fear through finance capital, and share prices as a whole halved over three years. It is argued that the share crash was the trigger for

the US recession in 2001. Houses are more important to capitalism than IT shares, affecting 72% of the US economy. So who knows what will happen now the bubble has burst?

Everyone now knows that it was stupid to pay more for a tulip bulb than a farm, as people did in the 1630s. But as long as you can sell the tulip on to 'the greater fool' for more than you paid for it, what's the problem? Why is it any less stupid to treat a house as an appreciating asset rather than bricks and mortar to keep the rain off your head?

### Sub-prime world

But the story gets murkier. People buy houses on tick, by taking out mortgages. In the States the financiers have been hurling mortgages at people with no income, no job and no assets. They have left the problem to be sorted out by 'the greater fool', just as the speculators did in 1929. But there's something new in the financial firmament. Money men talk about financial innovation. What on earth do they mean? The process is called securitisation, an ugly expression. It means your mortgage and a lot of other liabilities will be bundled up onto a piece of paper and sold on as an asset. After all you ought to be paying back your mortgage over twenty years or whatever. So what for you is a financial liability can be an asset for someone else, providing them with a steady income stream.

Instead of a mortgage sitting in the bank, as most people expect to happen, they have been bundled up and sold on as

financial instruments. They're called structured investment vehicles (SIVs). They are passed from hand to hand. Because they count as a financial asset, they will usually end up in the vaults of a financial institution and used as backing for a further round of lending.

There's just one fly in the ointment. The SIV's a financial asset (it's worth something to someone else) just as long as you keep up the payments on the mortgage. But mortgages were handed out to people who could not possibly pay back. These are known as sub-prime mortgages. And through the 'sophisticated' financial system these toxic little packages have been passed all round the world.

How bad is the sub-prime mortgage crisis? Nobody has any idea. Ben Bernanke, head of the Fed, the US Central Bank, reckons there may be \$150 billion of dodgy debts floating around out there. Others fear it's more like \$400 billion. So some bits of paper are actually worthless, but nobody knows to look at them which are any good and which are not.

## Credit crunch hits Northern Rock

This in turn has caused the credit crunch. Financial institutions have become very reluctant to lend to each other in case they get caught out with a worthless piece of paper. So, if they do lend to other banks, they demand a much bigger risk premium than they wanted a few months ago. Libor (the London Inter-Bank Offered Rate) was regarded as an obscure piece of bankers' jargon. Now it has soared, and we realise how important it is. Formerly it was controlled by Official

Bank Rate, as it is now called - the rate at which the Bank of England lends to commercial banks. In this way the Bank of England could control interest rates throughout the economy. Now Libor is out of control, and so is the economy, so far as the Bank of England is concerned.

## Blowback on Britain

The financial panic may sound esoteric, but it will have real effects on the real living standards of real people. And it could really hurt. The first victim of the credit crunch in Britain was Northern Rock, or rather its investors. So far as we know the Rock didn't have a single sub-prime mortgage on its books. But its business plan was to borrow from financial institutions in order to lend to house buyers. In banking parlance, this is called borrowing short (running out every three months to roll over the loan) and lending long (for twenty years or so). It's risky. And suddenly the financial institutions stopped

playing ball with Northern Rock. So we saw the first run on a bank in Britain since the 1860s.

We haven't really felt the pain here yet. But 130,000 are likely to declare bankruptcy or surrender their financial affairs to an Individual Voluntary Agreement this year, up from 111,000 last year. New mortgage approvals are down by 44%. That means housebuilding will take a hit. And 2008 is a year when millions of fixed rate mortgages are due to be reassessed. All the signs are set to stormy.

And there is no reason to suppose the American financiers were uniquely unscrupulous in lending to people who couldn't repay. A Panorama programme recorded the sordid tale of operators from call centres who target postal districts where economic distress is widespread and carefully groom potential suckers to take out sub-prime mortgages, and pocket their bonus for doing so. The real extent of British sub-prime mortgages is yet to be

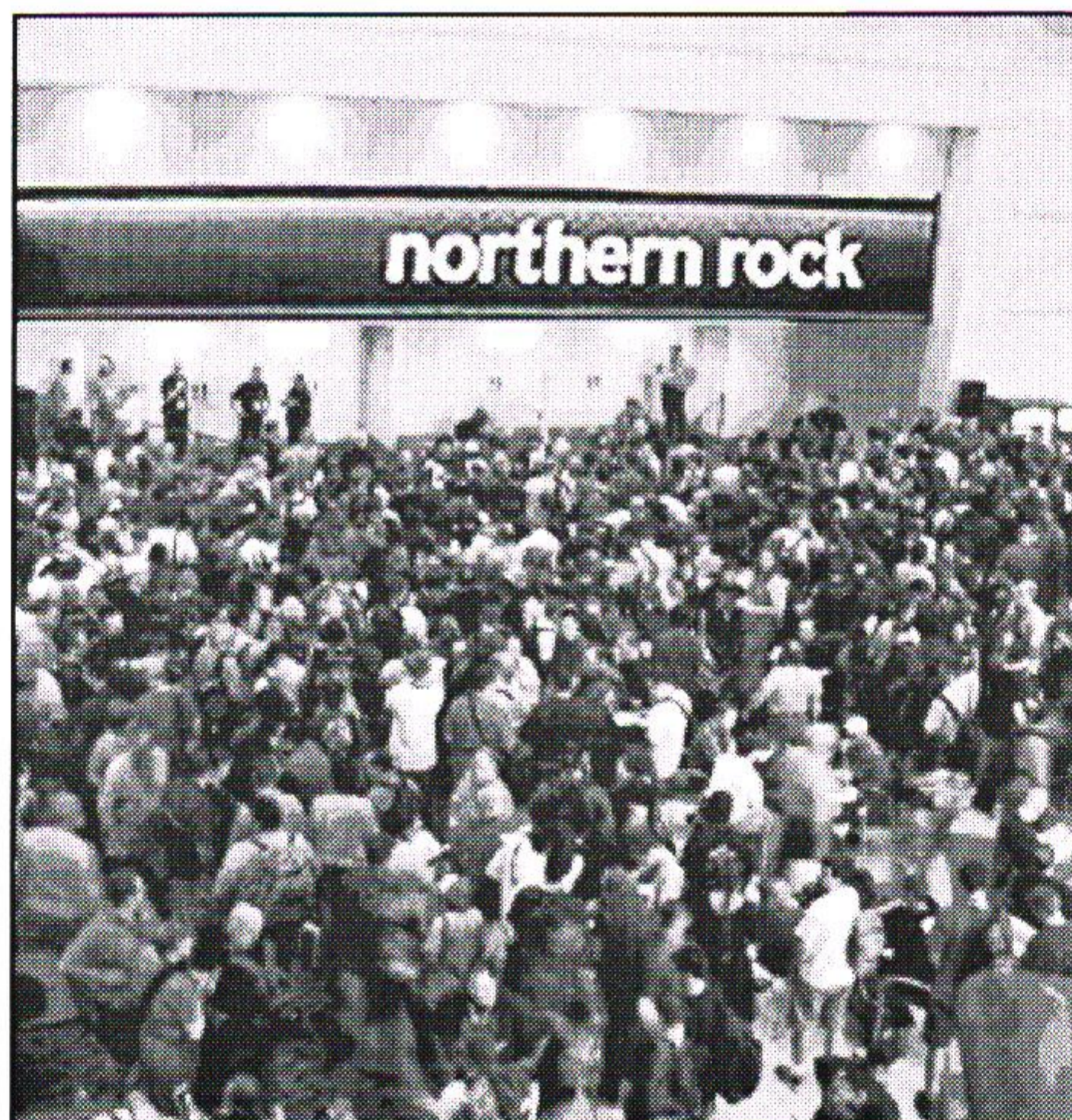
revealed. Is the iceberg £15 billion or £150 billion?

## Bankers in pain!

The pain is hurting all over the world. Billions have been written off by the banks. Just to take two examples. US bank Merrill Lynch has admitted to losing between \$8 and \$12 billion. HSBC has written off \$10.5 billion in the States. We don't know how far the panic will spread. Marx pointed out that under capitalism we are all tied up together in a vast global division of labour. But the division of labour imposed by the law of value is like the force of gravity. We don't know it exists till the house falls down about our ears.

House prices have already fallen in the US, in Ireland and Spain, and they're beginning to fall in Britain. They have further to fall. The crash in house prices has already brought a halt to the construction industry in the States, with knock-on effects on the manufacturers of building supplies and other reverberations throughout the economy. Repossessions will impoverish millions of people. Unemployed workers cut back on their spending, so yet more people find themselves out of a job. And the daisy chain of credit has decisively snapped.

The central Banks of the world are on the case. In December they made \$110 billion available to the commercial banks on account of the credit crunch. But it's the old question for bankers: is it a liquidity crisis (a temporary cash flow problem)? Or is it a solvency crisis (more liabilities than assets - in which case you'll be headed for the Poorhouse? At the moment



nobody knows what it is. If it's a liquidity crisis, and the central banks know what they're doing then they should be able to sort it out eventually. They can identify the toxic packages with sub-prime mortgages in them over time, gradually ease them out of the financial system and 'recapitalise' it. But if there are too non-performing SIVs, then they have a solvency crisis - and so do the rest of us. Then it is inevitable that part of the financial edifice will slide into the abyss with huge consequences for the capitalist system.

Even if they sort it for now, what will they have achieved? Ian Harwood, economist at Dresdener Kleinwort, explains that previous action to stave off the dot.com crash simply replaced the bubble in the stock market at the end of the 1990s with a bubble in the housing market. "We never did have a recession in the 2000s because everyone went on to party again," he says. We can't party for ever.

## End of the line

Since the last recession in 2001 the world economy has been growing faster than any time since the golden years of the post-War boom from 1948-74, at about 5%. You wouldn't know that in Britain. Our economy has been booming quite fast by its own miserable standards, at 2.8% last year. The trend rate of growth for British capitalism is reckoned at about 2¼%. The extra spurt in recent years is probably provided by mass migration, particularly from eastern Europe.

The US, Japanese and western European economies have also not been performing any faster than usual in recent years. But the reason for the fast growth worldwide is because of the supercharged performance of the 'emerging economies' Last year China grew at an incredible 11% a year, India at 9% and Russia at 7%.

The USA is forecast to grow at 2% or even less in 2008. And that projection takes no account of the fall-out from the sub-prime mortgage crisis. So we don't know what the real growth figure will be, but it will be lower. Now even a growth rate of 2% is not enough to prevent unemployment rising. Whatever happens, America will be in a 'growth recession.' And that is the most favourable possibility! One thing is for sure. No longer can American consumers provide a market for the whole world by spending money they haven't got on the basis of soaring paper prices for their homes.

The US has been running a deficit with other countries of about 6% of its national income. That means for every \$100 they earn at home Americans spend \$106. They buy twice as much from foreigners as foreigners buy from them.

How do they get away with it? Foreigners lend them the money to buy their goods. Think about it. If I keep lending you money, you can keep on buying my goods. Clearly this can't go on! In particular the Chinese have been running a huge surplus with the USA. When the Chinese earn all these extra dollars, they use them to buy US Treasury Bills, thus recycling their purchasing power back into America.

