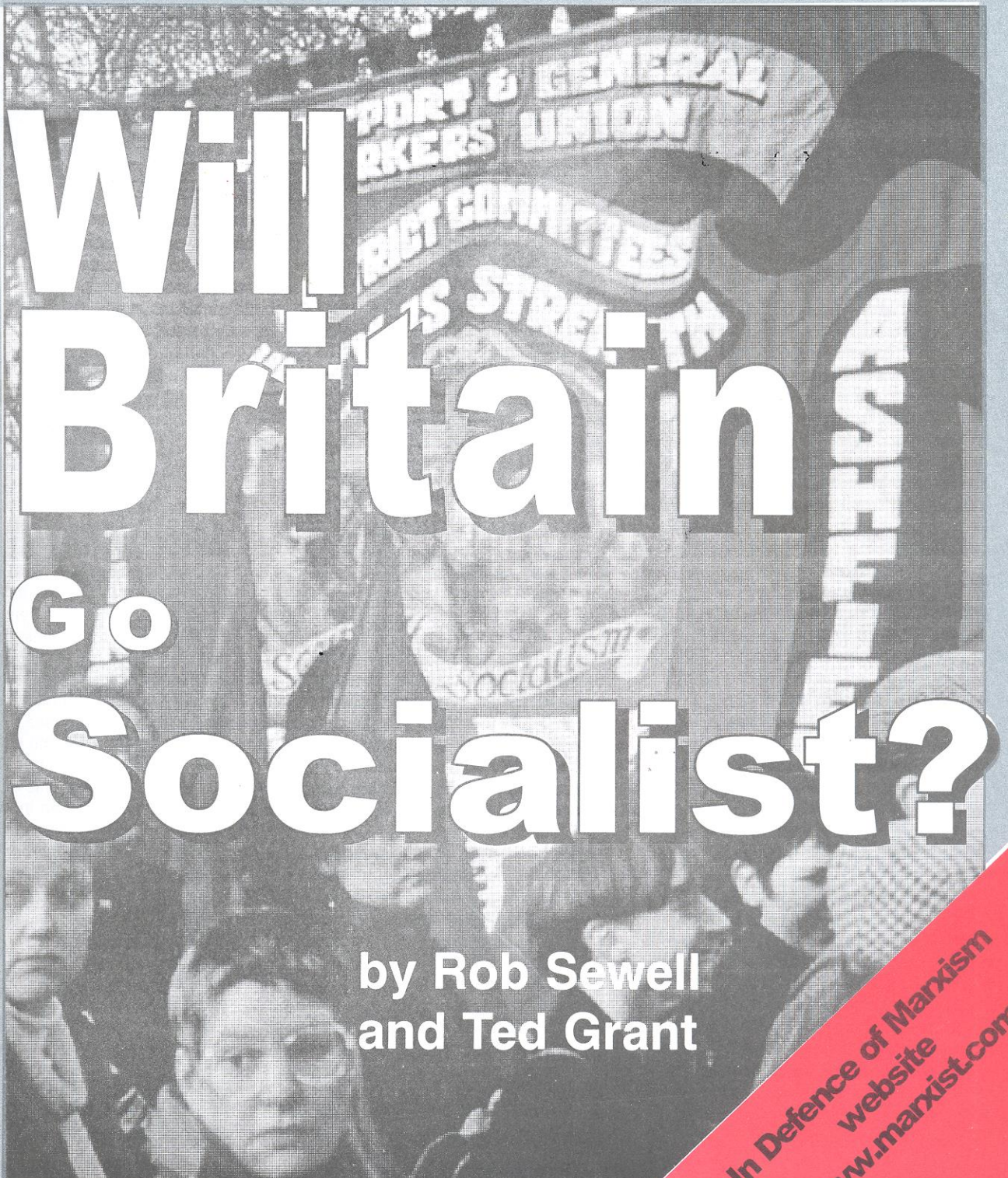


socialist *appeal*



Will Britain Go Socialist?

by Rob Sewell
and Ted Grant

The Marxist voice of the labour movement price: £1

special
issue
no.71

In Defence of Marxism
website
www.marxist.com

Epoch of profound instability

We are living in an epoch of profound instability. Practically every corner of the globe is affected by economic, political or social crisis. The imperialist onslaught on Yugoslavia represents a new stage internationally. War has been waged on the European continent for the first time since 1945. The relative "calm" of the cold war period, where relations between the main powers appeared fixed, has given way to rivalries and tensions not seen since prior to the First World War. Over the past few years we have witnessed the titanic events of the Albanian revolution, which developed on classical lines, similar to the Russian February revolution of 1917 and the Spanish revolution of 1936. Unfortunately, due to the lack of leadership, the movement was derailed by the ex-Stalinists. Following this was the mighty events of the Indonesian revolution, which is still unfolding today. More recently, has been the opening shots of the Iranian revolution. Events have shown the heroic actions of the youth and other layers that have taken on the powerful machine of the Iranian state. The masses have lost their fear, and whatever the short-term position, will end up toppling the rotten Iranian regime, opening the way for the socialist revolution, with all its revolutionary implications for the Middle East and elsewhere.

The collapse of Stalinism and the move towards capitalist restoration has opened up a catastrophe for the peoples of Russia and Eastern Europe. Although imperialism was jubilant at their "victory", with George Bush declaring a New World Order, things have turned out differently from what they originally envisaged. The fall of the Berlin Wall, despite the continuing world boom, has witnessed the rise of Mafia capitalism in Russia accompanied by a protracted social, political and economic crisis that threatens to engulf the country. The August devaluation and their loan default sent shock waves throughout the capitalist world. Despite a certain "stability" in the past period, the government's cuts in real wages and pensions has thrown millions more into poverty. The stock market, which slumped by more than 90% last year, is up 145% in 1999, making it the best perform-

ing stock market in the world. "Close your eyes and you could be back in those heady pre-crash days of 1997," states the *Financial Times* (9/7/99). But this is an illusion. "This is scary," said one foreign banker in Moscow. "The country has had a shot of adrenaline thanks to higher oil prices and the liquidity in global markets. But everything on the structural side is still a disaster." The whole situation in preparing the way for a new Russian revolution.

The past period has seen intense rivalry and competition between the world powers, as they struggle for new markets and spheres of influence. The NATO bombing of Yugoslavia is, on the one hand, an example of the arrogance of imperialism, especially American imperialism, and on the other an expression of the new stormy period we have entered. The capitalist system is returning to its "normal" condition. It is an epoch of wars, deep slumps, revolutions and counterrevolutions, which will be further exacerbated by the downturn in the coming period. Dialectically, the stability of the post war period is turning into its opposite. Such conditions, will produce profound changes of consciousness amongst the classes in Britain and internationally.

Historical Materialism

Historical materialism explains that history does not move evenly or in a straight line. There are periods of relative calm, in which events and processes unfold slowly, followed by convulsive leaps and crises. The whole historical process is a contradictory one. Even the opening up of a stormy revolutionary period contains periods of lull, setback and even reaction. In order to understand the period opening up in Britain and on a world scale, we have to clearly understand the laws that govern these contradictory changes, and identify when quantitative changes in economy, politics and society give rise to qualitative changes.

What Marx and Engels wrote about in the Communist Manifesto has been born out to an astonishing degree. The most striking feature of the present epoch is the crushing domination of the capitalist world market. In terms of trade the world is now more integrated than ever before. In 1820 trade accounted for only about 1% of world economic output; by 1913, it had grown to 8.7%. In the last eight decades since 1914 there has been a ten-fold growth of world trade and a growth of direct overseas investment by fifteen times.

This development, in turn, has served to transform the world, resulting in the emergence of the working class as the decisive force on the planet. Added to the mighty proletariat of the west has come the development of the working class in the so-called Third World. Thus in South Korea 78% of the population lives in urban areas. In Taiwan agriculture now accounts for only 10% of the workforce. In Venezuela 92% of today's population is urban. In Mexico 75% live in the towns. These figures graphically illustrate the strength of the proletariat worldwide. They demonstrate the very favourable class balance of forces, which has emerged from the post-war global industrialisation. To a far greater extent than ever before, the unfolding revolution assumes the character of a world revolution.

Alongside this has developed the concentration and centralisation of capital to unheard of levels. Some 400 capitalist billionaires have accrued more personal wealth than the total combined income of half the world's population. The world's three richest billionaires - Bill Gates, Robson Walton and the Sultan of Brunei - have assets worth more than the combined gross domestic product of all the least-developed countries and the hundreds of millions of people who live in them. Giant monopolies stride the world market and dictate the course of world developments. They are engaged in a frenzy of acquisitions and mergers, creating even more powerful conglomerations. In turn, they are fighting a ferocious battle to conquer every possible market as a means of extending their power and influence.

On a world scale, the situation is not only ripe for socialism, but rotten ripe. This is shown by the elements of social disintegration, which flow from the crisis of capitalism. At the present time, this can be seen in its crudest form in parts of the Third World, where the impasse of the system has resulted in the breakdown of society and the lumpenisation of layers of the population. Elements of barbarism have also emerged, especially in parts of Sub-Saharan Africa. Famine, civil war and grinding poverty have become the norm in countries like the Congo, Rwanda, Burundi, Sierra Leone and also Sudan. Now this situation has spread to the more advanced countries as the NATO bombing of Yugoslavia confirm. This is a warning of what can be expected if the working class

fails to take power into its hands and transform society. As Marx warned long ago, ultimately the choice will be one of socialism or barbarism.

These developments are an extreme expression of the new stage of capitalism, characterised by a global crisis and an inability to develop the productive forces in the same way as in the past. The end of the post-war economic upswing from 1950-74, ushered in a new rhythm of capitalist development. The upswing had temporarily allowed capitalism to overcome its fundamental contradiction: the conflict between the growth of the productive forces and the constrictions of the nation state and private ownership. The slump of 1974/5 saw the return of mass unemployment, slower growth rates, lower investment levels and lower rates of profit. The following booms were of a weaker character, while the slumps were much deeper than the fleeting recessions of the period of the post-war upswing, which were hardly noticed, at least in the advanced capitalist countries.

"The 1990s have been a disappointing decade for the world economy", states the *Financial Times*. "Thanks to two significant global slowdowns, growth in world output is likely to have averaged just 3.1% a year, the IMF said yesterday, weaker than either the 1970s or the 1980s.

"During this period, Japan experienced a decline in economic activity unprecedented among major industrial countries in the post war period. Much of Europe has suffered stubbornly high unemployment and persistently weak growth. And a succession of emerging market economies have fallen victim to painful financial crises." (21/4/99)

Even in periods of boom, the pressure on the living standards and conditions of the masses is remorseless. In place of reforms, there are counter-reforms. The boom of the 1980s, following the slump of 1979-81, witnessed a new offensive by the capitalist class against the concessions and reforms won by the workers over the previous period. The growth of mass unemployment, which has now assumed an organic character as in the inter-war period, together with the abject capitulation of the reformist trade union and labour leaders, intensified the onslaught. This resulted in the spread of "lean production" and an enormous intensification in the exploitation of the working class. On that basis, the rate of profit was increased at the expense of

the workers. The relative social stability of the 1950s, at least in the advanced industrial countries, had given way to the return of open class war on the part of the capitalist class.

The fundamental cause of capitalist crisis, as explained by Marx, is overproduction. The present crisis has been characterised by overproduction in a whole number of sectors such as cars, microchips, steel, farm products, etc. It demonstrates the limits of the market and the inevitability of the impending slump.

Capitalism in this epoch of decline has been characterised by a frenzy of speculation, which far surpasses anything seen in the past. The bourgeoisie is engaged in a desperate search for markets and fields of investment. This also reflects the impasse of capitalism, where there are increasingly limited areas for profitable investment. The crisis in South East Asia, characterised by an immense over-production of goods - steel, cars, televisions, computers, microchips, textiles - has brought a flood of cheap Asian commodities on the world market. This has brought Asia into collision with the USA and Europe, put pressure on profit margins and threatens to undermine the present boom.

Deep Slump

Japan is in deep slump, in spite of the colossal sums spent in attempting to revive the economy. The former motor-force of world capitalism has broken down. Despite the heavy pressure put on Japan by the USA and Europe to reflate, Japan is in no position to provide relief to the rest of Asia. On the contrary, since 40 percent of Japan's exports went to the Asian market, the slump in Asia has dragged it down and prevented recovery. The entire situation in Japan is extremely unstable. The crisis of the Japanese banking system threatens to pull down the entire world financial system.

The general fall in commodity prices, while providing a temporary boost to the West has raised the spectre of worldwide deflation for the first time since the 1930s. Such a situation threatens to turn the coming slump into a depression. At the same time, falling commodity prices further aggravates the crisis of the Third World, threatening new instability.

In Russia, the movement towards capitalism has reached a blind alley. The crisis of the Russian economy is without parallel



in modern history, with GDP falling this year by a projected 7%, despite all the previous predictions of growth by bourgeois economists. This has meant a 60% fall in output over the last 4 years. The "glories of capitalism" have brought with them an unprecedented economic and social collapse, resulting in a nightmare for the Russian workers. After the collapse in Russia, Brazil was thrown into crisis with a 30% devaluation, threatening to affect the whole of Latin America. According to the World Bank last December, the average growth rate of the countries of Latin America will not exceed 0.6% in 1999. Despite a certain respite, things remain very fragile. As the *Financial Times* concluded: "It will take skill and a lot of luck for the world's leaders to prevent this economic crisis from intensifying." (25/1/99)

American capitalism, at the same time, is asserting its strength on global markets. Ten years ago, only the equivalent of 6% of US GDP was devoted to exports. This has now been increased to 13%, and the American bourgeoisie would like to increase this figure to 20%. This is, in effect, a declaration of war (in economic terms) against the rest of the world. The aggressive stance of the USA over Yugoslavia and Iraq, its conflict with France in Africa, its attempts to consolidate its control over Latin America, are all manifestations of this trend. The crisis obliges the different imperialist powers to fight over even the smallest market.

The period of boom in the world economy, which in the USA has lasted nearly nine years, is turning into its opposite. "The (International Monetary) Fund believes that some slowdown in the US economy is now inevitable", reports the *Financial Times*. "The outlook for the world economy depends on whether this deceleration is gradual and orderly or abrupt and disruptive." (21/4/99)

Meanwhile, British manufacturing industry is in recession, and on the most opti-

mistic forecasts the British economy, as everywhere else, is heading for a slow-down. The IMF and OECD have been forced to revise their figures downwards. Indications are that the economy has peaked. Wall Street has reached new highs in the recent period, which have become further out of line with the real economy. More alarming for the bourgeois has been the fall in corporate profits. The soaring stock market bears no relation to the real position of the US economy. They are preparing the way for a massive collapse of stock market values, probably in the not too distant future. This will hurt a large number of small investors, leading to a fall in demand and thus reacting back on the real economy.

Superficially, the US economy appears full of life. But phenomena such as rising wages, increased consumer spending, a booming stock market etc., are what one would expect to see at the peak of a boom, just before a collapse. The record highs on the stock markets have been followed by record falls. This volatility and turbulence is a reflection of the underlying sickness of the capitalist system. As we have explained many times, it reflects the underlying tremors of a massive collapse at a certain point. "The stock-market rebound of the past few weeks marks one of the most startling turnarounds in recent financial history", states the *Wall Street Journal* (12/11/98). "But for the bears, it is a cause of fear - not because stocks could go higher still, but because the market could simply be setting itself up for another collapse." The article continues ominously, "The bears say the recent recovery is nothing but a trap, the same sort of trap that led investors back into stocks during an abortive rally after the great crash of 1929, and ended with the longest and most grinding bear market of this century."

William Meechan, chief market analyst at brokerage firm Cantor Fitzgerald, confirmed this analysis. "I think we are headed for a break in the market similar to what we had in 1929, where the market crashed and then investors bid stocks up precipitously, and it was just a prelude to a longer decline", he said. "The risk is that we are going to destroy a lot of capital as we get to the other side of this run-up."

The Dow Jones fell 48% from 381.17 on 3rd September 1929 to 198.69 on 13th November. It then rallied back 48% to 294.07 by 17th April 1930 - only to fall a

thundering 86% over the next two years, finally bottoming out at 41.22 on 8th July 1932.

Although history never repeats itself exactly, the scenario outlined above is the kind of collapse that is being prepared internationally. In 1929, the Wall Street crash followed a downturn in the real economy, which had begun in the summer. Whatever the sequence of events, it is clear that a collapse in one sector will have a major effect on the other. A world slump, which is inevitable over the coming period, will precipitate a crash on the world's stock markets. Conversely, a deep stock market fall can push the world economy over the edge. How deep the next world slump will be is difficult to predict. But with up to 100 million Americans owning equities, compared with three million in 1929, the effects will be considerably more far-reaching. By all estimates, given the massive accumulation of fictitious values, the slump will be deeper than any experienced in the post-war period.

South East Asia

In 1992, the main reason why the slump was not deeper was the continued economic growth in South East Asia. Today, large areas of the world are either in crisis or are heading in that direction. With Japan in crisis and Europe in the doldrums there are no saviours on the horizon. Once the US economy goes down, the rest of the world will be forced down with it. If there is a difference today compared to the 1920s, it is essentially that the level of capitalist development is much higher, vaster sums of capital are involved, and the potential for disaster is far greater. The bourgeoisie, as Trotsky explained in the 1930s, "is tobogganing towards disaster with its eyes closed."

Today, the euphoria surrounding the collapse of the Berlin Wall has completely evaporated. The pessimism of the bourgeoisie has become widespread. This was reflected in George Soros' comments that "the global capitalist system... is coming apart at the seams." Central bankers are privately admitting that this is the worst global crisis that they have seen in their lifetime. According to a banking report from the HSBC, "The global economy faces the weakest period of economic activity since the war. Roughly a third of the world - Japan, much of Asia, parts of Latin America - will be in outright recession in 1999.

Growth elsewhere will be increasingly hard to come by."

While reducing its forecasts for the world economy, predicting 2.5% growth for 1999, the IMF optimistically talks of an early recovery in 2000. But these people can see no further than their own noses. They failed to predict the last recession or the slump in Asia. However, even they were forced to admit in a recent report: "Indeed, a significantly worse outcome is clearly possible. The potential for a broader and deeper economic turndown stems from a multitude of inter-related risks that make the current economic situation unusually fragile." (FT, 1/10/98)

This is confirmed by *The Economist* (5/9/98), which reports: "World output grew at an average of 4% in 1996 and 1997, but JP Morgan, an American bank, now forecasts growth of a mere 1.5% this year and 1.7% next... if they turn out correct, this would be the same growth over the two years as in 1981-82, the world economy's worst "recession" since the 1930s. And even then, the bank is assuming that America and Europe will continue to grow next year... if instead... Asia fails to recover and America dips into recession, global output could decline next year for the first time in 60 years." In Japan, the second biggest economy in the world, the IMF was forced to downgrade its economic predictions from an economic contraction in 1998 of 2.5% to 3%, from growth of 0.5% in 1999 to zero growth. The European economy is also slowing sharply. Growth in America is beginning to falter. Clearly, once the bubble bursts in the USA, the whole global economy will be dragged down in its wake. We are facing a world slump that will be deeper than anything since the war, and possibly since the 1930s.

Even the bourgeois economists are alarmed at this perspective. Stephen King, global economist at the investment bank division of HSBC recently highlighted this. His department produced a document entitled *"Bubble Trouble: the US Bubble and How it will Burst."* This work is obviously for the eyes of the bourgeois. In it King warns that after the inevitable bust life will be tougher than in the aftermath of Japan's burst bubble a decade ago and we risk a "deeper and longer lasting global recession."

The document continues: "Good news on growth in the short term is likely to be replaced by declining asset prices by the



end of this year (1999), and possibly, a recession by 2001. Strong growth in the US accompanied by an absence of inflation is classic bubble stuff," says King, which will sooner or later end in tears.

"The US bubble is likely to burst through a combination of rising interest rates and a falling dollar. We see both coming through in the second half of this year, suggesting a significant risk of a sharp and sustained fall in asset prices towards the end of the year and in the first half of 2000.

"This combination is likely to deliver a slowdown in growth through 2000 and raises the risk of outright recession in 2001. The rest of the world will not be immune. Falling US equity prices and a weaker dollar will create problems for both Japan and Euroland, increasing the dangers of outright global recession." (*The Guardian*, 24/6/99)

But even without a stock market crash, the US economy is heading for a slump. As leading US economist Lester Thurow of the Massachusetts Institute of Technology explained: "a recession is built into the system even if there is no stock market crash." The point is that a slump could precipitate a crash on Wall Street, which in turn, will deepen the slump in the real economy. That was the case, for instance, in 1929 when the economy began to slow during the summer months and it was not until October that the stock market went into free fall. Fellow economist Paul Krugman, one of the very few to predict the Asian crisis, warned that Japan was about to enter a deflationary spiral, reigniting the global economic crisis. "The next phase", he said, "will involve a setback to advanced countries, not just emerging markets." (*The Observer*, 27/6/99).

The European bourgeois are desperately attempting to escape from this crisis, hoping that the single European currency will offer some stability. This is an illusion. In its first six months, the euro, mainly due to the weak German economy, has fallen by nearly 15% against the dollar. Under conditions of world slump, the single European currency will be undermined. The different European economies will be pulled in different directions by the pressures unleashed by falling production and rising unemployment. The attempt to impose a fixed exchange rate, interest rate and so on will cause unbearable tensions. Prodi has already warned, to the horror of the European bourgeois, that if Italian capitalism failed to cut its inflation rate in comparison with its rivals, then Italy could end up

leaving the EMU. Brussels has just allowed Italy to increase its budget deficit above the agreed criteria. There are rumours that France also wishes to relax the budgetary restraints, which constitute the cornerstone of the European single currency. Rather than producing stability the euro will become a factor of enormous instability. Under conditions of economic downswing, the future of the single currency will be more than doubtful. At the end of the day, the contradictions between economies pulling in different directions will compel the European powers to retreat into the defence of their own currencies. It was these conditions that forced Britain out of the ERM in 1992. Ironically today, the fact that Britain has not joined the strait-jacket of the euro can benefit the British capitalists temporarily. But not for long.

Completely Utopian

The idea of the European bourgeois that they can extend the EU to the rest of Eastern Europe is completely utopian. Under conditions of slump, the EU itself will be pulled in a number of directions. The coming slump will serve to undermine the EU, giving rise to protectionist measures being taken by the separate European powers. Having said that, the EU will not simply disintegrate. The European powers still have a vested interest in maintaining at least a customs barrier against Japan and the USA in particular.

This situation is not what the bourgeois originally expected after the fall of Stalinism. Rather than an epoch of stability, capitalism has entered an epoch of enormous instability. This will be especially the case in the ex-colonial world, which will feel the full brunt of the coming world crisis. Already these economies have been hit hard by the fall in commodity prices. This has meant an intensification of the exploitation of the third world by imperialism that has exacerbated the contradictions. This will give a huge impetus to the colonial revolution in the coming period. The economic, social and political chaos in S. E. Asia is a sign of what is coming. Realising this fact, Secretary of State, Madeline Albright and the strategists of American capitalism are making preparations for a whole series of wars in the Third World.

The "cold war" consensus has completely broken down resulting in tremendous volatility in world relations. The recent bombing of Yugoslavia by the imperialist

powers is symptomatic of the situation opening up. It is a preparation for wars in the third world and the intensification of the colonial revolution. In many respects, the heightened rivalries and tensions between the great powers characterise an international situation more akin to the period prior to 1914.

The fundamental reason for this profound worldwide instability is the inability of capitalism to develop the forces of production to the same extent that it did in the past. The post-war upswing has given way to a period of downswing. The present boom accompanied by persistent mass unemployment, cuts in public spending and merciless pressure on the working class is the best that the workers can expect in such a period. In the ex-colonial countries, the masses are subjected to a redoubled exploitation through the terms of trade and crushing levels of debt that creates an increasingly explosive situation.

The bombing of Iraq by the American and British imperialists and the NATO bombing of Yugoslavia are the opening of a new chapter internationally. They represent a profound antagonism between the colonial people and imperialism on the one hand, and increased tensions between the imperialist powers on the other. With the Middle East "peace" process in crisis, despite the recent election of Barak, the basis has been laid for turmoil across the whole of the Arab world. The refusal of France, Russia and China to support the bombing of Iraq, and the recent divisions within NATO, reflect the re-emergence of inter-imperialist contradictions, not seen since 1945.

The imperialists are preparing to intervene to crush the colonial peoples. But in practise, they will find this very difficult, as their experiences in Somalia, Lebanon and elsewhere have proved. They are terrified of using ground troops for fear of being entangled in protracted guerrilla wars. They prefer to bomb instead. This is the meaning of the military attacks on Yugoslavia and elsewhere. The imperialists are attempting to intimidate the colonial peoples by bombings, blockades and threats. It is a warning to all those who are contemplating opposing the interests of imperialism, especially US imperialism. All these factors, taken together, mean that we are entering a most turbulent period - economically, politically and socially.

British economy in decline

The developing world economic crisis and the growing tensions internationally provide the background to events in Britain. Given British capitalism's dependence on world trade, the crisis of the world economy is decisive for the British economy. The decline of British capitalism since the war was masked by the world economic upswing. Today, the crisis of world capitalism will exacerbate the crisis of British capitalism. It will be one of the hardest hit by the coming world slump. For decades the British bourgeois have played a parasitic and retrograde role. They have failed to invest in retooling and reequipping British industry, which was allowed to decline and fall into its present sorry state. Instead, they have preferred to rely on "easy money" from services, tourism and the City of London. The former workshop of the world has been turned partially into a parasitic rentier economy dominated by the most reactionary and effete section of the bourgeoisie - finance capital. British capitalism is absolutely rotten. It is based not on the real development of the productive forces, but increasingly on fictitious capital. It can be described more accurately as "casino" capitalism. This degeneration has also affected the ruling class and their outlook for the future.

Over the last seven years, the British economy has experienced a weak boom. In 1997 GDP growth reached 3.1%. Last year, given the slump in South East Asia, it was around 1%. Without a world slump, growth in 1999 is estimated at around 0.5%. Already it is clear the economy is slowing down dramatically. The weakest part of the economy has been manufacturing, which actually dipped into recession. In the last quarter of 1998, it was falling at an annual rate of over 5%. Tens of thousands of jobs will be lost over the coming year. The boom is beginning to peter out. Real export growth has fallen from 6.4% in 1997 to 3.9% in 1998, the lowest export growth rate of the major industrialised economies. With over 10% of UK exports going to Asia, the region's devaluations will have major implications for British exports.

Britain's trade gap with the rest of the world has hit record levels. UK manufacturing is already running a £20bn deficit. This

is going to double over the next three years. The British economy has a growing deficit with Europe. "Global economic problems, particularly in Asia, continue to have a serious negative impact on the over-all figures," stated Trade minister Brian Wilson. This was a far cry from Gordon Brown's assurances at the beginning of 1998 that "all the fundamentals are sound", and Blair's famous statement "Those days of boom and bust are over." Britain is now hopelessly out-gunned by Germany, France, the USA and Japan. Costs of production in UK industry are 20% higher than they are in the euro area. Britain cannot compete. It certainly cannot hope to compete on world markets, especially in the harsh climate of a slump. Even in its chosen field of finance it has been outmanoeuvred by Germany, which now has the European Central Bank based in Frankfurt. Despite all their pretensions and delusions of grandeur, the British bourgeois stand exposed for what they are - the leaders of an increasingly unimportant island off the coast of Europe.

The fundamental cause of Britain's decline is the lack of competitiveness of British industry, which has seen investment lag far behind its competitors. They do not invest in industry, which is increasingly foreign owned. They send their capital abroad. There was a net outflow of private capital approaching £50bn last year, a figure that will reach a staggering £200bn each year over the next three years. The British capitalists currently invest less in research and development as a proportion of national income than their counterparts in Japan, Germany, Italy or France. On average, British capitalism spends only 0.3% of their annual income on training their workers. By contrast in Japan and Germany, the figure is six times higher. In Germany, nearly 70% of the workforce has undergone skilled vocational training, compared with a figure of 35% in the UK. In Japan 90% of young people between the age of 16 and 25 are in full-time education compared with 35% in Britain. In 1993, Germany had more than two million of its young people on apprenticeship schemes, compared with just 250,000 in the UK.

Britain has become a low-skill, low-wage economy. The Tories deluded themselves that the low wages of the British workers would give them a competitive edge. But all history shows that an economy based on low wages can never com-



pete successfully with an economy with high wages and high productivity based on modern machinery, technique and skills. Although British workers work the longest hours in Europe, the DTI report *'Competitiveness - A Benchmark for Business'*, shows UK productivity lagging well behind the G7 average in every manufacturing sector except chemical products, paper products and printing. On these figures, overall UK productivity in manufacturing remains around 30-35% below that of Germany and France, despite narrowing over recent years. Consequently, UK GDP growth since 1973 has lagged behind that of the US, Japan, Germany and France, and UK GDP per head in 1996 was significantly lower than these countries. The UK now has a lower GDP per head than Ireland, Hong Kong and Singapore, and currently ranks 19th out of 25 OECD countries.

According to the *Observer*, "Inexorably, the country is becoming a low wage, low technology economy, dependent on foreign enterprise - more characteristic of an emerging Third World than a First World economy." Britain, with its low wages and anti-trade union legislation, has attracted over the past period record levels of inward foreign investment. Today, foreign companies who employ 16% of British workers own 25% of UK manufacturing capacity. Around 40% of inward manufacturing investment into the EU is coming to Britain. Britain now has a higher ratio of inward investment to GDP than any other leading

country. This is not a strength, but a weakness that can drastically undermine the economy when the downturn arrives.

In 1980 manufacturing employed just over 7 million workers; today that figure is 3.9 million. Thatcher believed that British capitalism could survive and prosper on the basis of service industries. This is fundamentally false. The service sector is totally dependent on the economy's manufacturing base, and not vice versa. While officially manufacturing accounts for just over 20% of Britain's economic activity, it is still responsible for Britain's primary wealth creation and 80% of its exports. In reality "manufacturing" plays a far bigger role than contained in the official statistics. Many areas, such as construction, transport, information technology and telecommunications, are included in the statistics for the service sector, but are in reality part of the manufacturing process.

Nevertheless, the failure of the British economy has been the failure of the capitalist class to reinvest the surplus extracted from the labour of the working class. As the Government Green Paper admits, the UK has consistently invested less as a proportion of GDP than the OECD average since at least 1960. Therefore, Britain's share of world trade is lower now than at any point this century. This failure to invest coincides with a time when profits have been at a historically high point. But the capitalists have preferred to hand out dividends to shareholders. So parasitic has British capitalism become that before they agree to invest companies are demanding a return of as much as 20% on their investments - far higher than their rivals. Not only do they demand higher profits, but also they fear being taken over if they fail to set the same dividend as other companies. This shows the domination of finance capital in Britain, which has promoted short-termism and has directly contributed to the decline of British capitalism in comparison to its rivals.