The USA is a mass of contradictions. As a result, the world economy is as unbalanced as a wonky old bike. Not only have US consumers been having a free lunch at the expense of the rest of the world for the past few years, but the government has been spending money it hasn't got like there's no tomorrow. Not only have Americans notched up record debts with the rest of the world, but their government has ratcheted up a national debt of £4.4 trillion. This is set to rise to £4.8 trn, which George W. Bush will leave to the American people as a little farewell gift when he leaves office. And that debt will swallow up more and more inter-

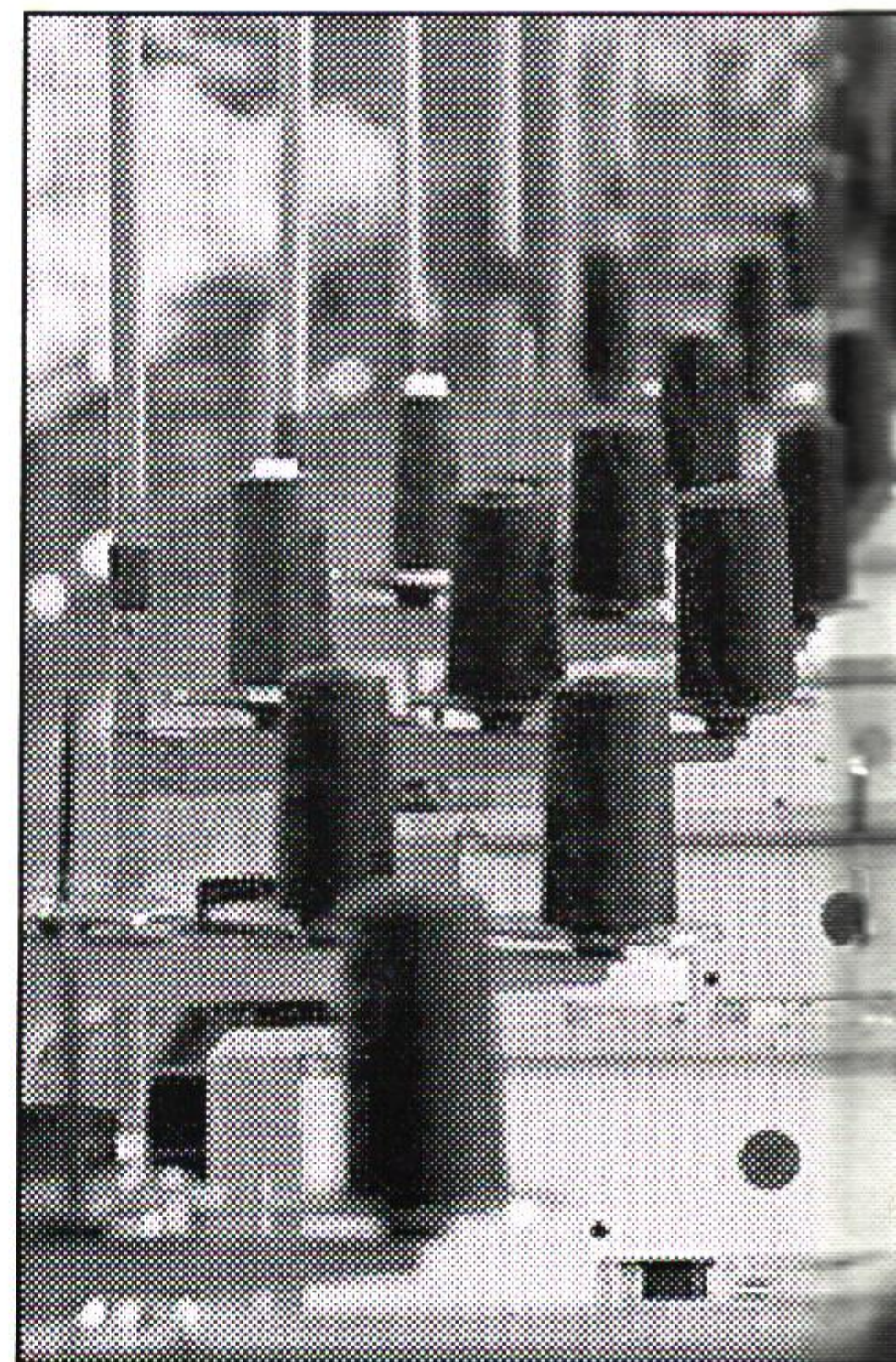
est payments.

Bush has been inspired by the economic policies of Ronald Reagan, policies that Bush's own father correctly denounced as voodoo economics in the 1980s. Rather than balancing the budget, Bush junior's strategy has been to let rip, not on social projects but on arms spending and tax handouts to the rich. So Americans have simply stopped saving. Instead they let the rest of the world do it for them. This is a clear sign that the period of US hegemony in the world economy is drawing to a close.

## The dollar takes a dive

Given the parlous state of the US balance of payments, it's a wonder the dollar has stayed up so long. But now it's on its way down. And foreigners will dump it if they think it will no longer act as a store of value. So that'll make the collapse worse.

It is argued that a cheaper dollar, and cheaper US exports, are just what the doctor ordered for the American economy. That is how the price mechanism is supposed to work after all. But imports into the USA will become more expensive. That will appear to consumers as inflation, hurt-





ing Americans' standard of living.

The Fed could stop the dollar's fall by nailing it to its perch with sky-high interest rates like a dead parrot. But Americans wouldn't like that either since higher interest rates would radiate throughout the economy. Now it's true that the condition of capitalism means that US consumers need to cure their addiction to debt, but that would really be going cold turkey. Whatever happens, 2008 is not going to be pleasant for the American people

## Decoupling?

Decoupling is the latest economic buzzword. All economists realise that the whole world economy can't be powered by US consumption any more. So they're looking to a different world champion. In 2006 India, China and Russia were responsible for a half of all the world's growth. Some argue that, since China and India are developing so fast,

they can pull the rest of the world behind them. This raises the question: are these 'emerging economies' dependent on growth in the rest of the world or are they an independent factor in global economic growth? Can they decouple from the USA?

Certainly the International Monetary Fund realises that in the case of eastern Europe, its relatively rapid growth rate of 5% in 2006 (from a starting point of complete economic collapse with the collapse of Stalinism) is dependent on exports to western Europe. "The Directors welcomed the strong growth in emerging Europe, noting that its expansion is likely to moderate in 2007 in response to the slower growth in western Europe" (Spillovers and cycles in the global economy: world economic outlook April 2007 p. 195). The IMF also understands that the growth in Russia is entirely dependent on soaring commodity prices, particularly now oil has hit \$100 per barrel.

But what about China, a land of 1.3 billion people? China now produces 26% of the world's steel; by comparison Europe manufactures less than 20% and the USA less than 10%. China's explosive growth has made it the second biggest importer of oil. All over the world commodity prices are bouncing up and producer countries are booming because of Chinese demand.

China is actually the third biggest trading economy in the world. Its extraordinary rates of growth are export-led. For 'developing Asia' as a whole more than 45% of growth is accounted for by exports now compared with less than 20% in 1980. By comparison, over the same period, the role of domestic consumption in stimulating development fell from 67% to 50%. This suggests that these nations are still dependent on demand from the advanced capitalist countries.

Economists have pointed to the expansion of inter-regional trade in east Asia, where countries like Japan and Korea supply more capital-intensive goods for China to make consumer goods for export. In fact the whole of east Asia is like a vast factory with a division of labour between countries in the way a factory has different plants. But the whole effort acted as a supply chain where the end of the chain was the American consumer. That period has now come decisively to an end.

The dropping away of US demand for Chinese goods will not cause recession in China. Domestic demand will ensure that the economy continues to grow rapidly, perhaps at 8%. But China is at present depend-

ent on the world economy for its export-led growth. It can maintain the demand for raw materials in the countries that produce them, but its imports cannot sustain output growth in the advanced countries that remain the heartland of capitalism. The Asian Development Bank agrees with us. It can find 'no evidence' of decoupling.

## Oil

It is the demand from China and other 'emerging economies' that is powering the price of commodities, in particular oil, upwards. Rising food prices are already causing hardship to the poor and riots in poor countries. Oil is now hitting \$100 a barrel. The oil price hike is going to hurt all the oil-consuming countries, which is nearly everyone. The worst recessions since the Second World War were in 1974 and 1979. They were the worst because they coincided with sharp oil price rises. The 1970s was a decade of 'stagflation,' of mass unemployment plus inflation.

As readers must have noticed - inflation is raising its ugly head again. Policy makers are confronted with a dilemma. Should they fight inflation with higher interest rates and so make the recession worse? Or try to ease the recession and so feed inflation?

Whatever the immediate outcome of this financial crisis, the world is entering a new and immensely unstable period. Welcome to a world of capitalist crisis! This crisis can only be understood with Marxist analysis. It can only be overcome with Marxist solutions. ■



## Who Owns the Wealth and How they Spend It

by Ed Doveton

IN 2006 a new report from the United Nations produced figures showing that the world's richest two percent of adults owned more than half the global wealth, while half the world's population own only one percent. Inequality has been increasing, particularly over the last decade, with the rich getting richer, the mega rich getting richer quicker than the rich, and the poor getting even poorer, with the number of people living on less than \$2 a day increasing.

The actual wealth of capitalists around the globe is difficult to calculate, as much is hidden from view. This is often done by slick accounting, but also through secret bank accounts, with the bank fronting investments and deals. Switzerland is historically famous for this, but over the years has been joined by other countries, most recently Abu Dhabi, who last year set up a new bank precisely for the purpose of enabling the mega rich to invest and hide their wealth. Nonetheless, we can still get some indication of their wealth by looking at individual investments. In 2007 the World Wealth Report has estimated the total wealth of rich individuals at \$37.2 trillion. This is a staggering amount, and difficult to get your head around. But think of it this way: the old Wembley Stadium football ground held 100,000 people; to reach just one trillion you would need 10 million stadiums!

At the other end of the

scale the World Development Report has indicated that some 1.2 billion people (1/5 of humanity) are living in poverty. But increasingly inequality is not confined to those living with disease, malnutrition or imminent death from stark poverty; inequality is growing across the globe, in developed countries such as Sweden, Denmark, the UK and the United States, where there is a steadily increasing gap between the rich and the rest of us.

### Inequality

This UN report lays out several causes that socialists would agree with, such as inequality resulting from "lower unionisation and dilution of the wage bargaining power of trade unions"; but we are unlikely to hear that analysis reported in the capitalist media.

So how do the wealthy use their ill gotten gains? Of the wealth we can find out about, there are two main areas in which it is spent:

financial investment and private consumption. This investment can be divided into four areas: real estate (commercial and residential property), cash deposits (in bank accounts we can see), equities (stocks and shares), and what is called 'alternatives' (things like hedge funds). In 2006, of the \$37.2 trillion of private investment, 24% went on real estate, 14% was in cash deposits; equities were split between 21% in bonds giving a fixed income and 31% in shares; the remaining 10% went on alternatives.