Rate of Profit

Over the past period, the increase in the rate of profit (and also productivity) has come from increased relative and absolute surplus value. This has been achieved, not from substantial new investments or new technology, but primarily through squeezing the working class, through so-called flexibility. The "counter-revolution" on the factory floor has been accompanied by speed-ups, temporary contracts, part-time working, new

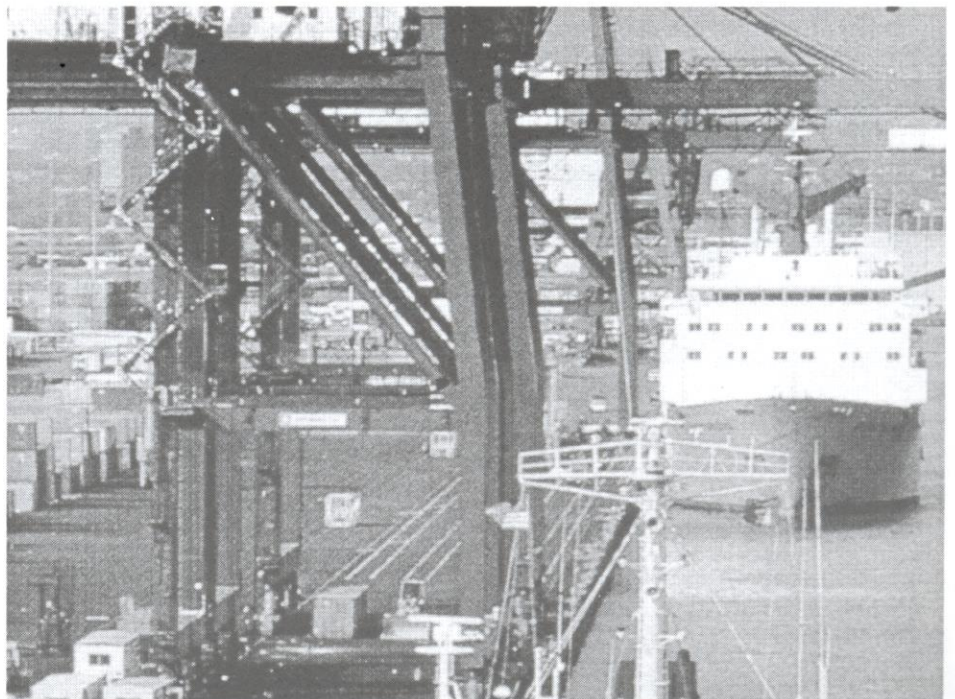
shift patterns. By cutting jobs and lowering wages, British firms have been able to survive. In other words, "competitiveness" has been achieved at the expense of the working class.

"Nearly two-thirds of the (manufacturing) companies said they had instituted big changes in their organisations in the past two years in response to competitive pressures", states the *Financial Times*. "The most popular programmes included teaming up with suppliers to increase efficiencies, or setting up "just-in-time" or quality initiatives in their own factories to speed the flow of goods along the production line." More and more surplus value is squeezed out of the working day. They are now planning to cut "costs" by up to 50% over the next few years. But of course, this has its limits in the long run. Sustained productivity of labour growth can only be achieved through new investment.

With export optimism at an 18-year low, British manufacturers are even less keen to invest. Some 37% of manufacturers expect to spend less on plant and machinery in 1999 than they did the previous year, compared to only 26% who expect to spend more. The downswing will hit the British economy especially hard. Already profits are beginning to suffer as markets dry up. The closures of Siemens and the job losses in Rover, Fujitsu, BAe and elsewhere are

the tip of the iceberg. The reason why the unemployment statistics are low at the present time is due to a whole layer being forced off the figures; ending up in low paid sweatshops. Britain under Blair is following in the footsteps of the US administration, where millions have been forced into part time dead-end jobs. In the coming slump, unemployment will rise dramatically as order books are cut and markets disappear. Overproduction will become the norm. Even on the present basis, over 300,000 jobs are projected to go by the end of 1999, and 420,000 by the year 2000. It is estimated that by March 2001, some 12,500 steelworkers will have lost their jobs, which amounts to a third of the UK workforce.

By the end of 1998 British manufacturing industry had begun to slide into recession. The figures for the growth in GDP as a whole also indicated that there had been a fall in the last quarter of 1998. The economy may continue to stagger on a little longer yet. But as the crisis in the world economy intensifies, and the mighty US economy moves into recession, the British economy will be hit extremely hard, with all the consequences for jobs and living standards. It will mean a return to conditions not seen since the 1930s. It will bring home to millions the harsh realities of capitalist crisis.



Disillusionment with Blair Government

The Blair government, despite all the rhetoric of the 'third way', is continuing where the Tory government left off. They have abandoned all pretence of reform, and are pursuing 'orthodox' capitalist policies. Gordon Brown, the so-called 'Iron Chancellor', following the advice of the bankers, intends to "balance the books" or even run a surplus on government finances by squeezing public expenditure. They have cast off the so-called "tax and spend" policies of the past, and adopted the theme of orthodox "prudence", i.e. austerity measures. To assist this drive, monetary policy has been handed over to the Bank of England, whose remit has been to maintain low inflation at all costs. This is nothing more than the policy of Thatcherism or monetarism. As a result, Brown has been correctly compared in the press with the austere Philip Snowden, the past Labour Chancellor in 1924 and 1929-31, who presided over savage cuts.

"The claim that there is anything new about handing control of the economy to central bankers," writes Larry Elliott in the *Guardian*, "cutting the welfare bill and keeping an iron grip on public spending would have come as a surprise to Ramsay MacDonald and Philip Snowden." (28/6/99)

The Blair government is trying to appease big business every inch of the

way. "We are intensely relaxed about people getting filthy rich," said Peter Mandelson to a meeting of American businessmen, summing up accurately the attitude of the government. Across the board, Blair has attempted to copy the American model of market 'deregulation' and 'flexibility'. At best, they have set out to 'modify' the Tories' past legislation, while still maintaining the internal market in the NHS, keeping the bulk of anti-union legislation and introducing orthodox teaching methods into education. They have introduced student loans and fees; cut benefits to single parents, cut disability benefits and are now planning to cut widow's pensions.

Despite the overwhelming hostility to privatisation, they have attempted to continue with the Tories' privatisation policies, selling off the Tote and Air Traffic Control, among other things. They are introducing 'commercial freedom' into the Post Office by turning it into a plc as a basis for its future partial privatisation. British Nuclear Fuel is also in the frame for future privatisation. Blair has continued with Compulsory Competitive Tendering in a different form - and has adopted the Tory idea of the Private Finance Initiative (now called Public Private Partnership), which has brought in privatisation through the back door. By the same means they are trying to privatise London Underground, despite widespread opposition.

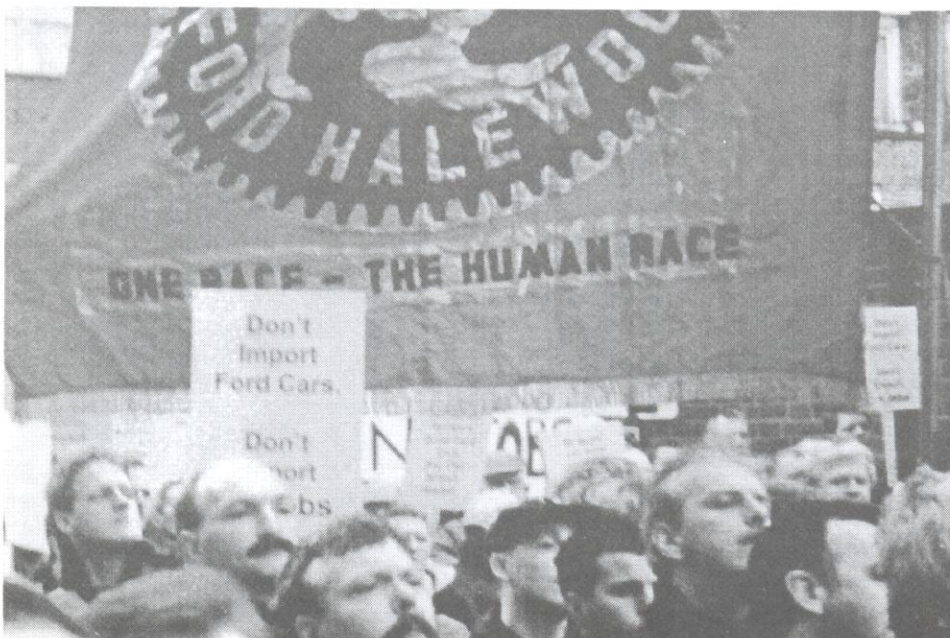
PFI is a licence to print money for the contractors. It is a device used by the

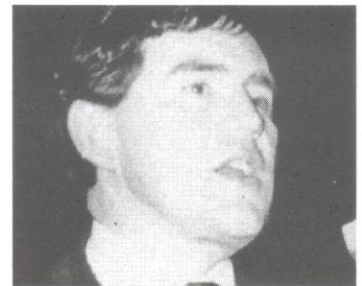
Treasury to take figures out of public borrowing, but at a colossal cost to the taxpayer and the privatised services. Under PFI borrowing is far higher than it would be for the government - and the contractors end up leasing the new building to the government for maybe 30 years - where the building is paid for many times over. The asset then reverts to the private contractors. It is like a mortgage in reverse! Even *The Economist* described it as a "deceit" and declared: "The PFI is a boon only for those politicians keen to profit from the public purse."

Despite certain measures, such as devolution in Scotland and Wales, the introduction of a minimum wage, and the restoration of trade union rights at GCHQ, increased child benefit, the thrust of government policy has continued where the Tories left off. This has met with growing opposition and disillusionment with the Labour government which has been expressed in a whole series of elections in May and June of this year. The honeymoon is now clearly over. In the local, euro and Assembly elections in Wales and Scotland in May and June, Labour experienced big electoral setbacks.

These were no temporary hiccups or "mid-term blues". They certainly did not reflect voter contentment as the right wing tried to assert. They represented a seismic shift in the political terrain. The results of the Welsh Assembly and Scottish Parliament were a devastating blow to the Blairites. The results in Wales were especially catastrophic. The loss of bastions like the Rhondda, Islwyn and Llanelli to the Welsh nationalists was a shattering blow. No seat in Britain had a more deeply ingrained tradition of voting Labour than the Rhondda. At the last general election Labour got three-quarters of the total vote. Plaid Cymru in some areas recorded swings of up to 25% from Labour. Given PR, Labour failed to win a majority and it gave Plaid 18 seats to Labour's 28 - an unprecedented advance. This was not a vote for Welsh nationalism. In fact Plaid were forced to abandon the idea of Welsh independence and concentrate on social issues. It was directly the result of disillusionment with Tory policies. It was a protest vote.

The Labour leadership was totally stunned. Peter Hain, the campaign manager, was in a state of shock. "We cannot any longer take our supporters for granted", he





said. Even Glenys Kinnock had to recognise that Labour voters had been "alienated". Which, of course, had nothing to do with the Kinnocks or their stewardship!

The result reflected deep disillusionment with Blair and the government. In an article entitled "Labour strains loyalties in valleys", the *Guardian* stated there was "routine disappointment at the fact that Labour has been in power for two years now, and the towns of the Rhondda valley still bear no obvious resemblance to the New Jerusalem." (28/5/99). The imposition of Blair's candidate, Alun Michael on the Wales Labour Party also caused a backlash against the party.

In Scotland, the relatively low turn out of 57% was directly the result of Labour abstentions. In some seats the Labour vote dropped by 10,000 votes. With the election seen as a referendum on the Blair government the Labour vote collapsed. This resulted in swings of up to 20% to the Scottish nationalists. The nationalists secured 28 seats to Labour's 56, making Labour the biggest party and the SNP the official opposition.

Dewar immediately entered negotiations with the Liberal Democrats to form a coalition government, which the Welsh leadership was forced to reject at the outset. Despite the Liberal's verbal opposition to tuition fees, true to form, they abandoned their principles and grabbed two cabinet seats in a Lib-Lab coalition. But it will not be a stable government. This rotten compromise will be under strain. The continuation of right wing policies under the Lib-Lab coalition will inevitably lead to further disillusionment and play into the hands of the nationalists.

The whole experience in Wales and Scotland created a reaction nationally. The Blair project was not enhanced by the outcome. Prescott, reflecting the views of the rank and file, has already come out against PR and coalition politics. "I can assure you", he said, "it's not the idea of the Labour Party to cosy with the Liberals."

This process was further reinforced by the European elections a month later. All the infallibility that surrounded Blair came crashing down. The political landscape suddenly looked very different, with the Tories crowing of a revival in their fortunes.

New Labour received a drubbing at the polls. It was the worst election result for Labour since the 1920s. In Wales, once again Plaid out polled Labour in its tradi-

tional heartlands. You would have to go back to 1910 for a similar result. In Scotland the Tories captured two euro seats while Labour's tally was halved to three. The SNP came within 1.5% of overtaking Labour. On a national level, the Tories overtook Labour by 36% to 28%, and 36 seats to 29.

However, three out of four of those eligible to vote stayed at home. It was the lowest turnout ever in any national election of 25%. It was even the lowest in the EU. Those who stayed away were, in the main, Labour voters voting with their feet. Labour only managed to win 6% of the electorate. In the Leeds Central by-election only 19.6% voted, making it the lowest turnout in any parliamentary election since the Second World War.

This dismal performance was directly a reflection of growing disillusionment with government policies. As one woman from Sunderland put it: "My father and mother would always vote, rain, hail, or snow. But what's the point?"

"This government has sickened everybody. We all voted Labour but we're worse off than under the Tories." Her friend summed up the mood of millions: "Nothing seems to change our lives."

Economic Crisis

Elections are important in providing a snap shot of the political situation at a certain point in time. They can indicate certain underlying processes within the classes, and can reflect important symptomatic changes in the situation. They reflect a massive change over the last two years. The government's pro-capitalist policies have alienated large layers of the working class and also the middle class. The Labour government has failed to deliver real change.

At this stage, however, the Tories are no real alternative. That is why in the opinion polls Labour stands at 51% and the Tories on 26%.

However, the growing disillusionment with Blair will reflect itself within the organisations of the class and galvanise opposition to his pro-capitalist policies. As the economic crisis begins to take its toll, the experience of the Blair government will antagonise workers who have had their backs to the wall after 18 years of Toryism. This disillusionment will express itself increasingly through opposition in the trade unions, local Labour Parties and even the

PLP. Peter Hain, after the euro election, admitted his own Labour Party in Neath, once the most loyal and right wing in the country, has swung to the left. Roy Hattersley, an old right winger but who opposes Blair's rejection of the past, explained the hatred in local Labour Parties for the leader: "It is hard for activists to like the Prime Minister because he makes it so clear that he does not like them... party workers fear he despises them. That has been obvious for months to anyone who visits local parties." He explains: "Blair is divided from most party activists by an ideological chasm.. He is in danger of testing to destruction the belief that winning elections depends on offending supporters." (*Observer*, 20/6/99)

The actions of Blair have already led to a number of Parliamentary revolts. The latest, and most serious was over cuts in incapacity benefit, which saw the government's majority being cut to just 40. Others have occurred over tuition fees and lone parent benefits. These splits in the PLP are very symptomatic, as they reflect deeper processes in the Labour movement and in the working class itself. Despite the grip of the Blair machine, opposition inside the Labour movement has started to build. This is the beginning of a growing differentiation that will take place in the PLP, the local Labour parties and the unions. As pressures mount outside Parliament, especially in the trade unions and Labour Party branches, Labour MPs will be forced repeatedly into opposition or semi-opposition.

The Blair government, which has consistently done the bidding of big business, will come under a whole host of pressures. On the one hand, the capitalists will be demanding greater sacrifices from the working class to overcome the crisis, while on the other, the working class will be exerting pressure especially through the trade unions and local Labour Parties to change course. It will be precisely these pressures that will provoke opposition currents. As some trade union leader or a group of MPs openly come into collision with Blair, they will become a focal point for opposition in the working class. One will feed into the other, and push the opposition further to the left.

To begin with, the Blairites were boasting that Labour would rule well into the new millennium. All the capitalist pundits were gambling on a Blair government lasting at

least two terms. Now, after the euro elections, things do not look so certain. Blair is alienating Labour's working class core vote. Without them, there will never be a Labour government. The perspective of a second and third term was based upon the crisis of the Tory Party and the idea that the economy would avoid recession. But the people who said this were the very same ones who previously wrote that Labour could never again form a majority government and talked of election pacts with the Liberals! They cannot see further than their own noses.

The outcome of the next election will depend on a number of factors. First and foremost is the timing and depth of the coming world recession and its effects on the working class and within the Labour Party itself. Given the extreme weakness of British capitalism, the coming world crisis will take the form of an economic catastrophe. This, in its turn, will have far-reaching political consequences, bringing about a rapid collapse of support for Blair and opening up intense conflicts inside the Labour Party, not only in the branches and CLPs but in the parliamentary party, the government and the Cabinet itself. Blair's popularity (in opinion polls) will disappear overnight.

If such conditions develop in the near future, the perspective of a second term of office for Labour would be in grave doubt. A deep slump could shatter the Blair government, as it did the MacDonald government of 1929-31. Of course, the timing of these processes is hard to determine in advance. If the onset of a slump is delayed, this would mean that the inner differentiation within the Labour Party would be more protracted. That might mean the Labour Party will remain intact and that Blair could survive with a drastically reduced majority.

However, this would not alter the general line of the perspectives, indeed a reduced majority would lend an even greater impetus to Blair's campaign for a coalition with the Liberals and 'One Nation Tories.' The crisis would take on an even more bitter and convulsive character, with an even sharper polarisation between left and right, ending in a split and the vomiting out of the Blairites. The ruling class would play the National Government card to crush the radicalised Labour Party on the parliamentary front.

We are in a very volatile period, where events can develop very quickly. Everything indicates that the present world boom is



already approaching its end. In fact, British industry is already technically in recession. Once the economy really begins to turn down, all the plans of the government will be in ruins. But even before that happens, there can be crises and splits in the Labour Party over all kinds of issues, as the

Showdown

Mandelson issue revealed. The right wing is preparing a showdown, and this is before the economic slump. Marxism does not at all deny the role that individuals can play in history. Although Blair's programme and policies do not differ in fundamentals from those of John Smith or Kinnock, or, for that matter, of Prescott and Beckett, he is a particularly obtuse right winger. This shallow individual, unexpectedly thrust to the top by a series of accidents, lionised by the bourgeois press and the Establishment which recognises in him "one of us," has developed delusions of grandeur. In his style and outlook, he is unlike the old Labour right wing leaders who had at least some grasp of the Labour movement and the working class. In fact, Blair is only a member of the Labour Party by accident. He could equally well have found a career in the Lib Dems or the Tory Party. Isolated from the rank and file, surrounded by a clique of corrupt courtiers ('spin doctors') he is completely out of touch and appears to believe he can walk on water. His personal arrogance and stupidity will inevitably result in his over-reaching himself.

Of course, this is not the decisive factor. Even with the most skilful leadership, the fundamental developments would be the same. They are rooted in the objective situation and the relations between the classes.

But the blindness of the Blairites can accelerate the process. They can stumble into a conflict with the union leaders at any time, as Blair's attack on local authority workers shows. The rebuttal from Prescott, although later papered over, indicates the tensions below the surface.

Leaving aside the different variants, which are impossible to predict accurately in advance, the main point is clear: the Blair government will become a government of crisis, even if he manages to scrape in a second time. Although there are differences, the historical parallels are not of 1945-51 or 1964-70, or even of 1974-79, but are much more like 1924 or 1929-31. The Blair government has a massive majority in Parliament, but this is not grounds for stability. On the basis of the world slump, which is developing at the present time, their plans will be blown to pieces. The economic crisis will force them to make savage cuts in public expenditure, as revenues from taxation plummet.

The idea that Blair will head a string of Labour governments well into the 21st century is a pipe-dream. Events will overtake that possibility. Austerity will be on the order of the day as in the 1920s. This in its turn will provoke a crisis within the working class, and serve to completely undermine illusions in the capitalist system amongst large layers of the population. It will also provoke crisis within the trade unions and the Labour Party, resulting in a massive radicalisation. That is what Blair fears and he has made plans accordingly to split the Labour Party if need be.

Opposition in the Labour Party

The victory of the Blairites in the Labour Party represented a new high-water mark for the openly pro-bourgeois wing of the party. Their aim is to transform the Labour Party into a capitalist party on the lines of the US Democrats. At the present time the Blairites dominate the Cabinet, the PLP and the party machine. However, their basis within the party rank and file is far less secure. Blair has made big advances in his 'Project': eradicating Clause Four, changing the constitution and rules of the party, concentrating greater power within the hands of Millbank and the Cabinet. They are now proposing to abolish the GMCs, in order to dissolve the activists into the mass of inactive members. The reason for this is the fact that hardly a single GMC would support Blair, and that is before the crisis has developed. It is a paradox that the right wing has achieved dominance at a time when the working class will begin to shift to the left. This is a dialectic of history.

The Blairites have recruited a whole layer of middle class and upper class public-school carpet-baggers, barristers, solicitors, former diplomats, and company directors as part of their aim to subvert the original aims of the Labour Party. They have obtained leading positions within the party and in Parliament. Many are former members of the SDP or the Tory Party who have joined the party to further their own interests and careers.

At the 1997 election, only 13 per cent of Labour MPs were drawn from manual backgrounds, while 45 per cent came from the professions, notably law and education, another 9 per cent came from business, and a third came from other non-manual jobs. Today, many are there, with one or two notable exceptions, for a personal career as a 'professional politician'. Given their bloated salaries and expenses, they fail to reflect or fight for the interests of ordinary working people.

The Blairites' contempt for the working class, who are at best seen as election fodder, is also reflected by most of the Labour bureaucracy. This surfaced in a leaked memo from a certain Labour official, Dominic McElroy. Under the heading 'Constituency Relations', this official said: "As you are probably aware, most active

members of the Labour Party are social misfits, rejects of society or mentally ill." (Quoted in the *Guardian*, 12/9/98). The offices at Millbank have been blatantly used to further these aims within the party, with full-time officials organising to promote the Blair slate in the NEC elections, and ensure the right candidates were selected as prospective MPs, Euro-MPs, Scottish Parliament and Welsh Assembly candidates, and so on. They are now busy rigging the London Assembly elections and the candidate for mayor. They have ridden rough-shod over the democratic rights of party members. Increasingly decisions are taken without any reference to elected bodies. In the NEC elections, they have engaged in ballot-rigging, and other undemocratic manoeuvres.

The right wing has attempted to create a 100% loyal PLP, European Labour group, and local Labour councils. They have introduced selection procedures that serve to screen out non-Blairites, in an attempt to prevent any opposition developing to the leadership's pro-capitalist policies. To complete their project, they are hoping to destroy the trade union base of the party, the party's organic link to the organised working class, introduce PR and state funding of political parties and establish 'New Labour' as the main bourgeois party. Part of this Project is to split the Tory Party and absorb the Liberal Democrats.

Mandelson's resignation

The problem for the Blairites is that it is easier to hold an idea than to carry it out in practice. The process is far from complete. The Blairites have not yet won a total victory over the working class basis of the party. On the basis of the period opening up, it is extremely unlikely that they will succeed. In fact, given the changing balance of forces, it now seems ruled out that Blair could qualitatively transform the party. He has the delusion of being able to roll back history. But this is a profound mistake. He is going to provoke a colossal backlash that will radicalise developments as never before.

The resignation of Mandelson, rapidly followed by Geoffrey Robinson and then Whelan, is of enormous significance, with potentially far reaching consequences for the Labour movement. These events, which served to reveal all the underlying tensions, provoked the biggest crisis in the 2 year of the Blair government. The affair reflects the

struggle - now out in the open - between the various factions which exist within the Cabinet. Mandelson's demise has resulted in a sharp realignment at the top, with the axis of Prescott and Brown moving into semi-opposition to Blair.

Although they play a role, these splits within the government do not simply reflect the personal interests of the protagonists. Leon Trotsky once remarked that the wind blows the tops of the trees first. The acrimony at the top levels of the administration represents the impasse of Blairism, and reflects the first real signs of opposition within the leadership.

Dialectically things are turning into their opposite. Gone is Blair's honeymoon period when the right wing press heaped adulation upon him. Now they are out for blood. Many in Labour's rank and file were prepared to stomach Blair's pro-capitalist policies if it meant electoral success - but not anymore. After two years, there is mounting opposition within the party, within the trade unions and within sections of the working class generally at the government's subservience to big business. This was reflected in the results of the NEC elections and the vocal opposition at the trade union conferences.

This discontent has now surfaced at Cabinet level. As we explained earlier, under pressure from below, the coalition of forces around Blair would inevitably fracture. That is what is happening. Mandelson, the arch Blairite and moderniser has been stabbed in the back by the Brown faction. This has served to open the flood-gates as the pressures from below and from the trade unions find expression at the top.

No doubt, many rank and file Labour Party members welcomed Mandelson's rapid demise. He represented undiluted Blairism - a repudiation of all the Labour Party has stood for in the past. As Blair himself recognised, without Mandelson, there would have been no New Labour. He played the key role in promoting and enhancing the Blair Project and the links with the Liberal Democrats.

The key component of the project was the transformation of the Labour Party into a bourgeois party. Towards the end of last year Blair again reiterated this aim - representing his most public repudiation so far of the creation of the Labour Party. "My vision for New Labour", he said, "is to become, as the Liberal Party was in the 19th century ... not (one based upon) a narrow class-based politics." This explains his courting of the

Liberal Democrats and his support for proportional representation. His whole approach, especially with an open split in the Cabinet, is a pointer to a future national government.

Mandelson, an upstart who sought to ape the morals and lifestyle of the bourgeois, represents nothing new. The Labour leaders constantly rub shoulders with bankers and capitalists, like Ecclestone, and are increasingly drawn into upper class circles. It comes as no surprise that the millionaire Robinson bank-rolled Gordon Brown's office while in opposition and gave over his luxury apartments in Cannes and Tuscany to Blair and Brown's entourage. Robinson not only lent Mandelson money, he also approached other ministers to see if they needed loans into the bargain. As Labour MPs correctly put it, the links exposed "the moral corruption at the heart of the administration." Another Cabinet source explained: "To put it bluntly, there is an over-fondness for money and powerful people and wanting to be personally comfortable."

Mandelson typified this new layer of petit-bourgeois social climbers around Blair. Representing the working class seat of Hartlepool, where unemployment stands at 10.7%, more than twice the national average, Mandelson's nearly half-million pound

house in West London was beyond the comprehension of most of his own constituents. It would be enough to buy 36 terraced houses in the constituency. "We just think there's something wrong with these types in the City, and their hangers-on making a lot of cash and shovelling it around," said a retired fitter in the town's Engineers Club, representing a widespread view. "This whole affair stinks."

Big Business

At first Blair desperately attempted to shield Mandelson. Downing Street issued a statement saying that Mandelson's behaviour was not a "hanging offence". Blair's so-called inquiry into Mandelson's loan consisted of two telephone calls. It was an attempted whitewash to hide his friend's "indiscretion". Mandelson, reflecting his arrogance, wrongly believed he was untouchable. As his cosy relations with big business became evident, however, they served to expose the real nature of the Blairites as a whole. Only after tremendous pressure for almost a week did Blair reluctantly ditch Mandelson.

But Robinson's loan was simply the tip of the iceberg. It soon emerged that Mandelson had been wined and dined by the lingerie millionaire Linda Wachner, America's wealthiest woman with a fortune

of over \$100 million. "Peter is a friend", she said. Through the likes of socialite Lady Carla Powell he has frequently mixed with the rich and powerful. "At her parties he met Camilla Parker Bowles and Prince Charles. The prince and Mandelson are now said to be 'matey' - enough for Mandelson to be invited to Charles's 50th birthday party. There he disco-danced with more Powell friends - Serena Rothschild, wife of billionaire Lord (Jacob) Rothschild, and Drue Heinz, widow of the baked bean magnate Jack Heinz", revealed *The Sunday Times*, (27/12/98).

This sickening toadyism at the top of the Labour movement is all too common. More than 70 years ago, Trotsky in his brilliant book *Where is Britain Going?*, devoted a chapter called "*Some Peculiarities of English Labour Leaders*" to this subject. Apart from others, he gives a brief sketch of the cringing Jimmy Thomas, a minister for the colonies in the 1924 Labour government and leader of the National Union of Railwaymen, who ended up in the National Government of 1931. He "attended at the beginning of April a dinner given by the board of directors of the Great Western Railway, at which Prime Minister Baldwin was also present. Baldwin had been a director of this company, and Thomas had worked under him as a fireman. Mr Baldwin spoke with splendid friendliness of his 'friend' Jimmy Thomas, and Thomas proposed a toast to the directors of the Great Western and their chairman, Lord Churchill. Thomas spoke with great humility of Mr Baldwin who - just think of it! - had lived his entire life as a worthy follower of his honoured father. Thomas, the peerless lackey, said he would of course be criticised for this banquet and for his association with Baldwin, as a traitor to his class, but he, Thomas, was not a member of any class, for the truth does not belong to any class."

The Mandelson affair represents a terrible blow for the Blairites. He was a key evangelist for closer ties with the Liberals. A backlash is now taking place. "Coalition with the Liberals is the least popular element among his senior colleagues. Even the Home Secretary, Jack Straw, a Blair loyalist, restates in this newspaper today that he is as opposed as ever to proportional representation for the Commons. That view is shared by John Prescott, Gordon Brown and David Blunkett, to name just three", relates *The Observer* (3/1/99)

Blair correctly saw the fall of Mandelson





as a threat to the Blair project itself. "Yes", he said, "there will be a number of people foolish enough to think that Peter's going means that somehow there is some blow to the project of new Labour." Obviously, Blair was determined to hold the line, saying: "That goes on. I mean we were elected as new Labour, we will govern as new Labour." This was a clear warning to those in the Labour Party that his opponents should not use the Mandelson affair to undermine the aim of the so-called modernisers.

These remarks were clearly made as a rebuke to unnamed ministers who suggested, according to the Guardian, "that the loss of Mr Mandelson, one of the chief architects of New Labour, should lead to a reassessment of the whole project. There was even a suggestion that Labour should begin to sever its links with the Liberal Democrats." (28/12/98)

This is a direct challenge to Blair and the attempt to break the links with the trade unions. It reflects a ground swell within the party, even reflected in the cabinet, against Blairism. The whole Blair project is being opposed from one end of the Labour movement to the other.

While the Prime Minister was still on holiday, Prescott's intervention, announcing his renewed friendship with Brown, was clearly a shot across the bows for Blair. He talked of the "traditional Keynesian way", which is in total contrast to the economic policies of the government.

"There is no doubt the balance of power in the Cabinet has changed. It is highly significant for our relations with the Lib Dems", said one Blair ally quoted in *The Independent* (1/1/99). Blair wants to broaden the work of the Cabinet committee that includes the Liberal Democrats, but has now met resistance, including from Prescott.

This division reflects the pressures from the movement. There are no fundamental differences between Blair, Brown, Prescott or the rest of them. However, as *The Observer* pointed out, "Brown and Prescott are Labour people in a way that Tony Blair never will be." The former have certain roots in the Labour movement and are susceptible to certain pressures. They reflect more sensitively the undercurrents, and respond more readily to these pressures. The Blairites have no roots and represent the out-and-out representatives of the bourgeois within the Labour movement. Blair is

not "one of us". This division is the fault-line within Blair's original coalition. A coalition that has now become fractured.