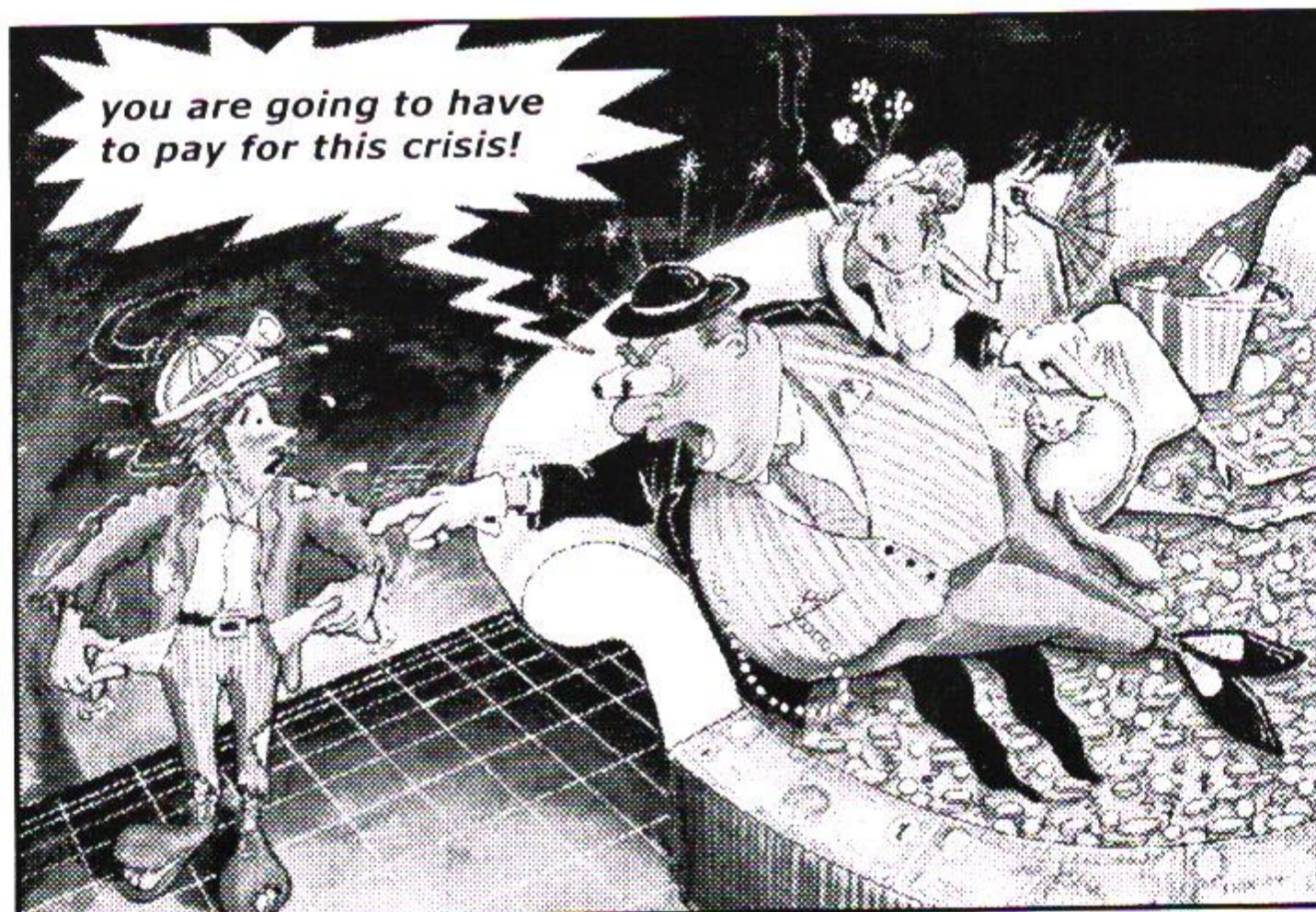
The actual division between these four areas of investment might appear to mean little to us directly; but the power of these capitalists to move their money around does affect our lives enormously. Because capitalists are only interested in profit and not people, they move these trillions of dollars from one area to another and from one country to another, ever looking for the biggest profit. This move-

ment of capital, or capital flows, devastates communities, ruins lives and subjects economies to the whim of the gambling table. The figure of 24% for real estate investment in 2006, had, for example, jumped from 16% in previous years. This was the rich moving money from other areas, thus fueling the rise in house prices during the 2004/06 period and creating shortages of investment in other areas.

### Super luxury goods

The other use the wealthy put their money to is for their own private consumption. Over the past ten years the market for super luxury goods and services has been expanding at an exponential rate, reflecting the increasing amount of money flowing to the rich. Items such as a plasma TV, with a screen size of 142 inches and a price tag of \$87,500, or the new Natalia SLS-2 motor car from DiMora, which retails at \$2 million are just a few of their playthings.

Last year the Wall Street Journal undertook a survey of 198 people who were worth more than \$10 million - this is small change compared to the really wealthy, but the report begins to give us an insight into their lifestyle. Yacht rentals topped the bill at an average of \$384,000 per year, followed by villa rentals at \$106,000, and at the very bottom of their shopping list was summer entertaining, which came in at a lowly \$56,000.



Yet these people are mere paupers compared to the richest 5% in the world!

Forbes provides us with a list of all the world's billionaire capitalists. The list is long, but not surprisingly, is headed by Bill Gates, whose current estimated personal wealth is around \$56 billion. Someone made the calculation that from Microsoft's foundation in 1975 to 1998, presuming that Bill worked 14 hours a day every working day of those years, his wealth meant that he was earning a staggering million dollars per hour, or around \$300 per second. Like the other mega rich individuals, his actual expenditure is often a close secret. However, the Gates' principal residence, a large mansion, which occupies 50,000 square feet (with garage and outbuildings occupying an additional 16,000) and has a total assessed value of the property estimated at \$125 million, with an annual property tax of \$990,000, was widely publicised.

This personal expenditure of the wealthy is grotesque when we consider the stark poverty of billions of people across the world, and the continual demands of capitalists for workers to make sacrifices for the 'good of the economy' by holding down wage increases below the rate of inflation. Nevertheless, compared to their total wealth, the mega rich's personal expenditure is only the surface appearance of their deeper impact and control on society. In addition to the devastation caused by capital flows, it is their purchase of political power that wealth buys which exposes the nature of the society we live in. In the UK we recently had the pantomime of the 'cash for peerages' scandal; this is only the tip of the molehill, reflecting the influence of the wealthy on the two main political parties in Britain. This is illustrated by the funding of New Labour politicians by the wealthy. A well known case was the £7 million raised by Lord Levy from wealthy backers for Tony Blair's private

office prior to the 1997 general election.

In the US the influence of the wealthy on elections is more obvious; it is often paraded as a virtue by the right wing capitalist media. The money that finances political campaigns in the United States has tremendous influence on who runs for office, how that person campaigns, and if elected, what policies that person supports. In a presidential campaign a single 30-second TV advertisement can cost \$100,000. According to the Centre for Responsive Politics, the election of an average single seat of the House of Representatives costs \$840,000.

### Political power

Because of popular pressure at this obvious buying of political power, even Congress has been forced to pass a law designed to limit campaign contributions. Needless to say, wealthy contributors have always found convenient "loopholes" left in such laws, and thus, funding from the wealthy continues to influence campaigns. In the 2000 cycle of elections, the Democrats raised \$219,343,172 in what is known as 'soft money' (that is, outside the restrictions); while Republicans collected \$243,780,583 in unregulated funds. The money for election campaigns continue to come primarily from donations from wealthy backers who demand that the candidates be pro-capitalist and that they support policies that further the interests of their patrons.

In 2006 George Bush and the Republicans supported the repeal of the US style of death duty, known as an estate tax. In reality this is a tax which only the very rich pay, while the remainder of Americans (about 99.7 percent of the population) are not rich enough to be affected by it. But the super-rich used the media and the Republican Party to present the continuation of estate tax as a threat to small businesses



and farms. The story of people having to sell the family farm to pay the tax was peddled in the capitalist media. It was then revealed by a watchdog body, the Public Citizen and United for a Fair Economy, that more than eighteen wealthy families, including the Walton family of Wal-Mart fame, had used their influence and spent millions of dollars to push for the repeal of the estate tax.

### Accumulation

In the 19th century Karl Marx used his analysis of capitalism to illustrate that the development of capitalism would lead to ever greater accumulation by the rich, with the poor getting poorer. In countries like the UK, Europe or the United States most of us have a roof over our heads, but it can be a precarious existence. Unemployment, continual cuts in public services, and a relative decline in wage levels, mortgage or rent increases pose an ever present threat to working people. Often living standards are only maintained by working longer and longer hours. If we compare this situation to the actual total wealth in the world, we see that Marx was not far wrong. The statistics and figures looked at in this article speak for themselves. It is up to socialists in the labour and trade union movement to work to expose capitalism for what it is and fight for a better future. ■

# The 1848 Revolutions

## The hoped-for prelude to the proletarian revolution

by Rob Sewell

"A SPECTRE IS haunting Europe - the spectre of Communism", wrote Marx and Engels in the opening passage of the Communist Manifesto. "All the powers of old Europe have entered into a holy alliance to exorcise this spectre: Pope and Tsar, Metternich and Guizot, French Radicals and German police spies." Prophetically, on the day of the Manifesto's publication in London, Europe was ablaze with revolution.

King Louis-Phillipe of France abdicated immediately. Guizot the French Prime Minister was dismissed and Prince Metternich of Austria fell within a few weeks. Marx and Engels hoped that the revolution would only serve as "the immediate prelude to the proletarian revolution." They immediately hailed the revolution which first broke out in France on 24th February 1848.

"The year 1848 is turning out well", wrote Engels. "By this glorious revolution the French proletariat has again placed itself at the head of the European movement. All honour to the workers of Paris!

"Our age, the age of democracy, is breaking. The flames of the Tuileries and the Palais Royal are the dawn of the proletariat. Everywhere the rule of the bourgeoisie will now come crashing down, or be dashed to pieces." (Marx Engels Collected Works, vol.6, p.558)

After a prolonged period of reaction with the defeat

of the 1830 revolutions, the revolutionary masses of Paris, guns and red flags in hand, took to the streets, built barricades, drove out the monarchy and forced the Provisional government to declare a Republic. The worker Guibert burst into the Chamber brandishing a pistol, bringing the debate to an abrupt end with the words, "No more deputies, we are the masters."

### Forward

It was the workers and the lower middle class that propelled the revolution forward. The bourgeoisie, who would eventually gain from the revolution, had not expected or wanted such an outcome. "We wanted to climb from step to step", said one, "but we were forced to leap over a whole flight of stairs."

Above all, the bourgeoisie feared the working class, who pushed forward their own independent class demands: the right to work,

a minimum wage, shorter hours, pensions for the disabled, the creation of workshops, compulsory universal education, universal suffrage, progressive taxation, and other working-class demands. In turn, the working class did not trust the bourgeoisie deputies, who wanted an accommodation with the monarchy. As a result, on the walls of Paris revolutionary posters urged the masses: "Let us keep our arms!"

The new bourgeois republican administration was forced to bring in two socialists into the government, one of whom was Louis Blanc, a popular workers' leader. His role, however, became that of class conciliator, struggling to keep the revolutionary movement within acceptable legal limits. Under the pressure from the radical masses, some reforms were introduced, including the establishment of national workshops, in effect, poor law relief for the unem-

ployed.

The elections to the Constituent Assembly were held in late April and recorded big gains for the bourgeois parties, largely due to the support of the conservative peasantry which made up 84% of the new electorate. The new government failed to address the plight of the workers and attempted to undermine the revolution by attacking the workers' leaders, particularly Blanqui and Cabet, as "communists". Trust in the bourgeois government melted away. It was becoming obvious that growing frustration was preparing a new show-down. The government's announced closure of the national workshops in Paris was the last straw. "The February revolution raised the problem of property and labour", stated the revolutionary Paul-Louis Deflotte. "This problem must be solved."