With economic crisis bearing down, the Blair government will be subjected to colossal pressures. Both the capitalists and the working class will be demanding measures in their interests. The hairline cracks that exist at present, which have little defined policy, will become chasms in the future. Under the hammer blow of events, a left will crystallise within the trade unions and the Labour Party. The possibility of a Cabinet split, as in 1931, could open the way for a national government, propelling the Labour Party to the left. Under such conditions, support for the Marxist tendency can grow by leaps and bounds.

Opposition to Blairism

Blair's plans have stalled. Ashdown's sudden resignation was also a clear blow to the Blair Project. "The trouble with Mr Ashdown's claim to be retiring in triumph is that this project is, at best, only half-finished", stated the Economist. "Indeed, his announcement that he will step aside after next June's elections for the European Parliament must now make the likelihood of Mr Blair's finishing it even smaller than it was before." (23/1/99) The bourgeois is no longer confident that Blair can deliver what he promised. The Labour Party resting on the trade unions and the working class, remains for them an extremely unreliable tool. But for the moment, given the plight of the Tory Party, the capitalists have no alternative but to back Blair.

However, things have started to unravel. The warfare at the top of the party not only reflects personal ambition and jealousy, it also reflects different material interests. These interests, while not reflecting fundamental differences at this stage, can attempt to rest upon discontent within the party, opening up a big split at the top, with enormous consequences for the coalition around Blair. Even the division of Old Labour and New Labour has not gone away, but surfaces periodically. For the time being they have papered over the cracks, but on the basis of events these cracks will open up into chasms.

The writing is already on the wall. Astonishingly, Derek Foster, the former chief whip, accused Blair of "prostituting" the vision "which created Labour out of the trade union movement." He continued:

"Tony is not satisfied with the Labour Party. He doesn't like the Labour Party... (He) wants a coalition with the Liberals. He wants to forget us."

Foster, like Hattersley, who stands on the right wing of the party, was clearly expressing the fears of a layer of MPs from traditional Labour areas, alarmed by the low morale of the activists. "Even in that historic election victory in 1997, in some of the rock-solid working class areas, abstention was significantly higher than in a large proportion of suburbia where the pampas grass is 12 ft high." (*The Guardian*, 18/1/99). He went on: "This new Labour government is not fit to polish the boots of the post-war Labour government." This outspoken opposition to Blairism from a right winger is a reflection of a revulsion throughout the ranks of the Labour movement to the openly pro-capitalist direction of the government. In the past the old right wing used to dress things up, but the Blairites offer capitalism in the raw. That is not a strength, but a weakness, but it also reflects the changed position of British capitalism.

Typically, the ultra-left sects, including Scargill, have prematurely written Labour off as a capitalist party. They mistakenly identify the party with the leadership, and are blind to the fundamental processes taking place beneath the surface. They have no perspective, and are influenced by superficial and secondary matters. But although the Blairites have made significant changes to the party, the process has not changed quantity into quality. Despite the Blairites, the Labour Party is still rooted in the working class and in the trade unions. The Labour leadership has always had a bourgeois character, ever since the party's inception. The existence of Clause Four did not determine its class character. Between 1900 and 1918, the party did not have socialism as its aim, nevertheless, it was a workers party in the sense that it was rooted in the unions and in the working class. The argument of the ultra-lefts is false from beginning to end. They always tend to throw the baby out with the bath water. That is why they have failed to build an alternative. And they stand even less chance in the future. Their attempt to out-flank Labour on the electoral front has been a complete fiasco.

They dream that the disillusionment of the workers with Blair will enable them to build mass parties. In reality, those who

drop out of the Party in disgust (and this is already happening) will just drop out of politics altogether, unless they are won by the Marxist tendency. The workers will not even notice the little grouplets on the fringes of the movement, vying with each other for the creation of phantom armies. They remind us of the passage in Shakespeare's *Henry IV Part One*:

"I can call spirits from the vasty deep."

"Why, so can I, and so can any man. But will they come when you do call for them?"

Scargill and the others showed their complete lack of perspective by walking out of the Labour Party (they were not expelled) before the process of inner differentiation had even begun. They mistook their own impatience for a programme. As a result they have ended in the wilderness.

The Blairite intrigues with big business, as epitomised by the Ecclestone and Robinson affairs, have served to alienate the majority of the rank and file of the party. They are becoming increasingly sickened by the hypocrisy and double-standards of the leadership. In despair, some activists have "voted with their feet." Some lefts have dropped out. At the same time, a layer of Blairites, mainly recruited around the general election, has also departed. Figures indicate that about 50,000 left the party last year, but a layer has also joined, though not as many. Many areas report a decline in activity and also great difficulty in achieving a quorum at various meetings. In the elections, few activists were prepared to carry out work for the party. This is not an unexpected development. However, once things start to open up in the party, with the emergence of opposition figures openly clashing with Blair, a layer of workers will be attracted back into activity. As a struggle takes shape within the party, so trade unionists will enter its ranks and be increasingly open to the ideas of Marxism and genuine socialism.

The Blairites hoped for an easy victory over 'Old Labour' after the general election, but have hit a whole number of obstacles. Despite a further shift to the right at the 1997 Party Conference - the most rigged Labour conference ever - widespread undercurrents of discontent were clearly evident amongst the delegations. At this conference, which was held a matter of

months after Labour's landslide victory, opposition was reflected in the big vote for the left in the NEC elections. When the result was announced there was a big cheer for the victory of Skinner and Livingstone, followed by cheering and applause for Mandelson's defeat. He was resoundingly defeated in a postal ballot of all party members. To top it all, he was beaten by the Campaign Group nomination, Livingstone, whose vote increased by 43%.

The votes of the other left candidates also rose sharply, by around 40%. The success of the left candidates clearly reflected an undercurrent of opposition within the party. As one Blairite official said: "We give them all a vote and this is how they repay us!"

Class View

Very often the conclusions of the serious strategists of capital coincide with the strategists of Marxism, but from the opposite class point of view. Every serious commentator can see there are going to be difficult times ahead for the Blair leadership. According to the *Economist*, most members of the present Labour Cabinet, "assume that they will go through mid-term hell. Almost to a man and woman, they expect their popularity to plummet once the honeymoon is over, and they are braced for the ritual of excuses and reappraisals that go with repeated by-election disasters."

In a very perceptive observation, the article continued: "unpopularity would have nasty consequences nevertheless. It would mean defeat in the Euro-elections in June 1999. It would fuel party doubts over the New Labour project. Worse, it would have a potentially deadly effect on the unity of Labour in Parliament." In other words, a crisis Labour government would lead to a revolt in the party, undermine the right wing domination and lead to a split in the PLP. This clearly shows that the grip of the right wing is far from solid and that the whole 'Project' is going to unravel with extreme consequences. "Lots of Labour MPs who unexpectedly won their seats in May's landslide have little enough chance of winning next time", comments the *Economist*. "If little chance seems to be turning to no chance, they may be tempted to make a splash as parliamentary rebels. If they are going down, they may decide to take a few hundred of their colleagues with them."

It is this crisis scenario that Blair is trying in vain to avoid by changing the

Constitution of the party, stamping down on party democracy, and changing the selection procedures to block out any left opposition. But to think that by constitutional and organisational trickery the right wing can prevent a reaction to pro-capitalist policies is the height of constitutional cretinism. You cannot legislate away the class struggle.

Ironically, Blair was forced to rely on the bloc vote of the trade unions to carry through his 'Partnership in Power' proposals. The original idea of breaking the trade union links had to be temporarily dropped in order to secure the support of the trade union leaders, who still retain 50% of the vote at Conference. Even Ken Jackson, the recently knighted general secretary of the AEEU, and an arch 'moderniser', stressed that "we would not support a further reduction in the block vote unless we move to ... an enshrined guarantee of trade union representation at all levels of the Party." Blair was therefore forced to revise the original proposals, and the loss of union influence was minimal, mainly concentrated on the election of the NEC's women's seats. The unions remained the foundations of the party at every level.

The Blairites are doing their best to weaken the links, but this has proved extremely difficult. For instance, the party's accounts show that unions still provided £6.9 million in affiliation fees in 1996, compared with around £4.5 million a decade ago. In 1996, party affiliation cost political-levy payers in the TGWU £1.2 million, but another £300,000 was spent on supporting local constituencies. In the GMB, affiliation cost £1.3 million but total spending on party support and activity was nearly double that at £2.5 million. It would be a very long time before membership fees or donations from business could make up the losses which would result from breaking the union links.

Even state funding would not necessarily mean an end to trade union financing of the Labour Party. Out of all the countries of the European Union, only the UK, Ireland, Luxembourg and the Netherlands do not have state funding. In France around half the cost of electoral campaigning is paid by the state and in 1995 around 37% of the main parties' income came from public money.

The changes to the constitution which tightened the grip of the Blairites were clearly a setback to Labour Party democracy. But we have to have a sense of proportion. We have been here before! For the



best part of the 1950s and 1960s, the Labour Party and the trade unions were dominated by the extreme right wing. In the party you had the Gaitskellites, while the unions were dominated by the likes of Lawther, Lord Carron, Deakin, Lord Cooper, and Sir Sydney Green. In the AEU, union members were under the heel of Carron's Law. The TGWU banned Communists from office. On Merseyside you had the 'rule' of the Braddocks. There and elsewhere arch-rightwing CLPs used to reply to membership applications with a note saying 'full up! The Bevanites were witch-hunted, proscribed and even expelled. Conference resolutions were completely ignored. The youth section was closed down. The infamous proscribed list was in force, and Transport House officials kept extensive files on left wing opposition. The NEC was, as now, firmly in the grip of the right wing. Did this prevent shifts to the left in both the unions and the Labour Party? Then, as now, the hard-nosed sectarians wrote off the party (and the unions) with the words: "They'll never change!"

Post-war Boom

But that was at the height of the post war boom. We are entering a convulsive period nationally and internationally. The basis for lasting reforms has been completely undermined. The crisis of capitalism has meant a crisis of reformism. In other words, the material basis for the domination of the right wing has been removed. Blair's domination is extremely transitory. It will collapse on the basis of events.

The 1998 Labour Conference clearly confirmed our analysis. Despite all the manipulation, sanitisation and so-called modernisation, which was intended to render the party conference a docile rubber stamp for the leadership, opposition to the Blair government was clearly evident. The election results for the NEC were a humiliation for the leadership. Despite all the efforts of the Millbank machine, the enormous resources that bank-rolled the 'Members First' slate, and the electoral system that favoured the leadership, the Blairites only managed to win two seats. The Grassroots Alliance, against all the odds, won four seats - the biggest representation of the left on the constituency section of the NEC since the 1980s. Seddon, the editor of *Tribune*, topped the poll. Leaving aside the character of these

'lefts' and the undemocratic fashion in which the list was selected in the first place, this result was a big blow to Blair and reflected the opposition within the party rank and file to the right wing policies of the Labour government. The results were largely repeated in 1999, when three lefts were elected to the NEC.

They represent a continuation of the process begun a few years ago. Again the conference delegates' response to the platform speakers was luke warm, whereas radical speeches were rapturously received. Mandelson was completely upstaged by the right wing CWU leader Derek Hodgson, when he attacked the destructive briefings of "faceless and spineless backroom boys in Whitehall." Hodgson's speech was interrupted with applause and culminated with a genuine standing ovation - probably the first of Hodgson's life! Bill Morris also made a similar impact on the Conference when he called on Mandelson not to water down any further the proposals contained in 'Fairness at Work'. "The debate was a clear victory for the critics of New Labour", admitted *The Independent* (29/9/98).

Despite Mandelson's reference to himself as a "modern industrial revolutionary", *The Independent* observed, "The real revolutionary was on the conference floor, which erupted with a spontaneous ovation for Mr Hodgson. Mr Mandelson looked as though he had just sucked a very sour lemon", and concluded: "Old Labour is not dead, it is merely sleeping."

This reflects the pressures from below that are on the trade union leaders, which will intensify enormously in the next period. Blair's speech at the Conference, which defended the continuation of pro-capitalist policies, contained a warning. He hardly mentioned the Tories, but made great play of his left critics. "When you make reform, people will oppose you; they will stand up at public meetings and be applauded for attacking you. When you reform welfare, they will say you are betraying the poor... There will be attacks to the left of you, attacks to the right of you, attacks from behind and in front."

This is an anticipation of the storm of protest that will emerge inside and outside of the Labour Party. The row over the cut in single parent benefit will be nothing compared to the opposition over future cuts. Although the Labour conference has changed, no amount of sanitising can prevent opposition to Blair's policies, especially

from the trade unions. While the platform was able to keep out CLP delegates from the conference debates, they could not treat the trade union leaders in the same way. Eventually, the dam will break. They will not be able to hold back the revolt when it comes. That is why Blair is making plans for his departure.

Coalition Government?

In politics, nothing is more harmful than a routinist approach. This is particularly true in a period such as the present. The end of the long period of upswing and relative stability will have very profound consequences for the relationship between the classes and for political life in Britain. For a long time, the ruling class saw the Labour Party as a kind of 'second eleven,' a reliable replacement for the Conservatives in times of crisis. Under the leadership of solid right wing politicians - in essence, no different to the leaders of the Liberals or the 'left' Tory leaders - they would steer the opposition of the workers to capitalism into safe channels, and in the process teach the masses a salutary lesson that 'socialism' does not work. Then they could be sent back, duly chastened, to the Conservatives - the real party of big business.

However, under changed conditions, things can work out very differently. In the 1970s - as a result of the first real crisis of capitalism since the War - both the Labour Party and the unions were radicalised and turned sharply to the left. The old right wing leaders were replaced with new individuals who, at least in words, stood to the left: Jones, Daley and Scanlon in the unions, and Benn and Heffer in the Labour Party. The ferment in the Labour Party enabled the Marxist tendency to make significant gains, first in the Youth, then in the CLPs and the unions.

The ruling class was seriously alarmed at these events. They attempted to split the Party, but only succeeded in rallying a tiny handful of right wing renegades in the SDP. However, in the general election, they succeeded in splitting the Labour vote, allowing the victory of the Conservatives. Subsequently, they organised a serious counter-offensive in the Labour Party, mobilising the mass media in a scare campaign to support the Labour right wing and isolate and expel the Left, beginning with the Marxists. The pendulum has swung to the right for the whole of the last period. But

now that process has reached its limits.

With the Tory Party being ruled out for the time being, the ruling class has been forced to bring in 'the second eleven'. But the strategists of capital are uneasy. Despite Blair, the party in its present form is not a reliable instrument for dealing with an acute economic crisis. Under such conditions, the 'wild men' would have too much influence. Only a 'broad based' party, resting on capitalism, would be able to carry through the necessary draconian measures. The strategists of capital understand this all too well. "My problem with Tony Blair is would they allow him to continue as prime minister?" asked Lord Rothermere. "If he could control the wild men of the Labour Party then, of course, he would be a very great prime minister. But the indications are rather strongly that it would be beyond anyone to do that." (FT, 28/4/97) This reservation about Blair does not refer to him as an individual, but to the class nature of the Labour Party, which, despite all the efforts of the Blairites, remains basically unchanged.

As mentioned earlier, the strategists of capital usually reach similar conclusions to the Marxists. Our tendency pointed out before Labour won the election that the ruling class and the Labour right would be moving in the direction of some kind of coalition government, on the lines of the National Government of 1931. The same idea has been expressed since both by Tony Benn and a number of serious bourgeois commentators.

The Crisis

The crisis of the 1929-31 Labour government led the British bourgeois to the conclusion that there needed to be a new political realignment. A broader basis was needed - a coalition government - that had the necessary majority to force through a drastic austerity programme. Under the impact of the world slump and an intense campaign in the capitalist press, the Labour prime minister, Ramsay MacDonald, crossed the floor of the Commons with a handful of supporters to join with the Tories and Liberals to form the National Government. This reactionary 'broad-based' government unleashed an all-out assault on the conditions of the working class, and especially the unemployed. This event - and the split in the Labour Party - pushed the party (and especially the ILP) dramatically to the left.