However, the government was making its own plans to teach the workers a lesson by sending them to the school of General Cavaignac who was brought back from butchering the peoples of Algiers, a faithful servant of the counter-revolution.

On 21st June a decree was promoted, abolishing the national workshops. That day the workers of Paris arose again and threw up barricades throughout the capital. Flags were raised with the inscriptions: "Bread or Death!" and "Work or Death!" It was a purely workers' uprising,



# The 1848 Revolutions

devoid of the carnival atmosphere of the February revolution. "The insurrection [is] growing into the greatest revolution that has ever taken place", wrote Marx, "into a revolution of the proletariat against the bourgeoisie." (MECW, vol.7, p.128.)

## Counter-revolution

The fighting was ferocious. The bourgeois counter-revolution gave no quarter. The workers were shot down like wild beasts. "The bourgeoisie, fully conscious of what it is doing, conducts a war of extermination against them", wrote Marx. He went on to quote a captain of the republican guard, describing events on 23rd and 24th June. "The cannon replied and until 9 o'clock windows and bricks were shattered by the thunder of artillery. The firing was terrible. Blood flowed in streams while at the same time a tremendous thunderstorm was raging. The cobblestones were red with blood as far as one could see... The number of dead is immense and the number of injured much greater still." (ibid, p.138)

The workers, on the other hand, fought for four solid days with unequalled bravery. "The courage with which the workers have fought is truly marvelous", wrote Marx. For three full days, 30,000 to 40,000 workers were able to hold their own against more than 80,000 soldiers and 100,000 men of the national guard, against grape-shot, shells, incendiary rockets and the glorious experiences of generals who did not shrink from using these methods employed in Algeria! They have been crushed and in large part massacred. Their dead will not be accorded

the honour that was bestowed upon the dead of July and February. History, however, will assign an entirely different place to them, the martyrs of the first decisive battle of the proletariat." (ibid, p.143)

After almost a week of battles and street-fighting, the full might of the state was used to crush the movement in blood. A frenzy of shootings and torture were on the order of the day. Some 15,000 were killed and wounded during and after the uprising. The ruling class exacted its revenge for the independent movement of the French workers. The workers' demand "contained a threat to the existing order of society; the workers who put it forward were still armed; therefore, the disarming of the workers was the first commandment for the bourgeois, who were at the helm of the state." (Engels)

## Feudal structures

The revolutions of 1848 were essentially bourgeois-democratic in the tasks they attempted to solve. Their fundamental aspect was the destruction of the old feudal structures and the creation of the independent nation state. While Marx and Engels hoped that this bourgeois revolution would be the immediate prelude to the proletarian revolution, given the weakness of the Communist League, they had no alternative but to form in Germany the extreme proletarian wing of the democratic movement. Its aim was to destroy absolutism and to unite the backward states into one democratic republic. This could only be brought about by revolutionary means. The daily paper, *Neue Rheinische Zeitung*, edited by Marx, was

the organ of democratic revolution, but, as Engels wrote, of "a democracy which everywhere emphasized in every point the specific proletarian character." The paper, which had widespread support, became the true headquarters of the militant proletariat, the leading centre of the Communist League.

## Internationalist approach

Not only did Marx and Engels fight for national independence for the oppressed nationalities, but put forward a genuinely internationalist approach. There were other nations oppressed by reactionary German states, such as the Poles in Prussia, the Italians, Czechs and others in Austria, as well as by Russian Tsarism. At this time Tsarism was the most counter-revolutionary force in Europe in the same way that American imperialism is on a world stage today.

Marx and Engels sharply criticized the cowardly bourgeois leaders for failing to support the struggles of oppressed nations such as the Poles, Czechs, Hungarians and Italians against Prussian and Austrian despotism. The leadership of the revolution will fall to the working class. "... not the cowardly German burghers but the German workers; they will rise up, put an end to the whole filthy, muddled official German rule and with a radical revolution restore the honour of Germany", explained Engels. "Germany will liberate herself to the extent to which she sets free neighbouring nations."

Revolution broke out in Germany on 18th March with fighting in nearly every town and barricades erected

in Berlin and Vienna. The people won a series of democratic rights but control passed into the hands of the big bourgeoisie, which quickly betrayed the struggle.

It was out of these experiences that Marx and Engels were to raise the idea of permanent revolution. The bourgeoisie were more afraid of the working class than the forces of feudal despotism. They were to play an increasingly counter-revolutionary role. They were incapable of bringing about genuine national unification, as history proved. Marx and Engels put their confidence in the working class. They believed that a successful bourgeois-democratic revolution, under the leadership of the workers, would become the prologue of the proletarian revolution and the transformation of Europe. "Before reaction can be destroyed in Italy and Germany, it must be routed in France", explained Engels. "A democratic social republic must first be proclaimed in France and the French proletariat must first subjugate its bourgeoisie before a lasting victory of democracy is conceivable in Italy, Germany, Poland, Hungary and other countries." (ibid, p.403) Marx agreed: "The Hungarian shall not be free, nor the Poles, nor the Italians, as long as the worker remains a slave."

The defeat of the 1848 revolutions removed any immediate threat of proletarian revolution. The forces of capitalism were still maturing. It took a further 23 years before the glorious Paris Commune (the first workers' state in history) would place proletarian revolution once again on the agenda of the European continent. ■

## "The shock doctrine: the rise of disaster capitalism" by Naomi Klein

Reviewed by Barbara Humphries

THE AUTHOR'S story of the theme "blank is beautiful - three decades of erasing and reinventing the world" - begins in New Orleans after floods devastated the city two years ago. She says that hearing all the talk of "fresh starts" and "clean sheets" from Republican congressmen, you could almost forget the toxic stew of rubble, chemical outflows and human remains just a few miles down the highway. Her friend in New Orleans said "I really don't see it as cleaning up the city - what I see is a lot of people got killed uptown. People who shouldn't have died."

"Disaster capitalism" is about how natural disasters have given capitalists the opportunity to reconstruct cities like New Orleans according to their own whims by turning the area into a theme park and discounting the majority of poor residents. A similar process has been in place following the Asian tsunami of 2004. Fishermen have been forbidden to rebuild their huts close to tourist beaches. Just what the international hotel chains wanted. But it is not just natural disasters which have given the capitalists the opportunity to advance their interests - there are man-made disasters as well - economic crises and wars.

The author traces the impact of the Chicago School of Economics theoreticians and their bid to change the world over the last thirty years. Committed to free market economics, privatisation and the destruction of government regulation of business they have wrought havoc in one country after another. They were initially dismissed as beyond the pale by main stream economists who were committed to Keynesian policies both at home and internationally after 1945.

### Shock therapies

Then economists such as Milton Friedman and Hayek finally found their opportunities with the crisis affecting the international economy in the 1970s, and later the collapse of the Stalinist regimes in Eastern Europe. The capitalist class and its representatives could not continue in the same way. But

the Chicago Boys as they came to be called still had to convince governments that they could introduce their shock therapies and survive. This would be a problem in a democracy. The majority of the population benefited from the policies of top down redistribution of wealth. How would they react to a massive growth in unemployment and public spending cuts, whilst a handful of the rich increased their wealth?

Not surprising the first experiment of the "Chicago boys" was carried out under a dictatorship. In 1973 General Pinochet overthrew the democratically elected socialist government of Salvador Allende in a military coup. Pinochet became the first recruit for this aggressive brand of free market economics but the project did not go smoothly. By 1974 inflation in Chile was 375% - the highest in the world. Friedman went to Chile to urge Pinochet to put this right - by pursuing his policy more vigorously. Public spending was cut by 72% and 500 companies and banks were privatised. The Chilean economy was opened to the world economy and

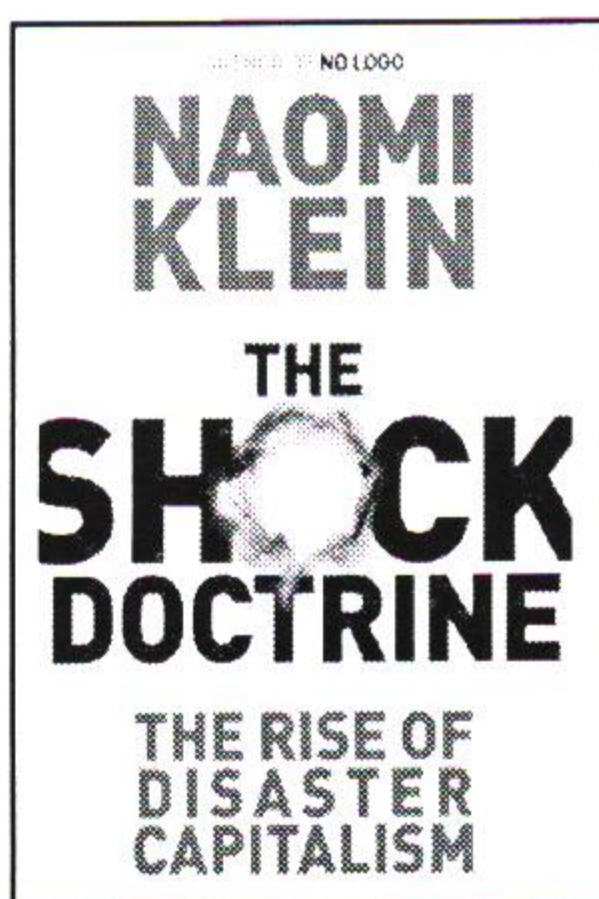
imports flooded in. Unemployment rose to 20% and by 1988 45% of the population lived below the poverty line. The richest 10% saw their incomes rise by 83%. This became the model for the whole of Latin America - implemented under dictatorial regimes which used torture and later under so-called democracies. This strategy, either way, is now called "the new colonialism" throughout the continent.

Another large change to the fortunes of the 'Chicago Boys' was their capture of international institutions such as the World Bank and International Monetary Fund, both former bastions of Keynesianism. Most countries in the world would at some time be dependent on these organisations for a loan.

### Neo-liberal policies

This could now be made conditional on the acceptance of neo-liberal economic policies. These organisations have been used to wreck the lives of millions world wide in the 1980s and 1990s, as one country after another experienced financial crisis, the situation being most acute in the developing countries, in Africa, Asia and Latin America.

Another group of



Naomi Klein's *The shock doctrine* is available from Allen Lane at £25

countries were also to be at the mercy of the policies of the 'Chicago Boys'.

The fall of the Berlin Wall in 1989 was to give capitalism access to 25 new countries. Their experience of capitalism however was not be the post 1945 social democratic regimes of public ownership, welfare states and full employment, which had gone hand in hand with democracy in Western Europe. The collapse of the Soviet Union itself meant that world capitalism had lost an enemy and could reign unchecked. Weak in traditions of democracy and labour movement activism, the countries of Eastern Europe were ripe pickings for free market economics. But so were countries which remained under the control of the Communist Party. In 1980 Deng Xiaoping invited Milton Friedman to China where the aftermath of the repression that took place after the massacre in Tiananmen Square in 1989 provided an ideal political background for the implementation of his economic policies without opposition. It was not the Stalinists that the 'Chicago Boys' feared but the workers' movements which opposed them.