Now, more than sixty-five years later, voices have once again been raised about the need for a radical realignment of British politics, commonly referred to as "The Blair Project". As the Blair government pursues its capitalist policies over the coming period it will provoke big opposition amongst Labour's rank and file and the trade unions - the so-called 'wild men'. That is why the capitalists are alarmed. Clearly, the serious strategists of capital are not convinced that Blair can deliver.

The bourgeoisie has been kite flying. Not so long ago an article in the *Financial Times* speculated on the likelihood of Paddy Ashdown becoming foreign secretary in a Blair government. "The idea is being increasingly discussed in Liberal Democrat circles", states the article, "and new evidence suggests the prime minister may not be averse to the idea." (5/5/98). However, any move in the direction of a coalition with the open representatives of the bourgeoisie would provoke the violent opposition of the rank and file. "The memory of Ramsay MacDonald's betrayal of the 1931 government", noted the *Financial Times* (23/4/98), "is etched in blood on the party's memory."

From day one, there has been a 'close working relationship' between Blair and other ministers and Ashdown, especially over international questions. Ashdown, the FT claims, was a regular visitor to Downing Street during late January and early February 1998, where he advised Blair over the Gulf Crisis. These suggestions, coming on top of a stream of information about a future 'political realignment', are a serious warning to the Labour movement. "If Blair is the Ramsay MacDonald of the Nineties," warns the *Observer*, "he could be getting his National Government in early as well." Tony Benn has also drawn parallels with today and the period of 1929-31 and the formation of the National Government. With the shift to 'coalition' or 'consensus' politics over the past period coming from the right wing leadership of the Labour movement, a new world slump could easily become the catalyst for an all-out campaign to split the Labour movement as in 1931 and for the establishment of a new coalition or National Government.

Given the massive shift to the right of the Labour leadership and their ever-closer relations with the Liberals and even 'left' Tories, the Marxists have consistently warned of the possibility of such a future

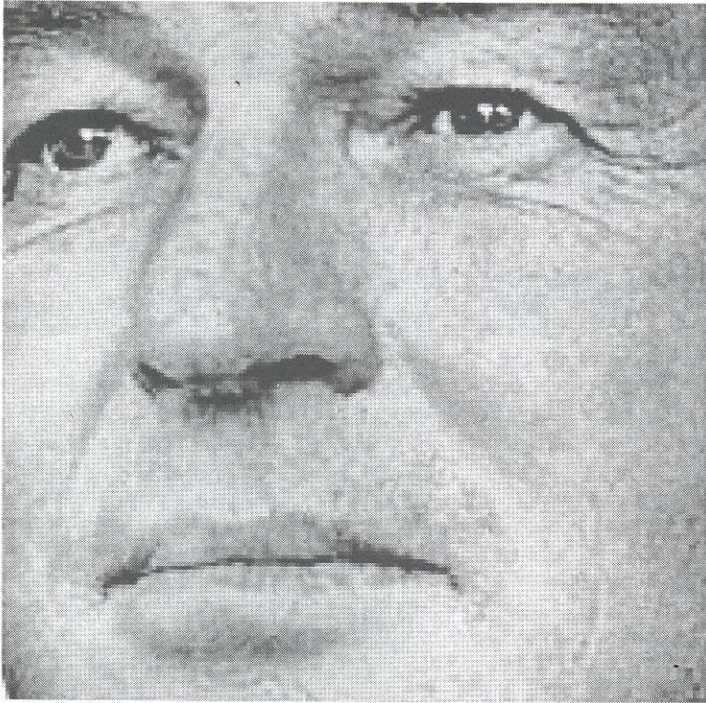
national government. The process now has gone much further than the Butskellism of the 1950s. The election of Tony Blair as leader of the Labour Party marked a decisive shift to the right. "I want a situation more like the Democrats and the Republicans in the US", he stated. "People don't even question for a single moment that the Democrats are a pro-business party. They should not be asking the question about New Labour." It is clear there is no fundamental difference politically between Blair, the Liberal Democrats and the Clarke wing of the Tory party.

Upper-middle-class

Around Blair there is a whole layer of ex-SDP advisers - the 'modernisers' - who jumped on the bandwagon to further their own political careers. As one MP correctly said, quoted in the *Independent on Sunday*, "Tony is surrounding himself with people who are clever, able, upper-middle-class and arrogant, and who do not respect the Labour Party." In fact they have a deep-seated contempt and hostility for the Labour Party, its traditions and its trade union base.

Blair's contempt for the Labour Party was openly expressed at the 1997 Conference when expressing admiration for Keynes, Beveridge and Lloyd George, he said: "Division among radicals almost 100 years ago resulted in a 20th century dominated by Conservatives. I want the 21st century to be the century of the radicals." In other words, the split of the trade unions from the Liberal Party and the establishment of an independent Party of Labour was a fundamental mistake. He hopes to rectify this 'mistake' by bringing about a realignment of politics and the rebirth of the old Liberal Party. "His aim is to recreate the broad progressive alliance which sustained the reforms of the pre-First World War Liberal Government", stated the *Times* (22/9/97). Roy Jenkins, Lib Dem leader in the Lords, said in the *Observer* of Tony Blair: "One of his strongest desires is to heal the split on the centre-left which has existed since 1914..." Things could not be clearer.

Before the general election, Blair was having secret discussions with Ashdown over a possible coalition government. The *Financial Times* revealed that they met every two weeks or so before the election to discuss the appointment of Lib Dem ministers in a Blair government. However,



"after the landslide it was impossible to sell coalition to Labour's rank and file." The FT, however, revealed that Blair phoned Ashdown at 4am on 2nd May to tell him: "We are still on to sort something out between us. I will be in touch."

Of course, the party's rank and file were - and still are - kept in the dark about these coalition discussions between Blair and Labour's open enemies, but it demonstrates how far the Blair leadership was prepared to go. In reality, for them, the 'affairs of state' are above the 'narrow confines of party politics'. With socialism off the agenda, 'politics' has come down to how best to run the capitalist system. With class collaboration in the tops of the trade unions in full swing, cross-party co-operation was its natural extension. Consequently, Blair sent his two lieutenants, Frank Field and Alistair Darling, to the Lib Dem conference to address fringe meetings on the need for closer collaboration.

Blair has also made it clear how far right this so-called 'centre-left' extends. Margaret Thatcher is openly admired by Blair. "She was a thoroughly determined person and that is an admirable quality. It is important in politics to have a clear sense of purpose and direction, to know what you want", he said, "I believe Mrs Thatcher's emphasis on enterprise was right." The problem for millions of workers was that Thatcher represented the cold, calculated interests of big business, and carried these through with "a clear sense of purpose." Within days of Labour winning the general election, she was invited into Downing Street to offer Blair advice on Europe. During the NATO bombing of Yugoslavia she was also consulted by 'Bomber' Blair. At the same time, the trade unions were told to keep their distance, even being described by Blair like

'Ulster Unionists'.

Despite a massive majority, Blair has continued to court the Liberal Democrats. Soon after the election he set up a Cabinet Committee on constitutional reform involving the Liberal leaders, and there was a discussion over how to broaden this cross party co-operation, to embrace Northern

Ireland and Europe. PR was then introduced for the European elections and the elections for the Scottish Parliament and Welsh Assembly. Labour is now in coalition with the Liberals in Scotland.

Blair is constantly raising the distinction of 'new' and 'old' Labour as a means of shifting the party further to the right. Blair has chased after big business at every possible chance. "New Labour is pro-business, pro-enterprise... Our aim all the way through is to win another term. And the only way that will be done is by running for office as New Labour and governing as New Labour. That is the key to their business relationship" (FT, 16/1/97). That is why a whole range of business people have been drawn into the government. Scandalously, Blair announced he wanted to break down the ideological divide between Labour and the Tories.

Thatchersim

This approach was echoed by Peter Mandelson before his resignation: "You don't have grand ideologies of either the left or right in politics any longer. What you have is different approaches to managing issues.. Let me make the point on the record. There is nothing wrong with capitalism with a social conscience or a human face." Blair later summed this up with his phrase 'the Third Way', neither socialism nor hard-faced Thatcherism, but something totally different.

However, a new world crisis will lead inevitably to huge opposition within the trade unions and the Labour Party to Blair's policies. This was hinted at in the Guardian editorial just after the lone parent benefit revolt: "The cut to lone parents' benefit triggered not just Tony Blair's worst day in the

Commons since taking office, but a hint of a bleak realignment of British politics. On show yesterday was not the centre-left alliance which so excites Roy Jenkins, but a Coalition of Conservatives and Labour. Yesterday's 457-107 vote looked a lot like the first act of a new National Unity Government of the right..." True, the Liberals opportunistically opposed the government's cut this time. But as Trotsky once commented, "scratch a Liberal and you will find a reactionary underneath." In the future, as the crisis deepens, they will do the capitalists' bidding for the sake of the 'national interest', ie, big business, as historically they have always done.

Harold Wilson

We should recall that in 1966 Harold Wilson had a majority of 97 in Parliament, but was derailed by the introduction of pro-capitalist policies, which ultimately led to defeat in 1970. However, today the Tory Party is in crisis. The resignation of Major and the election of Hague did not solve the Tory Party's problems, but tended to exacerbate their divisions, over Europe, reform of the Lords, and other issues. There has already been a spate of resignations, but the fight of the Eurosceptic majority with the Heseltine-Clarke wing threatens to split the Tory party apart. This has further been reinforced by granting the Tory rank and file a greater say over policy and the leadership. The grass roots are far more reactionary than the leadership and can push the Tories even more to the right. As Julian Critchley pointed out: "Any observer who has attended a Conservative Party conference in whatever capacity can only have been alarmed by the prejudices shown by the bulk of the party activists who attend such jamborees. With a few exceptions, the 'floor' consists of right wing Tories of the most unattractive kind: racists, floggers and hangers and passionate 'Eurosceptics'." (Times, 19/12/97). But these delegates are a true reflection of the grass roots of the Tory Party and would serve to increasingly alienate the likes of Heseltine and Clarke. They could easily split and fit very comfortably in a National Government under Blair.

The 1931 National Government

In Britain, in 1929 the Labour Party had come to power as a minority government with Ramsay MacDonald as prime minister, committed to reducing the level of unemployment, which stood at over one million. With the Crash in October and the world slump that followed, mass unemployment rose to record levels. In early 1931, the capitalist press led by The Times orchestrated a campaign for a National Government. The crisis, they said, was a time to drop party differences and for the best brains of all parties to come together for the national interest. By June 1931, unemployment has reached 2,700,000. To balance the budget, the Labour chancellor demanded orthodox deflationary policies encompassing deep cuts ('economies') in public expenditure. In February the May Committee was established to look at economies and recommend a cuts package to the government. Under the pressure of big business, MacDonald and a majority of the Cabinet capitulated to the bankers and the City.

'Consultations' took place both with the TUC and the bankers. The TUC opposed the 'economies', but put forward no alternative. The bankers demanded more. The proposed cuts resulted in large-scale opposition within the trade unions and the ranks of the Labour Party. This opposition led the Fabian Sidney Webb, to complain that "the trade union leaders are pigs." In August the Cabinet reluctantly agreed to a package of cuts worth £56 million to balance the books. However, an additional £25-30 million were demanded by the bankers. This included measures to reduce unemployment benefit by 10%, and the wage bill of teachers, the services and the police. Under intense pressure from the Labour movement, a minority in the Cabinet came out against the extra cuts.

According to the historian Colin Bell, "for much of the year all three parties seemed to be breaking up.... These splits and disagreements reinforced the opinion that some new political arrangement was needed; there was a crisis, all three parties were divided among themselves, and all authoritative observers held that it was essential that the country rallied round and accepted a swingeing bout of public parsimony."

mony."

Soon after the Cabinet meeting, MacDonald wrote of those who opposed the extra cuts as taking 'the easy path of irresponsibility'. MacDonald immediately set off for Buckingham Palace to inform the King of the situation. There he urged the King to send for the leaders of the official opposition parties to discuss measures in the 'national interest'. The ruling class wanted a strong government to carry through the necessary attacks on the working class. The Labour government went so far, but given the pressure from below, proved unreliable from the point of view of big business.

The following day a National Government was formed with the Tories, a section of the Liberals, a few Labour renegades and MacDonald as Prime Minister. In the subsequent general election, the Labour Party was dealt a severe blow. The number of Labour MPs fell from 289 to a mere 46 and its vote fell by two million. Although the National government was able to secure 70% of the vote by stampeding the middle class and the politically backward workers, the National Government proved no lasting solution. According to Malcolm Muggeridge, looking back on events: "Once the National Government had performed the surprising feat of coming into existence, its initiative was exhausted. The lamp had been rubbed, the jinn had appeared, but no instructions were forthcoming as to how its formidable powers should be exercised. The Conservative members of the Cabinet believed in tariffs, the Liberal members of the Cabinet in free trade, the Labour members of the Cabinet in continuing to be members of the Cabinet, and the Prime Minister in continuing to be Prime Minister."

Nevertheless, the vicious cuts doled out to the unemployed and other workers served to propel the Labour Party to the left. This was a real danger for the ruling class. "There is a third danger ahead", wrote the Times, "but it is a danger to the nation rather than to the Government. Broadly speaking, the whole of the Socialist Party will be reconsolidated in Opposition - with this enormous difference, that they will have lost the guidance of leaders few indeed in numbers but the ripest of all in practical experience of affairs... The Labour Party ... will now be definitely controlled by its more prejudiced and ignorant elements." (26th August 1931).



Differences and similarities

Every historical analogy has its limits. History never repeats itself in exactly the same way. But broad historical generalisations are possible and necessary, and analogies can play a useful role in illustrating the kind of processes that can arise under certain concrete conditions which have already been observed in the past. Thus, military strategists on the eve of the 21st century still study the experience of past wars - not just the first and Second World Wars, but the wars of Napoleon and Julius Caesar. Such studies would be a complete waste of time if certain analogies did not hold good in the conduct of warfare. Certain situations are constantly repeated, and can be anticipated. It is the same in politics, which is also a kind of warfare. That is why we study the Russian revolution, the Chinese revolution, the General Strike of 1926 - and the National Government of 1931.

It is true that the present situation has marked differences with 1931. In particular, rather than a minority government, the present Labour government has a majority of 179. Can this serve to prevent a future coalition? In our opinion, such a view is over optimistic. The majority of 179 is not only a source of strength for Blair, but also a source of great weakness. As *The Economist* explained: "Lots of Labour MPs who unexpectedly won their seats in May's landslide have little enough chance of winning next time. If little chance seems to be turning to no chance, they may be tempted to make a splash as parliamentary rebels. If they are going down, they may decide to take a few hundred of their colleagues with them." The article raises the idea of a split in the PLP at a certain stage. That is certainly the fear of Blair, and the reason why he is bringing in rule changes to punish and deselect MPs who step out of line. That is the reason for cuddling up to the Liberals. But as the revolt over benefit cuts shows, events can transform the situation and open up a whole series of parliamentary rebellions. As in 1929-31, splits are inherent in the situation.