Meanwhile in the Soviet Union Gorbachev was championing glasnost and perestroika. The author says that, unlike in China which was a dictatorship, Gorbachev believed that the economic policies of the 'Chicago Boys' would not be acceptable in a democratic Russia. Right wing economists urged him to play the "same role as Pinochet in Chile"! When he refused they had to look for someone else and they found - Yeltsin, who would be prepared to subject his people to the economic shock doctrine. This was to involve



the break up of the Soviet Union, staging of a coup against an elected parliament and the impoverishment of the population. There was wholesale closure of factories and farms. The World Bank itself reported on "the impoverishment of 72 million people in only eight years". Between 1996 and 2006 the Russian population had fallen by six million - one indication of the impact of free market economics. And all of this was done under the cover of "democracy".

### Backlash

The Russian backlash has unleashed policies of nationalism and authoritarianism. Who can be surprised if the policies of the free market and democracy have been seen to be entwined in what Fukuyama called "the end of history"? It has been a complete confidence trick.

The book concludes with the current situation in Iraq - a very sharp insight into what is going on there. How often have we heard politicians throw up and their hands and say how unfortunate it was that there was no plan for the post-war reconstruction of Iraq. Well this book will give you a different viewpoint. There was a plan all right! The author writes -

"...that was pretty much Washington's game plan for Iraq - shock and terrorise the entire country, deliberately ruin its infrastructure, do nothing whilst its culture and history are ransacked, then make it okay with an unlimited supply of cheap household appliances and imported junk food."

### Multinational

US based multinational companies such as Wal-Mart were earmarked to take over the running of Iraq assisted by US government agencies such as "New Bridges Strategies". This was not taking advantage of a war but waging a war to take advantage - a new model for the Middle East as a region? The US State Department called a conference in Baghdad and invited politicians who had implemented economic shock therapies in Eastern Europe to urge the Iraqis to do the same. Even the IMF and World Bank were sidelined this time. There was no doubt as to who was running the show. Bremer the top US envoy called for the privatisation of 200 Iraqi firms, lowering taxes and opening up the economy to foreign ownership. Government employees were dismissed and their functions handed out to pri-

vate contractors (mainly US firms). Public amenities such as clean water, health services and crime prevention were not seen as priorities by the US administration. This was seen by many Iraqis as an act of war and inevitably fuelled the resistance. Religious organisations stepped in where the authorities failed and fundamentalism became widespread in a formerly secular country. As the resistance grew, more work was handed out to private security companies whose staff have come to outnumber the regular soldiers from the US and UK armed forces. Names like Blackwaters and Halliburton have become familiar. The casualty numbers amongst these have mounted and by May 2007 over 900 contractors had been killed.

The author writes - "Iraq's current state of disaster cannot be reduced either to the incompetence and cronyism of the Bush White House or to the sectarian tribalism of Iraqis. It is a very capitalist disaster, a nightmare of unfettered greed unleashed in the wake of war. The fiasco of Iraq is one created by a careful and faithful application of unrestrained Chicago School ideology."

Is there an end in sight? Naomi gives cause for optimism in her final chapter outlining the growing resistance to the ideas of the Chicago Boys, particularly in the continent where it was first applied - Latin America.

Most reviews of "Disaster capitalism" so far have focussed on the use of natural disasters to change policies in favour of the capitalists. But the book goes much further than this - it shows that it is capitalism itself which is the disaster. □

## Trotsky and the fight against Fascism

by Leon Trotsky

SEVENTY-FIVE years ago, on January 30th 1933, Hitler was appointed Chancellor of Germany. Two months later the Reichstag voted him dictatorial powers. The workers' parties were banned and their leaders thrown into concentration camps. The strongest labour movement in Europe was destroyed without even breaking a pane of glass, as Hitler boasted. The way was clear for genocide and world war.

How was this possible? The working class movement was divided. Revolutionaries might well have felt inclined to write off the Social Democratic Party. The traditional mass party of the working class had betrayed the German Revolution of 1918-23, even colluding in the murder of Communist leaders Liebkecht and Rosa Luxemburg. But the Communist Party had been founded to fight for socialism by arguing against the influence of Social Democracy within the workers' movement. It was potentially the lever of change. Instead rank and file Communists were ordered by Stalin to turn their backs on Social Democratic workers, whom they called 'social fascists'. This insane policy led directly to the victory of fascism and the destruction of the working class movement, both Communist and Social Democratic.

Who warned against this policy? Leon Trotsky. Here is an excerpt from his 1931 pamphlet, *For a Workers' United Front against Fascism*.

GERMANY IS now passing through one of those great historic hours upon which the fate of the German people, the fate of Europe, and in significant measure the fate of all humanity, will depend for decades. If you place a ball on top of a pyramid, the slightest impact can cause it to roll down either to the left or to the right. That is the situation approaching with every hour in Germany today. There are forces which would like the ball to roll down towards the right and break the back of the working class. There are forces which would like the ball to remain at the top. That is a utopia. The ball cannot remain at the top of the pyramid. The Communists want the ball to roll down toward the left and break the back of capitalism. But it is not enough to want; one must know how. Let us calmly reflect once more: is the policy carried on at present by the Central Committee of the Communist Party of Germany correct or incorrect?

### What Does Hitler Want?

The fascists are growing very rapidly. The Communists are also growing but much more slowly. The growth at the extreme poles shows that the ball cannot maintain itself at the top of the pyramid. The rapid growth of the fascists signifies the danger that the ball may roll down toward the right. Therein lies an enormous danger.

### What Trotsky proposed

Complete independence of the Communist organization and press, complete freedom of Communist criticism, the same for the Social Democracy and the trade unions. Only contemptible opportunists can allow the freedom of the Communist Party to be limited. We are not of their number.

No retraction of our criticism of the Social Democracy. No forgetting of all that has been. The whole historical reckoning, including the reckoning for Karl Liebknecht and Rosa Luxemburg, will be presented at the proper time, just as the Russian Bolsheviks finally presented a general reckoning to the Mensheviks and Social Revolutionaries for the baiting, calumny, imprisonment and murder of workers, soldiers, and peasants.

But we presented our general reckoning to them two months after we had utilized the partial reckoning between Kerensky and Kornilov, between the "democrats" and the fascists - in order to drive back the fascists all the more certainly. Only thanks to this circumstance were we victorious. (In the Russian Revolution of 1917, the Bolsheviks defended the Provisional Government of the reformist Kerensky against open counter-revolution by Kornilov through a workers' united front.)

When the Central Committee of the Communist Party of Germany adopts the position (of a workers' united

front), the entire approach to the Social Democratic masses and the trade union organizations will change at once: instead of the articles and speeches which are convincing only to those people who are already convinced without them, the agitators will find a common language with hundreds of thousands and millions of new workers. The differentiation within the Social Democracy will proceed at an increased pace. Only by this road is victory possible.

But it is necessary to desire this victory. In the meantime, there are among the Communist officials not a few cowardly careerists and fakers whose little posts, whose incomes, and more than that, whose hides, are dear to them. These creatures are very much inclined to spout ultra-radical phrases beneath which is concealed a wretched and contemptible fatalism. "Without a victory over the Social Democracy, we cannot battle against fascism!" say such terrible revolutionists, and for this reason ... they get their passports ready.

Worker-Communists, you are hundreds of thousands, millions; you cannot leave for anywhere; there are not enough passports for you. Should fascism come to power, it will ride over your skulls and spines like a terrific tank. Your salvation lies in merciless struggle. And only a fighting unity with the Social Democratic workers can bring victory. Make haste, worker-Communists, you have very little time left! ■



# More Reality Strikes Hollywood !

by a BECTU member

THE WRITERS Guild of America strike won an important victory with the cancellation of the Golden Globe awards show due to their pressure and solidarity from the actors union.

The huge publicity produced by the Oscar awards campaign is worth many more millions of dollars to the Hollywood studios than the millions it costs. The Oscars ceremony will be the next target.

The WGA have also made progress in negotiating a deal with United Artists, now part owned by the world's number two Scientologist Tom Cruise.

But this two month old strike is proving a tough battle. The Alliance of Motion Picture and Television Producers (AMPTP) which basically represents the Hollywood studios scuppered talks in early December by presenting an ultimatum that the WGA drop key proposals from the talks, which was rejected.

The central issue at the start of the dispute was the demand for a bigger share of DVD and Internet revenues. The unions, and also sometimes the 'talent agents' who represent the workers individually, negotiate a small share of what the projects earn from box office or sales or repeats etc. as part of their remuneration, called 'residuals'.

The WGA seem to have agreed to take the DVD deal off the table at the request of the AMPTP in order to concentrate on the entirely new Internet issue. But then the Producers' negotiators blocked any serious progress.

Another element of the dispute is the WGA's attempt to bring new sections of writers under their agreement. It currently represents people who write scripts for sitcoms, dramas, talk shows and movies but is proposing to include writers who work on animated series, reality shows and material for web sites.

## Future negotiations

The studios are all owned by conglomerates: Sony (Columbia, SPC, Screen Gems), Time Warner (New Line, Warner Bros.), Viacom (Paramount, Dreamworks), NBC (Universal, Focus) and Murdoch's News Corporation (20th Century Fox). They all have TV and New Media interests and fear that if the WGA organizes these currently non-guild workers they will be much much stronger in future negotiations.

In Britain the media unions were badly damaged by Thatcher outlawing (no pun intended) the closed shop in the mid 1980s. But despite the long running attacks against unions in America they remain strong in the film industry - concentrated in Los Angeles and historically called 'Hollywood'.

As well as the WGA, actors and directors are also well organized in the Screen Actors Guild and the Directors Guild of America. Crafts people and technicians are also well organized in IATSE and the Teamsters have a pretty firm grip on everything that moves.

The next big pressure point on the employers is 'Pilot season' when potential

new series are tested out with limited runs. The production line must be fed with new ideas and new projects or there will be a serious hiccup in the money making.

It's a bit like any factory, except every product is unique (or slightly unique!) and its profitability is uncertain, so something new has to be coming along to make up for the last flop.

Huge amounts of money are at stake - Disney's earnings rose from \$3.4bn to \$4.7bn for the 2007 financial year - though that includes other activities like theme parks it is all based on their movie business and the brand that has created.

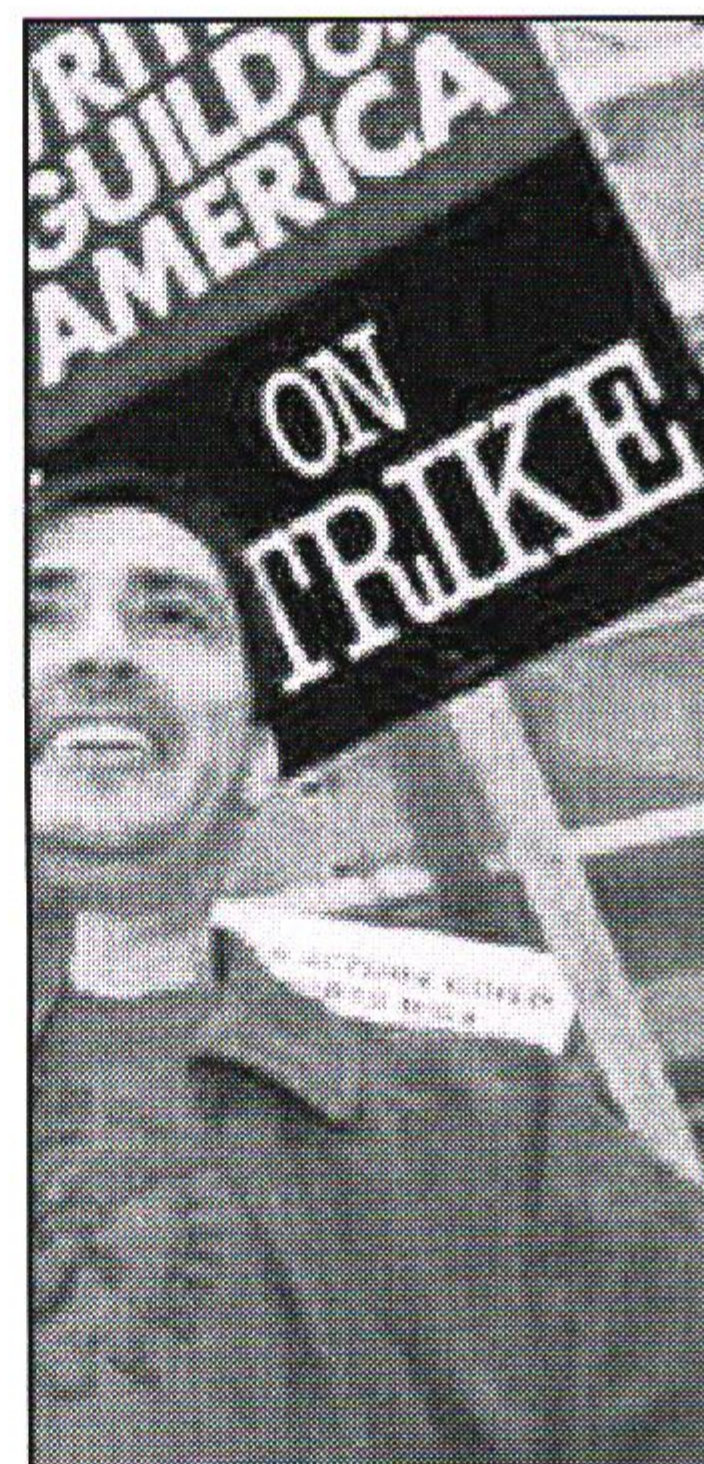
It's true that a privileged handful of actors, writers and directors get big pay-days, just like successful sportspeople. But according to the guild, over a five-year period, the average Hollywood writer makes about \$62,000 annually.

Beyond the economic issues there is a massive cultural impact on the minds of millions of people around the world. This is well understood as an important tool of US imperialism in defending and extending its global domination. Satellite TV and now the internet have extended it into even the poorest societies.

So it is important to spread the news that right at the heart of the richest and most powerful capitalist power in history, in the most glamorized and mythologized activity, workers are organized into strong trade unions. And they fight to defend their interests as workers selling their labour. □

See top writer and director Tony Gilroy put the writers' case:

<http://www.youtube.com/watch?v=z0eb9Cb5y1M>



## The referendum defeat - What does it mean?

by Alan Woods

ON MONDAY, 03 December 2007, the Venezuelan National Electoral Commission announced the results of the referendum on constitutional reform. The proposals for constitutional change were defeated by the narrowest of margins, with 4,504,354 votes against, (50.70%) and 4,379,392, (49.29%) for the YES. Soon afterwards, president Chávez was on the television accepting the results. He said that the proposed reforms had not been approved "for now", but that he would continue to struggle to build socialism.

The result, as could be expected, was greeted with jubilation by the right wing opposition and all the reactionary forces. For the first time in almost a decade they have secured a victory. There were scenes of jubilation in the well-off middle class areas of Caracas. "At last we have shown that Chavez can be defeated! At last the slide towards communism has been stopped! At last we have given the rabble a lesson!"

The joy of the reactionaries is both premature and exaggerated. A glance at the results shows that the voting strength of the opposition has barely increased. If you compare these results (after

88% of the votes had been counted) with the 2006 presidential elections, the opposition has only increased its vote by about 100,000, but Chávez lost 2.8 million. This means that support for the counter-revolution has not significantly increased from its highest point one year ago.

### How the bourgeoisie "informs"

A whole number of factors contributed to this result. The bourgeoisie have in their hands powerful instruments for shaping public opinion. They organised a full mobilisation of the reactionary media in a hysterical campaign of lies and slander against Chavez, the Revolution and socialism. This scare-mongering campaign of the reactionary opposition undoubtedly had an effect on the more backward sections of the population.

This is true but it does not answer the question of why the "no" vote won. The main element in the equation was abstention: a large number of Chavistas did not bother to vote. The question must be asked: why did they not vote? The bureaucrats and middle class cynics will blame the masses for their alleged apathy. That is completely false. The masses have consistently voted for Chavez

in every election and referendum. They voted massively in December 2006. But now there are signs of tiredness. Why?

After all the talk about socialism, the oligarchy is still firmly entrenched and uses its wealth and power to sabotage and undermine the Revolution. The coup plotters of 2002 are still at liberty. The right wing media are free to spew out lies and slanders against the Revolution. Peasant activists are murdered and nothing is done about it.

Despite the reforms of the government, which have undoubtedly helped the poor and disadvantaged, the majority still live in poverty. The problem of homelessness remains unsolved. The sabotage of the landlords and capitalists is causing shortages of basic products. All this has an effect on the morale of the masses.

### The Fifth Column

The Chavista bureaucrats once again showed their complete inability to organize a serious mass campaign. They failed to answer the lies of the opposition. They failed to explain the many points in the reformed constitution that would have benefited the working class, such as the 36-hour week. How could they, when they themselves are opposed to such socialist measures?

A comrade in Mérida described it in this way: "It was a stupid campaign in which the posters only said that if you voted for Chávez it was out of 'love', while the campaign of the right wing was vicious. They said that everything would be taken away from people, that if you had two houses one was going to be taken away, if you had two cars, one was going to be taken away, that new-born children were going to be taken away by the 'socialist' state."

### Balance of forces

The real balance of class forces was shown by the rallies at the end of the referendum campaign. As in December 2006, the opposition moved heaven and earth to mobilize its mass base and succeeded in assembling a large crowd. However, the next day the streets of central Caracas were flooded by a sea of red shirts and banners. The two rallies revealed that the active base of the Chavistas is five or eight times bigger than that of the opposition.

The picture is even clearer when it comes to the youth. The right wing students are the storm troops of the opposition. They have been the main force organizing violent provocations against the Chavistas. They got 50,000 at their biggest

rally, on the most optimistic estimate. But the Chavista students had 200,000 or 300,000 on their rally. In this decisive area of struggle - the youth - the active forces of the Revolution greatly outnumber those of the Counter-revolution.

On the side of the Revolution stand the overwhelming majority of the workers and peasants. This is the decisive question! Not a light bulb shines, not a wheel turns, not a telephone rings without the permission of the working class. This is a colossal force once it is organized and mobilized for the socialist transformation of society.

The counter-revolutionaries and imperialists understand the situation clearly. The masses have been aroused to political life by Chavez and are fiercely loyal to him. The bourgeoisie have tried everything to remove Chavez but have failed. Each counter-revolutionary attempt has been shattered on the rock of the mass movement.

They have therefore decided to arm themselves with patience and play a waiting game. Chavez has been elected for six years and therefore has five more years to run. The first step of the bourgeoisie was to ensure that he could not stand for election after that. That was the importance of this referendum from their point of view. They calculate that if they can get rid of Chavez one way or the other the Movement will split in pieces and disintegrate, allowing them to take power back into their hands.



The opposition is cautious because it is aware of its weakness. It knows it is not strong enough to go on the offensive. But on the basis of "national accord", it is trying to get Chavez to water down his programme. If they succeed in this it will demoralise the Chavista rank and file, while the reformists and bureaucrats will feel strengthened.

It is an intelligent tactic, but there is a problem. Despite the referendum result, they are stuck with Chavez till 2012-13 and no other important elections are on the horizon. In a situation like Venezuela many things can happen in five years.

For the masses the question of socialism and revolution is not an abstract question but is very concrete indeed. The workers and peasants of Venezuela have been extraordinarily loyal to the Revolution. They have shown a high degree of revolutionary maturity and willingness to fight and make sacrifices. But if the situation drags on for too long without a decisive break, the masses will start to tire. Beginning with the most backward and most inert layers, a mood of apathy and scepticism will set in.

The growing scarcity of basic products and inflation, affects mainly the working class areas, which are the basis of Chavismo. It is this that is undermining the Revolution, and not "going too far". You cannot make half a revolution.

### **Elections and the class struggle**

Marxists do not refuse to participate in elections. That is the position of anarchism, not Marxism. In general, the working class must utilise every democratic opening that is available to assemble its forces, to conquer one position after another from the class enemy and to prepare for the conquest of power.

Even after the defeat in the referendum, Chavez has enough powers to carry out the expropriation of the landlords, bankers and capitalists. He has control of the National Assembly and the support of the decisive sections of Venezuelan society.

An enabling act to expropriate the land, banks and big private enterprises would provoke enthusiastic support among the masses.

The level of abstentions that handed this narrow victory to the opposition is a warning. The masses are demanding decisive action not words! It may be that this defeat will have the opposite effect. It can rouse the masses to new levels of revolutionary struggle. Marx said the revolution needs the whip of counter-revolution. We have seen this more than once in the last nine years in Venezuela.

You cannot make an omelette without breaking eggs and you cannot win a fight with one arm tied behind your back. A revolution is not a game of chess with clearly defined rules. It is a fight between mutually antagonistic and irreconcilable class interests. Decisive measures are necessary to defend the Revolution and disarm the Counter-revolution.

The victory of the "no" in the referendum will act as a salutary shock. The Chavista rank and file are furious and point the finger at the bureaucracy, which they rightly blame for the setback. They are demanding action to purge the right wing from the Movement. That is absolutely necessary! □

**Our slogans must be:  
No retreat! No deals with the opposition!  
Carry the Revolution forward!  
Kick out the bureaucrats and careerists!  
Expropriate the oligarchy!  
Arm the working people to fight against reaction!  
Long live Socialism!**

## Marxists mobilise to avenge Bhutto's murder

**We have just received this extremely important report from the comrades in Pakistan. It indicates that the assassination of Benazir Bhutto has had the effect of a catalyst that is impelling the masses onto the revolutionary road. The situation is now beginning to resemble that of tsarist Russia after Bloody Sunday in 1905. The Pakistan Marxists of The Struggle are playing a leading role in the mass movement, as this report clearly shows. By combining transitional democratic demands with the idea of socialist revolution, they are gaining the ear of the masses and preparing the ground for major revolutionary developments in this huge Asian country of 160 million inhabitants.**

by Adam Pal

THERE WAS an immense outpouring of anger and sorrow as the masses in Pakistan heard the news of the assassination of Benazir Bhutto. The Marxists intervened massively all over the country in the protests leading the movement, in many areas. Where they intervened the mood changed from one of mourning to one of determination to put an end to the rotten feudal/capitalist system through socialist revolution.

The brutal assassination of Benazir at the hands of the Pakistani state is not the first incident of deliberate targeting of the leaders of the masses in this country. Her father Zulfiqar Ali Bhutto was hanged and her two brothers were cruelly assassinated. However, the mammoth reaction of the downtrodden masses after this cold-blooded murder has never been seen before on such a scale in this part of the world.

For the poverty-stricken and impoverished people of this country Benazir personified a dream, a dream of a prosperous and bright future that would lift them out of their filthy and miserable lives. When the reactionary elements of the State took away what seemed their only hope, the masses came out in huge numbers to

show their grief and anger against the State. Most of the state apparatus was reduced to ashes throughout the country, especially in Sindh. The banks, which are a symbol of capitalist exploitation, were also the main target of the anger of the masses.