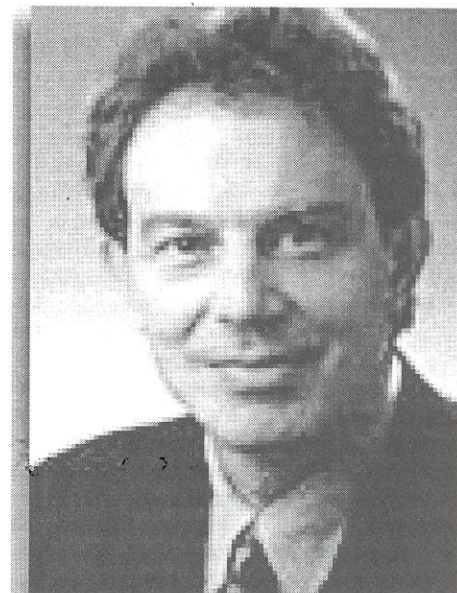
Not parliamentary arithmetic, but the general crisis of capitalism in Britain and on a world scale is what will decide the outcome. It is necessary to bear the perspectives firmly in mind in order not to be caught

by surprise by events. The crisis of the MacDonald government was the direct result of the economic collapse of 1929-32. As a general rule, similar conditions beget similar results. A deep slump in the world economy will have devastating consequences nationally and internationally. It would completely undermine any illusions in 'the market', and serve to discredit the right wing and their attempt to prop up capitalism. On the one hand, a crisis would see enormous pressure from the working class to change society, on the other there would be intense pressure from big business for the Blair government to launch an all-out assault on living standards.

Here the parallels with 1929-31 are striking. Big opposition in the trade unions and constituency parties - which is inevitable - may therefore convince the right wing that the party is not worth holding together. After all, Blair's model is the US Democrats. A revolt of the rank and file will bring into question the whole 'New Labour' project. At a certain stage, unable to satisfy the aspirations of the party's rank and file, they may decide to cut their losses and hold out their arms to the Liberals and 'left' Tories as in 1931. In the future, the present voices in favour of coalition will receive the full backing of the capitalist media. Their aim will be to split the Labour Party and crush it electorally. A leftward moving Labour Party would quickly recover and open up enormous opportunities for the Marxist tendency.

The coming world economic crisis will shatter attempts to patch up capitalism. Under these crisis conditions, the ideas of 'New Labour', of an attempt to rescue the system, will be discredited. It will lead to a crisis in the Labour government as the trade unions and the rank and file exert pressure for a change in course. It will not be the trade unions that will split away from the Labour Party. That relationship is too entrenched. The more likely scenario is for a split away of the right wing. In these extremely volatile conditions the ideas of genuine socialism and Marxism will attract a growing audience.

Of course, there is no guarantee that the process will unfold exactly in this way. A number of scenarios are possible. But there is no doubt that the ruling class and their agents in the Labour right wing are seriously preparing for the future. Their first preference would be to destroy the Labour Party from within, watering it down into a new



version of the Liberals, breaking the links with the unions and so on. But if that fails - and it will fail - then they will attempt once more to split the Party and reduce it to a rump, a tactic that they tried unsuccessfully with the launch of the SDP.

In 1931, only a handful of Labour MPs crossed the floor with MacDonald. This time, a far bigger section of the PLP would desert. But as far as the rank and file is concerned, the right wing would have very little support. Most of the middle-class Blairites who joined in and around the general election would already have dropped out in demoralisation. Most of them are politically naive. Some of them can go to the left. The rest will go home. Every Party branch will be shaken to the roots by the left-right conflict. Once the fight starts, it will attract a new layer of militants from the union branches. Some of the older members who have dropped out in disgust will be encouraged to return to the fight. Above all, the youth will be attracted to fight for socialism.

Even if matters do not immediately result in a formal split and the formation of a coalition, this would still be the case. However, it is not likely that the Party could hold together for long. The Blairites are alien elements, not only politically but in their entire class outlook, lifestyle and aspirations. They have deluded themselves into thinking that they have a kind of God-given 'right to rule.' They are not accustomed to criticism and the rough-and-tumble of debate. Once the going gets tough, they will not want to hang around for long.

Tories, Liberals and the monarchy

The last general election was a shattering defeat for the Tories. It was their greatest setback since 1832. The immediate problem for the ruling class was that, after 18 years in power, their main party, the Conservatives was in disarray. The split between the 'Eurosceptics' and the 'One Nation' Tories has not gone away, but has become increasingly bitter.

The turmoil in the Tory party and the ever-present danger of an open split over Europe is one of the reasons why a 'political realignment' is being seriously considered. Without doubt secret discussions have been and are going on behind the scenes with the Blairites and the Clarke wing, as with the Liberals. After all, what is the fundamental political difference between them? None of this makes any sense, given the Labour Party's huge majority in Parliament, except as moves towards some possible coalition at a certain stage in the future.

The possibility of an open split is clear to everyone. "Tory divisions over Europe have not gone away", states the Economist. "Kenneth Clarke and the pro-Europeans haunt Mr Hague from the backbenches, able at any moment to destroy any semblance of party unity." The danger of a split in the Tory Party is greater than at any time in the post war period. The fact that Hague intends to give the Tory rank and file a voice in electing the leadership and over policy could in fact doom the party. Before the rise of Thatcher, control of the party was firmly in the hands of the established aristocratic wing. This changed under Thatcher, with the resulting swing to the right and the abandonment of One Nation Toryism.

In the past, such a development would have been impossible. The modern Conservative Party was the result of an historical compromise between the bourgeoisie and the landed aristocracy, where all the decisions were taken by the aristocratic 'grandees,' acting on behalf of the bourgeoisie, and the work was done by the 'grassroots' - the retired colonels, stock-brokers, grocers, estate agents and car-salesmen - who were rewarded by being allowed to applaud politely when the Leaders addressed them at Conference. Now all that has changed. The change of rules has given a greater say to the Tory rank-and-file - the rabid right wingers and 'Little Englanders.' Hague - another middle-class

politician in the image of Thatcher and Major - has gained support by pandering to the prejudices of these elements who, politically speaking, are living on another planet. The problem is that the wing of the party that represents the interests of big business - the Clarkes and Heseltines - are in a minority amongst Tory MPs and in the rank and file.

One of the reasons why - at least for the present - big business is backing Blair is that he is clearly 'pro-Europe.' They look askance at the anti-EU ravings of the Tory leaders. To rely on such elements as these would seem to be a risky proposition. Nevertheless, despite everything, the Conservatives will tend to recover in the polls, as Blair becomes increasingly unpopular. This process has already begun as was evident in the European elections, although it was a very low turnout. In the opinion polls the Tories are still far behind.

It is possible that Hague may well be ditched and replaced by a more reliable stooge of big business. Whoever is in charge, the Tory faithful will be rewarded with a kick in the teeth. On the basis of the deepening crisis of British capitalism and the disillusionment of the middle class at a certain stage, the Tory Party will split. One way or another, the process inside the Tory Party will mirror that inside the Labour Party, with internal convulsions, crises and splits.

The crisis of the Tory party is a reflection of the crisis of British capitalism. The splitting away of the Clarke wing, will drive the Tories further to the right. Under the impact of the crisis, as in the interwar period, an openly Bonapartist wing will crystallise within the party. The outlines of such a party can already be discerned in the reactionary chauvinist delirium of the Eurosceptics. Out of this wing, a really vicious reactionary movement can emerge in the future. Such a party would be far to the right of the present Tories, and would base itself on reaction, racism and the need to strengthen British imperialism. It would seek its main support from the ruined middle class, the lumpen proletariat and some backward layers of the proletariat. The main enemy of this new party of reaction would be the organised working class.

The use of the monarchy as a reserve weapon of bourgeois reaction is not new. We have stressed it in our past material. However, over the past period, the monarchy has become increasingly discredited amongst large sections of the population. The Diana affair, her death and the attitude

of the Royal Family, and especially their offspring, have all served to alienate wide layers. This in turn, has undermined its future role as a catalyst for Bonapartist reaction. Despite this, the monarchy is not financed as a tourist attraction, but as a political weapon. It still has important reserves of support in the population. In a time of acute crisis and a threat to the system being posed by the working class, the monarchy will be wheeled out for this purpose. That is why the ruling class is doing everything possible to prop it up. Of course, Blair, the monarchist, goes along with this spectacle, seeking to advise the monarchy of its best interests. The Labour movement must be alerted to this danger, and see its task as the elimination of this feudal institution, along with the House of Lords.

The Liberal Democrats are a pale image of the old Liberal party which was once the main party of the bourgeoisie. In phraseology, the Lib-Dems are to the left of the Labour Party, although in practice, they represent the interests of capitalism. When the chips are down these ladies and gentlemen are prepared to ruthlessly attack the working class. This has been the whole experience where they have formed a majority in local councils, such as Liverpool.

The majority of the Lib-Dem leadership see partnership with Blair as a means of sharing power. There is nothing between them politically, and there is a growing realisation that the Lib-Dems will never win a majority themselves. However, this shift towards an accommodation with Labour has provoked opposition within its ranks. This was the case in 1931 when the Liberal Party split over its participation in the National Government, and Lloyd George stayed outside.

The same scenario, in the event of a national government, would take place again. The Lib-Dem rank and file would revolt against the reactionary policies of a coalition government. The end result would be a split, with the likes of Simon Hughes taking a big part of the membership and the rest dropping out. Inevitably, the Lib-Dems will be torn apart by the polarisation of society, as a grain of corn is ground between two millstones. But that is a price the Liberal leader would be prepared to pay to savour the fruits of office. Like Blair, the Liberal parliamentarians are shallow middle class careerists with no principles, understanding or perspectives. What matters most to them are their own career prospects.

Processes in the Trade Unions

Despite all the capitalist propaganda that the trade unions are finished as a force, they remain potentially the most powerful organisations in Britain. Although there has been a decline in trade union membership from its height of 13 million in 1979, today, after 20 years of mass unemployment and anti-trade union laws, the unions still embrace nearly eight million workers. This remains a high figure from a historical point of view. Lenin believed that under capitalism no more than a third of the proletariat would be organised in trade unions. However, if the unions were organised and led effectively, millions more unorganised workers could be drawn into its ranks.

Under difficult objective conditions, union membership has fallen by similar amounts in the past. In 1920, union membership numbered around 8 million, but by 1930 had fallen by 50%. However, this fall was of a different character. Under the hammer blow of the defeats following the 1926 General Strike and the miners' lock-out, membership fell as workers left the unions in droves - they simply tore up their cards. Today, the fall in membership, rather

than the result of demoralisation and defeat, has been largely due to the closure of heavy industries - coal, steel, shipbuilding - where the union membership was traditionally very high. Workers didn't leave the unions, they simply lost their jobs. Mergers - which have reached record levels - have also had an effect in reducing the workforce. This was the case for instance at Rover, when first Honda and then BMW bought the facility from its British owners. Rationalisation and flexibility of labour has been on the order of the day.

As a consequence, whereas unions like the NUM, ISTC, AEEU and the other industrial unions have shrunk in size, the public sector unions have grown in influence within the TUC. Unison is a prime example with 1.3 million members. The public sector remains highly organised, with 61% of workers in unions. This sector of the workforce particularly, given the massive cuts and attacks over the last 20 years, has been in the firing line. Cuts in the funding of the fire service has led to a series of local and regional FBU strikes, as well as the threat of national action. The same has been the case in the health service. At the moment, the plans to introduce payment by performance into teaching, threatens to draw teachers into national action. Strike

action has already taken place in the colleges and amongst bank workers.

In the past, these sections were traditionally weak for trade unionism. In many ways they had a privileged position. How times have changed! The employers' offensive has stripped back the gains of the past and squeezed every section of the workforce. The bosses are putting the boot in. With the proletarianisation of many middle layers, including the white collar sections, the potential strength of the working class remains very powerful. However, given the conservative rôle of the trade union leaders, this potential is wasted. All they are interested in, unless they are forced to act under pressure, is cosy deals with the employers.

Given the cuts in the public sector, and the anger of the rank and file, many public sector unions have already been forced into semi-opposition to the Blair government. In the forefront has been UNISON, which under the pressure of its rank and file, has had to openly organise protests about the low level of the national minimum wage. Bickerstaffe has been forced to take an oppositional stance inside the Labour Party over public sector pay, PFI and other issues. The UNISON leadership was forced, kicking and screaming, to organise a national demonstration over the minimum wage. However, this was the first national official trade union demonstration held against the policy of the Labour government. It is a pointer to how things are likely to develop in the coming period.

The private sector, especially manufacturing industry, has been hard hit throughout the last two decades. Closures, redundancies, restructuring, downsizing and the general counterrevolution on the shop floor, have all taken their toll. Only 19% of the workers employed in the private sector are now in trade unions. In growing areas of the private sector - especially those in traditionally weak areas - trade unionism is almost extinct. Only 5% of workers in private sector hotels and restaurants are unionised, 8% employed in real estate and business services, 11% in wholesale and retail trade, and 14% in private construction. Only 15% of employees in workplaces of less than 25 people are in unions.

On top of this there have been changes to the structure of the workforce in Britain, as elsewhere. The decline in heavy industry has been mirrored by a rise in so-called service industries. For example, call cen-





tres, which now employ around 350,000 people, and are set to grow to 500,000 in the next few years, are non union workplaces. In Glasgow for example, while traditional industries have contracted and closed, 13,000 people work in centres such as Direct Line, British Telecommunications and Lloyds TSB. This also reflects the rise of female labour, which now stands at 50% of the workforce.

These workers are viciously exploited. They are suffering under a regime of flexible labour with little protection. They are the modern equivalent of the Satanic mills of

Victorian times, and are wide open to union organisation. However, the union leaders appear impotent. They are more concerned with reaching sweet-heart deals with employers, than engaging in an aggressive militant recruitment campaign taking up the real needs of these workers. In reality, the potential for building the unions has never been greater.

The 20-year fall in union membership was partly a reflection of the incapacity of the union leaders who have not the slightest idea of how to campaign. At a time when the workers - not only in the traditional industries but in the so-called services and public sector - are suffering terrible pressure and exploitation, the so-called 'new realists' at the tops of the unions prefer to rely on wheeling and dealing with management and, of course, with government. However, there is a limit to this class collaboration. Despite the passivity of the union bureaucracy, the fall in union membership has now bottomed out.

Already before the war Trotsky explained that there is a tendency for the tops of the unions to fuse with the state. But this tendency presupposes that the bourgeoisie is interested in the services of the union leaders and are in a position to offer them something in return. This was the case in the period of the economic upswing, with a relative softening of relations between the classes (which incidentally did not prevent the revolutionary events in France in May 1968.) In Germany there was the so-called 'Mittbestimmung' and in Britain, the trade union leaders had a cosy relationship with both Labour and Tory governments.

But now all that has fundamentally changed. The crisis of capitalism manifests itself in the counter-revolution on the shop floor and the attempt to wipe out all the gains of the previous period. The working

day is lengthened and merciless pressure is applied to squeeze the last ounce of surplus value from the nerves and muscles of the workers. This is what Marx called absolute and relative surplus value. Since 1998 average overtime for full time males has gone up from four to seven hours and for women from three to six. Anti-social working hours have gone through the roof with one in two working men and one in three working women working some or most Sundays. Instead of the old cosy relationship, there is naked exploitation and class war. In Britain, the attacks have gone much further than elsewhere in Europe. The bourgeoisie wants to put the clock back fifty or a hundred years. The old arrangement between the union leaders and government was reversed under Thatcher and Major and the union leaders are still held at arms length by the Blair government.

Class Collaboration

Despite all this, there has been a further attempt to move in the direction of class collaboration by the trade union leaders. John Monks is busy building links with the CBI. He rejects militancy and openly embraces 'collaboration' and 'partnership' with the bosses. He chastises the greed of the boardroom, as it exposes his shameful 'collaborationist' approach for what it really is. He lectures the bosses like some sixth form school boy concerned about the morale of the school: "We are reinventing the class system", he complains. And goes on to warn, "The seeds are there for major social dislocation and I don't think the rise in inequality is something we should be complacent about." (*The Observer*, 13/9/98). These so-called realists are even worse than the Bourbon kings of France before the revolution. They have forgotten everything and learned nothing from the history of the last hundred years. They will earn nothing from their capitulations except a few well-aimed kicks.