On 28th, 29th and 30th of December there was effectively no government in the country. All the state functionaries were hiding away from the wrath of the masses and whole country had come to a standstill. During these days the focus of attention was on Naudero, the ancestral village of the Bhutto family, where Benazir was laid to rest on 28th December 2007. All the power had been shifted towards the leadership of the PPP, which held its Executive Committee meeting in Naudero on 30th December.

Our comrades had arrived in Naudero before the meeting in big numbers and had joined the thousands of people in mourning. The prevailing mood was one of grief. But the arrival of our comrades changed the mood from one of mourning to one of revolutionary ferment when the comrades started shouting revolutionary slogans. Comrades led by Rauf Lund

raised slogans like "Benazir from your blood, revolution will come" and "Bhutto is alive, is alive" the whole atmosphere was charged once again and people instead of crying vowed to take revenge for their murdered leader.

The mood of radicalisation after the assassination has also affected the youth. A big shift in the leadership of the Punjab Peoples Students Federation (PSF) took place on 8th January. Comrade Zohaib Butt was appointed the Secretary General of Punjab PSF in a meeting in which student leaders and office bearers from the whole province were present. In this meeting students vowed to take revenge for this killing by working towards a socialist revolution and they will hold 'Revenge for Benazir' conventions in all the districts of the Punjab. It was also decided that a new revolutionary manifesto of the PSF will be published in a few weeks.

### Leaflet

A leaflet on the assassination of Benazir was published by comrades of The Struggle and the PTUDC together with the Punjab PSF in big numbers. People eagerly snatched the leaflet from our hands and the quarter of a million copies of

the leaflet we had printed were exhausted immediately. This leaflet of the Pakistan Marxist tendency was the only literature in the country that was produced by anyone. It put forward a revolutionary alternative and stated that the revenge for this killing could only be a socialist revolution.

This leaflet was also reproduced in the Sindhi language and was distributed throughout the whole province massively. It was also reproduced in many cities by contesting candidates of the PPP and was distributed in huge numbers. In Karachi people asking for copies of the leaflet besieged our electoral offices.

One of the demands in the leaflet was to form resistance and protest committees to organize the wrath of the masses. Many such committees were formed around the country independently and then linked up with our comrades, who are giving them the necessary aims and leadership. Most of these committees are active and are effectively working in their areas.

Protest rallies all over the country

Comrades led a number of rallies in all the major cities and towns in which thousands of people partici-

pated.

Rawalpindi is the city where Benazir was assassinated. Her father Z.A. Bhutto was also hanged in this city. This city was one of the most ravaged by the angry workers. Comrades participated in all the agitational activities and distributed leaflets in big numbers.

In Rahimyar Khan our comrades led huge rallies in the city and presented a revolutionary programme to take revenge. A heavy crackdown against PPP workers was launched after the rallies in which nearly 300 workers were arrested. Around 25 comrades have been falsely accused of "terrorist activities" and are now underground at various places in the city. Comrade Haider Chughtai is wanted by the Police who have been searching for him all over the city but so far he has not been arrested.

In Karachi on the day of the assassination the city was a complete inferno. Banks and government buildings were ransacked and there was some tension between the communities along linguistic lines but the PPP supporters cut across these arsonist elements demanding a free and fair investigation of the assassination of Ms. Bhutto. Comrade Riaz Lund, a steelworker and Marxist, who is contesting elections in the NA-257 constituency, organized many memorial meetings along with District President Raja Razaq, Rafiq Baloch and other party leadership in Karachi.

Leaflets are being distrib-

uted in all the homes in the constituency which has 385,000 voters. Also leaflets are being distributed at memorial meetings being held in other parts of Karachi. A big meeting was held by the union of the PIA workers in which comrades spoke for a revolutionary alternative. Resistance committees are also being rapidly formed in the Malir District.

The first protest committee in the country was formed at Pakistan Steel where comrade Lal Khan, the leader of the Struggle, was present at the time of the incident. This committee is leading the workers of the Steel Mill in all agitation activities. A revenge convention by the BNT is also being planned in Labour Square where thousands of workers from various industries live.

Balochistan, where war has been raging and many lives lost, also saw many protest activities. Despite the difficult conditions, the comrades of the Struggle led huge rallies in the Province's main city of

Quetta to protest the killing. Comrade Nazar Mengal, Secretary General of the Peoples Labour Bureau Balochistan, along with Arbab Sardar Ali and Ali Ahmed Parkani led the rally. The workers of the Balochistan National Party also joined this huge rally. This shows how the revolutionary class struggle can cut across all national barriers and unite the working people in common struggle.

In Pakhtoonkhwa (formerly the North West Frontier Province) agitation activities were held throughout the whole province. Our comrades led the protests in Malakand, Mardan, Charsadda, Sawabi, Buner, Peshawar, Bannu and D.I.Khan.

In Kashmir comrades led the rallies in Rawlakot, Khaigala, Hajeera, Bagh and Muzzafrabad and they also participated in large numbers in Plandri, Sainsa and Kotli. In Rawlakot a students' action committee formed soon after the incident organized a "Revenge Benazir Revolutionary

Caravan". This committee is composed of the JKNSF, JKPSF and JKPSO, the main Student Federations in Kashmir.

Nearly 5,000 students of the area participated in this caravan. At the end of the caravan a public meeting was held in which Chief Guest was Comrade Adil Khan, president of the JKNSF and Tasleem Baghi, Chairman of the PSO. It was chaired by Comrade Zia ul Qamar.

More than 100 vehicles were present on this impressive caravan. Stage Secretary was comrade Babrik, while speakers included the central leader of the PPP Sardar Azeem and Amjad Shaswar, BNT Organizer in Kashmir. All the demands in the leaflet were presented as resolutions, which were accepted unanimously.

## The forthcoming period

The elections have been delayed till 18th February. Our demand has been throughout the movement for no delay and for immediate elections, but the decision has been taken. Now the comrades are focusing on the general election campaign. Several Marxists candidates are standing on PPP tickets, for example in Kasur, Karachi and even in the tribal area of Waziristan, on the border of Afghanistan. It is of crucial importance that the Marxists win some seats, to give the downtrodden masses a revolutionary voice in the Pakistani parliament. □

Big protest on January 3rd in Rawalakot (Kashmir) organized by the Pakistani Marxists of The Struggle against Benazir Bhutto's assassination



## Equality v jobs?

On January 2nd the *Guardian* ran a feature under the headline 'Fight for equality that could put jobs at risk.' They interviewed Rosaline Wilson who had engaged a no-win-no-fee firm of lawyers to pursue an equal pay case against her employers, the local council.

She was awarded £32,000 and ended up with £18,000 for herself. Not surprisingly, she was critical of her union. "The union said we were rocking the boat. They told us they would sort it, that we'd lose our jobs [if we went ahead] but they never did sort it."

The GMB responded that they were just, "living in the real world where it is not always possible to get everything you want when you want it." If the unions carry on with this attitude, workers like Rosaline understandably won't see any point in joining. The issue is about back pay. If female workers have been discriminated against for years, then they are entitled to back pay to right the wrong.

No-win-no-fee lawyers take 25% plus VAT if they win a case. That's a lot of money. Rosaline 'lost' £14,000 of her award to the lawyers. And they're basically piggybacking on a principle that was established by the union in the first place.

Ron Graves writes of the Carlisle health workers' equal pay victory, potentially worth £340 million, "The supporters of the magazine 'Socialist Appeal', who formulated and processed the case from start to finish, recognise that the result threatens to drive a coach and horses through Agenda for Change as well as Single Status in local government. The question is whether or not activists will now take up the Carlisle case as a beacon in the campaign for real pay rises in the public services. I think we all need to publicise the result in Carlisle and put pressure on our unions, regionally and nationally, to demand equitable settlements throughout the NHS and the rest of the public sector."

These deals like Single Status in local authorities and Agenda for Change in the NHS are intended to be cosy deals with management that introduce equal pay (which we all support) as an 'affordable' parody of a real equal value pay system. In effect they take management's word as to what capitalism can and cannot afford, rather than demand an objective evaluation of jobs and any resulting pay rises. In doing so they are selling out some members' interests. Unions must fight for the best deal for every worker. □



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## fighting fund

### Special Fundraising Drive

# Keep it up!

LAST ISSUE I reported on the Xmas drive to raise £6,000 plus towards the cost of a new collating and finishing machine for our press (not to mention a couple of new computers and a pamphlet maker) to be got in for the new year.

Well with donations and pledges combined we have passed the £6,000 mark - well done everybody - but we need to keep it up. Those who have pledged need to redeem those promises and those who have yet to contribute should consider rushing their donation in now. Remember unlike Peter Hain we cannot rely on any donations coming in from rich but strangely secretive individuals and weird thinktanks. You are our only source of finance.

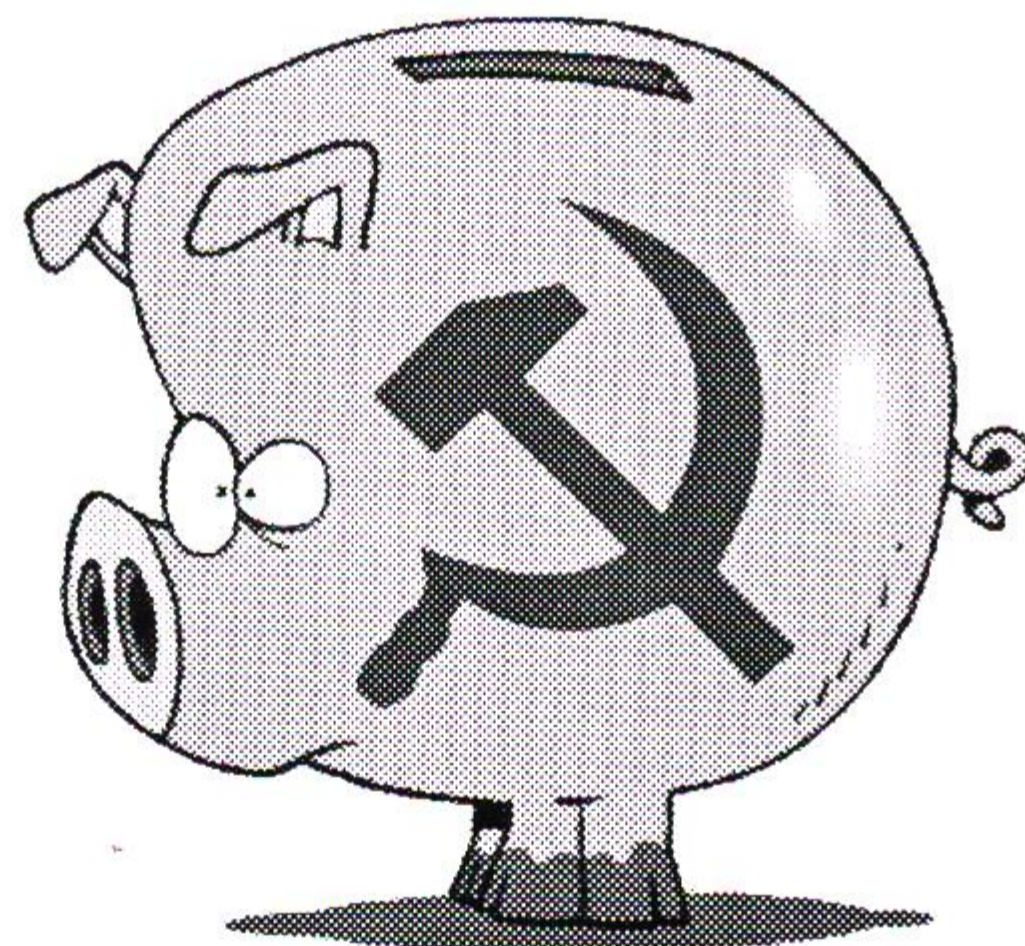
Donations can be made by cheque/PO (made payable to Socialist Appeal SC) to us at Socialist Appeal, PO Box 50525, Poplar, London E14 6WG.

Cash payments can be made over the counter at any branch of Abbey (National) by paying into account K2018479SOC. Cheques can also be paid into this account using this method.

You can also donate by credit card by going to the wellred online book site at [wellred.marxist.com](http://wellred.marxist.com). On the main page, click on the Donations heading, near the top of the page, and then click on the special Socialist Appeal Xmas appeal banner to start entering your details and the amount you wish to give. Nothing could be simpler. You can also order books etc. at the same time.

Please treat this appeal with the utmost urgency. This cash is needed and it is needed now. □

Steve Jones



# Police and prison officers - no strike ban!

NOW JACK Straw has rushed through rules making strike action by the Prison Officers illegal. Straw is reintroducing rules brought in by Michael Howard, the despised former Tory Home Secretary, in 1994. Once again New Labour are aping the Tories. 35 rebels voted against the ban. The Tories voted for it. After all, it was their ban. Their spokesperson in Parliament jeered that he was glad Labour had been converted to 'Thatcherite legislation.'

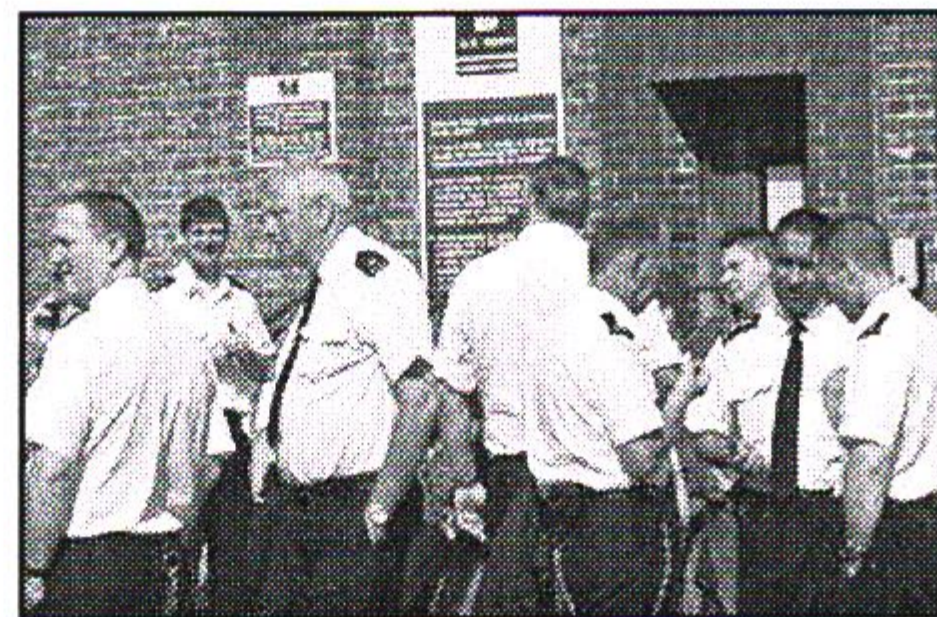
The regulations could also be used against other actions by those whom the government designates 'emergency' workers.

Last summer the government got an injunction against proposed industrial action by the Prison Officers' Association. It was totally ignored. The strike went ahead in any case. Straw says a repeat performance doesn't

bear thinking about. He wants a strike ban.

The Executive of the POA was full of Labour supporters, who hoped the government would be different from the high-handed Tories. They have been sadly disillusioned. Colin Moses says, "For 10 years we have promoted the Labour party. We will now actively tell people to vote against the Labour party. We feel betrayed by this New Labour government."

Prison officers are traditionally regarded as a conservative section of the working class. They are close to the Police Federation, an organisation that is now demanding the right to strike. Both are, of course, a part of the state machine. The government is not just showing its political insensitivity. The threat to the POA is really an insult to every trade unionist in the land. New Labour is also being very



short-sighted. They have already infuriated the police when Jacqui Smith, in order to save peanuts, scrapped an arbitration award for their pay that had already been budgeted for by the police authorities.

Disaffection within the functionaries of the state is dangerous for any ruling party. Disaffecting your own supporters is not sensible politics. Euripides had a saying that those whom the gods destroy they first make mad. That seems to be true of New Labour. We need to defend the rights of the POA and the principles of free trade unionism from them. □

## Socialist Appeal Stands for:

✎ **For a socialist programme to solve the problems of working people.** Labour must break with big business and Tory economic policies.

✎ **A national minimum wage of at least two-thirds of the average wage.** £8.00 an hour as a step toward this goal, with no exemptions.

✎ **Full employment!** No redundancies. The right to a job or decent benefits. For a 32 hour week without loss of pay. No compulsory overtime. For voluntary retirement at 55 with a decent full pension for all.

✎ **No more sell offs.** Reverse the Tories privatisation scandal. Renationalise all the privatised industries and utilities under democratic workers control and management. No compensation for the fat cats, only those in genuine need.

✎ **The repeal of all Tory anti-union laws.** Full employment rights for all from day one. For the right to strike, the right to union representation and collective bargaining.

Election of all trade union officials with the right of recall. No official to receive more than the wage of a skilled worker.

✎ **Action to protect our environment.** Only public ownership of the land, and major industries, petro-chemical enterprises, food companies, energy and transport, can form the basis of a genuine socialist approach to the environment.

✎ **A fully funded and fully comprehensive education system under local democratic control.** Keep big business out of our schools and colleges. Free access for all to further and higher education. Scrap tuition fees. No to student loans. For a living grant for all over 16 in education or training.

✎ **The outlawing of all forms of discrimination.** Equal pay

for equal work. Invest in quality childcare facilities available to all. Scrap all racist immigration and asylum controls. Abolish the Criminal Justice Act.

✎ **The reversal of the Tories' cuts in the health service.** Abolish private health care. For a National Health Service, free to all at the point of need, based on the nationalisation of the big drug companies that squeeze their profits out of the health of working people.

✎ **Trade unions must reclaim the Labour Party!** Fight for Party democracy and socialist policies. For workers' MPs on workers' wages.

✎ **The abolition of the monarchy and the House of Lords.** Full economic powers for the Scottish Parliament and the Welsh Assembly, enabling them to introduce socialist measures in the interests of working people.

✎ **No to sectarianism.** For a Socialist United Ireland linked by a voluntary federation to a Socialist Britain.

✎ **Break with the anarchy of the capitalist free market.** Labour to immediately take over the "commanding heights of the economy." Nationalise the big monopolies, banks and financial institutions that dominate our lives. Compensation to be paid only on the basis of need. All nationalised enterprises to be run under workers control and management and integrated through a democratic socialist plan of production.

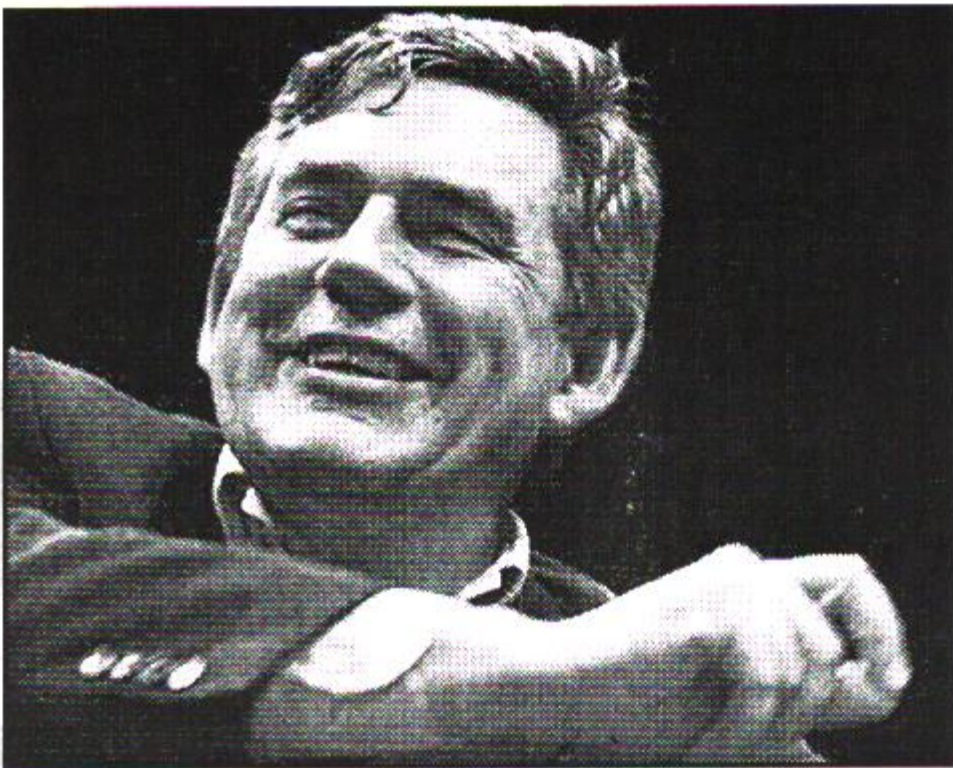
✎ **Socialist internationalism.** No to the bosses European Union. Yes to a socialist united states of Europe, as part of a world socialist federation.



# Socialist Appeal

Marxist voice for labour and youth

## Say no to three year deals



**Gordon Brown and Chancellor Darling are trying to cut public sector pay and impose three year pay deals. Why?**

THEY SAY they are worried about inflation. Anyone who lives in the real world will have noticed that petrol and bread and milk have gone up in price recently. But is this because teachers' or civil servants' pay is spiralling out of control? Of course not. In the first place public sector pay settlements were very moderate last year. Secondly only economic illiterates (as the Prime Minister and Chancellor seem to be) could argue that public sector pay deals make the price of bread and milk go up.

The fact is that the government has got itself into a pickle. Now they need to rein in public spending. They have the biggest government budget deficit in Europe. So much for prudence! So they propose that public sector workers who will get it in the neck because they've made a hash of running the economy.

Why do they want three year pay deals? Is it because they've got inflation licked? On the contrary. It's because inflation is out of their con-

trol. Three year deals are a deliberate ploy to cut the living standards of ordinary workers. That is why the government has refused to index the proposed pay deals to the actual inflation rate. New Labour wants the public sector workers to pay the price for inflation that is none of their fault. At the same time Gordon Brown says he can't do anything about obscene city bonuses.

The government says the pay deals are to be based on a projected inflation rate of 2%. As a 'concession' they have offered the teachers 2.45% this year. Do they think unions are living in cloud cuckoo land? Last year the Retail Price Index went up by 4.1%. Inflation's rising all the time.

The teachers' union leaders say they're not having it. Local authority workers say they want 6%. Fine words. The union leaders should be all meeting together and preparing to resist the offer with strike action. What is needed is a unified movement of all the public sector unions to throw out the proposals. This is what didn't happen last year. This is what is needed for 2008.

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