The failure of the TUC and the trade union leaders to offer a real fighting alternative has led to disorientation and defeat. The courageous stand of 500 Liverpool dockers who were sacked for refusing to cross a picket line is a testimony to the class solidarity of workers. This solidarity was extended to the international front as dock workers throughout the world blacked scab cargo from Liverpool. Dockers from LA to Seattle took action. In Japan 40,000

dockworkers stopped. Ships were turned away from Sydney harbour. In South Africa dockers closed all ports. Despite being locked-out and fighting the bosses for two years, they were stabbed in the back by their own union leaders who refused to make the dispute official for fear of the anti-union laws. To the shame and disgrace of these leaders, after two years, the dispute went down to defeat.

Again, the threat to close the Rover plant at Longbridge by BMW bosses was not a new situation for workers. Across the board workers have been told to cut costs or face closure. It is the usual blackmail. At Longbridge, the workers were asked to stomach 2,400 redundancies, a pay freeze and the loss of other benefits. In addition the bosses wanted 'Working Time Accounts' or flexible working, whereby workers work longer hours when the company is busy and less in slack times. The extra hours will be on Saturdays and Sundays which would in future be paid at ordinary time.

While the Rover shop stewards were prepared to fight any closure, the union leaders wanted a negotiated settlement, and government subsidies. Obviously, with 140,000 cars stockpiled a strike would be little use on its own. The only strategy to keep the plant open would have been an occupation, which would then have to be spread to other Rover factories, and an appeal for international solidarity. Only with such a bold lead by the unions could unity between Rover workers be forged in struggle.

Such a strategy would have come into collision with the anti-union laws, and raised the stakes for the trade union movement as a whole. But that is the real choice in the present period. Either fight, or capitulate. There is no middle road. As the TGWU and other union leaders were not prepared to countenance such a fighting strategy, they went along with selling jobs, terms and conditions, hoping the bosses would be satisfied. But this is a pipe-dream. Despite the plans for new investment, the state of the car market internationally will mean the bosses inevitably coming back for more, once again playing off one plant against another. Eventually, Rover workers will have no alternative but to fight.

The Labour and trade union bureaucracy play an enormous role in dampening down and holding back the working class. They are terrified of mobilising the workers

in struggle, for fear of losing control of the situation. Despite their boastful claims of 'realism,' they are in reality narrow and blinkered, and are incapable of looking beyond the limits of capitalism and the nation state. They are so steeped in class collaborationism that it has not yet dawned on them that the situation has radically changed. They are attempting to base themselves on a capitalism that has already passed into the lumber-room of history. The trade union leaders - together with the Labour leaders - are now one of the most conservative forces in society. The union leaders have not only come to live within the confines of the anti-union laws they have actually come to embrace them as a means of disciplining the membership. They act as a colossal barrier to the movement.

This conservative outlook is not confined to the right wing reformists. Even the so-called lefts, like Bill Morris and John Edmonds are in favour of class collaboration. They have no ideas or perspectives other than those based upon capitalism. Nevertheless, such ideas will inevitably break down on the basis of events. The coming slump will undermine the basis of class collaboration, and propel the workers to the left. The trade union leaders will be forced to reflect these moods. At the moment participation in the trade unions

and the Labour Party is still at a low ebb. This is primarily due to the stress and strain within the workplace and the exhausting pace of work. But this will change in the future as workers draw conclusions about the Blair government and the inability of solving their problems on the basis of capitalism.

Unions and Blair

The attitude of Blair towards the unions is not surprising. It is in the nature of reformism, especially right reformism, to echo the current ideas, policies and prejudices of the bourgeoisie. In fact, they tend to be more slavishly dependent on the banks and monopolies than the ordinary bourgeois politicians of the Conservative and Liberal Parties. These middle-class careerists are acutely aware of the need to 'prove' themselves as 'responsible' statesmen (and women) - that is, as loyal agents of Capital. That is why they handed over the control of interest rates to the Bank of England - something even the Tories never contemplated. That is why they accepted the Tory limits on public spending. That is why they show their 'toughness' - towards the poorest and weakest sections of society, the lone parents and the disabled. And that is why they like to display their total independence from the unions (that is, from the working class), while constantly mani-

festing their absolute dependence on the bankers and capitalists.

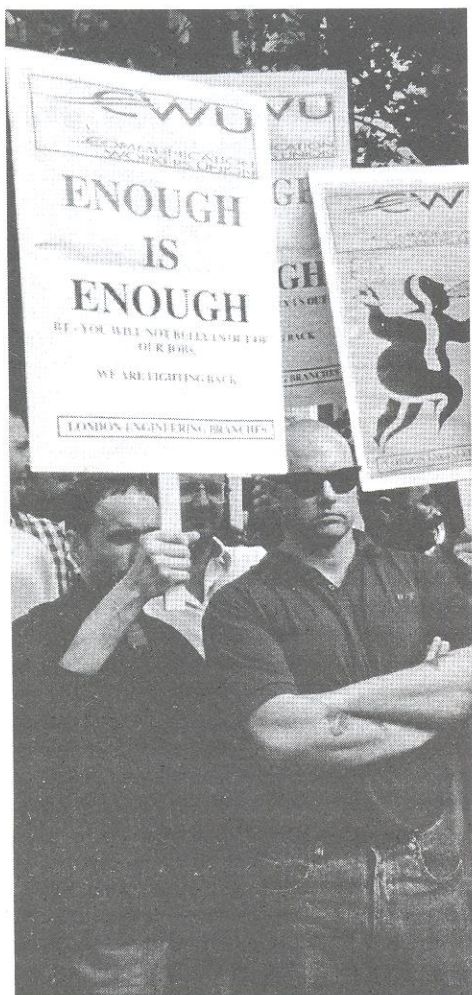
The union leaders, placing all their hopes on the good graces of a Labour government, are doing all in their power to hold the movement back. Fearful of the Tory anti-trade union laws (most of which have been left in place by Blair), and organically incapable of leading a serious struggle for workers rights, they have swallowed almost every humiliating imposition of Labour's right wing aimed at reducing their power and influence in the Labour Party. They imagined that Blair would reward them for services rendered. But they have been disappointed. The concessions given to them have been few and parsimonious, with opt-out clauses and loop-holes affecting legislation on workers' rights.

They have been forced into semi-opposition to the Blair government over the pitiful minimum wage and its exclusion of under 18s as well as over the 'Fairness at Work' proposals. The failure of the Labour government to deliver any meaningful reforms is causing growing frustration in the ranks of the trade unions. This anger will be intensified in the next period. The 'Fairness at Work' white paper gives some minimal reforms. However, its insistence on 40% of a workforce having to vote 'yes' in a recognition ballot, instead of a simple majority as promised, places an obstacle over gaining recognition. It also scandalously excludes workers in firms employing less than 20. Blair has clearly capitulated to the CBI on both issues.

The trade union leaders are alarmed by Blair's pro-business attitude, as they hoped to get big concessions from a new Labour government. In reality, they were hoping to get recognition and trade union rights on a plate. They hoped to be able to sit around the table with the government and the CBI and work things out amicably. The last thing the trade union leaders want to do is to fight the bosses. This would entail mobilising the workers - and that terrifies them even more! Nevertheless, they will be unable to help themselves. As a result of the contradictions, they will be forced under pressure to come into collision with the Blair government and with the CBI as well.

At a TUC meeting last June, Trade Minister Ian McCartney told 500 senior trade unionists to "ditch their victim culture and stop being negative about government proposals." This aggressive attitude reflects the pressures of the CBI on McCartney and





the government. The weakness of the trade union leaders in failing to stand up to the government has served to embolden the Blairites on these issues. When the TUC leaders went to Number Ten to complain about unemployment and the government's economic policy, they were in effect shown the door. According to one source, Blair gave them a "politely-worded dressing down". TUC sources said this might now lead to "difficult exchanges" in the future. They were like a beaten dog, hoping the Labour government would get them off the hook - they would be granted union recognition on a plate and a seat around the table. But they have been greatly disappointed.

It is no accident that a few years ago Blair lectured the TUC annual congress on the need to change and accept "flexibility", ie. changes in working conditions and practises to the benefit of big business. This was followed up by the then Cabinet minister Mandelson who told them bluntly: "The choice is yours - opposition or legitimate influence." He went on urging them to "modernise". And concluded: "Tony Blair's government will never be a soft touch - we will do our duty whatever." The lecture went down like a lead balloon, but clearly revealed the real relations between the government and the unions.

The situation cannot last indefinitely. Under pressure from their members the trade union leaders will be forced to act. With the Prime Minister's door closed to them, their options are limited. However, the realities of life, with the ever-intensified pressures of work, lead to colossal pressures building up. While the next slump can further dampen down industrial struggles - although there can be ferocious defensive battles - workers can become politically radicalised. This mood will be reflected in the trade unions and also in the Labour Party. Edmonds, etc. will reflect this pressure and be forced to articulate it. They will be forced to come out against Blair. They will become opposition figure-heads in the unions - at least in the initial stages.

The Blair government is preparing a massive backlash. Unemployment will rocket in the coming slump, testing out the government and putting added pressure on the trade union leaders. On top of all this, there is the arrogance of Blair himself. The Blairites' control of the Labour Party and their absolute contempt for the trade unions is already provoking a growing backlash in

the unions - even amongst Labour's traditional right wing union allies. This is of enormous symptomatic importance and is a harbinger of what is to come.

At bottom, there is an unbridgeable gap between the bourgeois clique around Blair that has infiltrated the Labour Party and the trade unions and Labour's working class base. This is clearly understood by the bourgeois and by Blair. Hence his ceaseless efforts to cut the umbilical cord that unites the Labour Party and the unions. But although he has succeeded in reducing the specific weight of the unions in the Party, Blair's attempt to cut all links and turn Labour into a British version of the US Democrats has failed - as we predicted it would. The key to the Labour Party remains the unions, and that is where the process will take on its definitive form. Despite all the efforts of the union leaders to do a deal with Blair, the contradictions are increasing inexorably.

The Jubilee Line dispute

Overall, the number of strikes or days lost through strikes are at an historically low level. The annual strike figures for the last year of the Tory government were 1,303,000, this fell to 235,000 for 1997. Last year, saw the lowest number of disputes for one hundred years. There are a whole host of reasons for this, not least the victory of the Labour government. The low level of strikes reflects the difficulties of the current situation and the brake of the trade union bureaucracy. Employers and union leaders have used the anti-union laws to hold workers back. Until recently the mood of the mass of workers has been to "give the government a chance." But the workers' patience is not unlimited. Nevertheless, the present feeble boom is encouraging certain layers of workers to press their demands. There have been a spate of small disputes.

The government's continuation of the Tories policy of privatising public services through the private finance initiative (PFI) has led to confrontation. London Underground Management and the RMT have also been locked in a series of one day strikes over conditions. In addition, there has been action on the railways over maintenance, strikes of Essex firefighters, and in particular the victorious unofficial electricians' strike on the Jubilee extension in London. There were also unofficial postal workers strikes in Cardiff and other parts of the country. There have been a significant

Socialist Appeal

Published by
SA Publications,
PO Box 2626,
London N1 7SQ
tel 020 7251 1094
fax 020 7251 1095

socappeal@easynet.co.uk
www.socialist.net
www.marxist.com

editor: Alan Woods

number of victories in strike ballots which have been sufficient to gain concessions even without industrial action.

The British workers have suffered almost two decades of impositions pushed through by the bosses with little serious opposition from the union leaders. There is a mood of bitter resentment which must express itself at a certain stage in a renewed industrial struggle. Given the complete sell-out of the union leaders, this can express itself as a movement from below. This was the case with the series of postal workers' strikes. The Jubilee Line electricians' strike is a further striking example of this process that can take place in other sectors in the future.

These workers were able to take advantage of a strong bargaining position to fight the employers over safety conditions, and then over victimisation. Interestingly, they also made use of the EU regulation on working hours to press their claim. Like all the other EU laws, they can be turned into a dead letter by the bosses unless the workers are prepared to fight. Once the Jubilee electricians began to move, they set up rank and file committees, called 'The Shop'. They collected £2 a week on top of their union dues for the committee's hardship fund. According to their bulletin, "We defied our bosses Drake & Scull; the union busters Bechtel; the capitalist media witch hunt; the supposedly 'Labour' government and not least our own union leaders who we pay weekly subs to, the AEEU." It went on to explain: "Our Shop supports our members in different types of hardship; we finance, organise and lead our own rank and file struggles with great success against management attacks; we gave thousands of pounds to other workers struggles." This marvellous initiative was supported by building workers across 15 inner-London sites. Even after the strike, the workers continue to finance the Shop, and lead a number of successful disputes. The AEEU union officials hated what was done, and tried to buy them off by offers of trips to union junkets, but failed miserably.

This strike shows how the accumulated discontent of the workers can burst through. The success of the movement was guaranteed by the fact that it came from below, and spread across the grades. It was a strike that disregarded the anti-union laws and the attitude of the official union leaders. It was an unofficial, and illegal, action. The bosses sacked 200 workers, but within a week they were all reinstated.

But the dispute also reveals the limitation of rank-and-file movements. After the strike there will inevitably be a tendency for the rank-and-file committees to become dormant, unless they are linked to a longer-term struggle to transform the unions. The Jubilee strike leaders, while maintaining the Shop, have now joined other building workers in the unofficial Joint Sites Committee in order to broaden their union activities.

The movement from below will shake up the unions from top to bottom in the next period. Those shop stewards and officials who are not prepared to give a lead will be pushed aside and replaced by younger and more militant elements. The way will be prepared for the transformation of the unions and a big swing to the left. This in turn will have a big effect inside the Labour Party.

Current Lull

The current lull on the industrial front will not last forever. Concretely, it is impossible to say where and when the movement will pick up. The employers' offensive must create a backlash at a certain point. The squeeze cannot last indefinitely. In America, where the working class has faced a similar position, the strategists of capital, such as Stephen Roach, are warning of a workers' backlash. There may be a renewal of the industrial struggle in the public or the private sector over the next period will serve to exacerbate the friction between the union leaders and the government, and the conflicts within the Labour Party. At a certain stage, the unions will pass over to semi-opposition or even outright opposition to the Labour leaders. The illusions of the activists have rapidly evaporated. The discontent openly expressed in the trade union conferences over the last few years is a clear indication of this. At the last Unison Conference, there was big opposition voiced towards the Blair government. This represents growing frustration with New Labour. In the future this mood will be translated into a move by trade unionists into the party to fight against the pro-capitalist policies of the government.

One factor in the situation, as we have noted, is the overweening arrogance of Blair and his coterie. Far more than any Labour leader in the past, Blair is divorced from the movement. He is completely subservient to the pressures of big business and does not possess any 'feel' for the



aspirations of the working class. This will lead him to over-reach himself and end up in a bitter conflict with even right wing union leaders, who, despite themselves, will be pushed into opposition.

Of course, strikes are not the only avenue of protest open to the working class. The massive vote for Labour in 1997 was a very significant expression of the will of the workers to change society. The presence of the Labour government is one of the reasons for the delay in the movement. Up until now, whereas the majority of the activists are hostile and suspicious of Blair, the prevailing mood of the mass of workers was one of wait and see. However, the abstentions in the European elections show a change is taking place. The patience of the mass of workers is not infinite. There is growing disillusionment with the government. In the next period, there will be a move to put pressure on the government through protests, demonstrations and similar activities.

At the moment a number of trade union leaders are making critical noises. "Don't try to push us onto the streets", warned Bill Morris over the Fairness at Work proposals. ASLEF even went so far as to threaten strike action if the Bill failed to satisfy its demands. This was echoed by Edmonds, who pointed to the change imposed on the government by the Countryside March. However, when time for action came, they were nowhere to be seen. At this stage, they are content with verbal opposition. Under pressure from below they will be forced to act.

The idea of worker MPs



Discontent with the middle class Blairites has already surfaced within a number of the trade unions, and has led to the call for greater working class representation in Parliament and even for workers to take back control of the party itself. This has most notably come from the AEEU and the TGWU. Of course, we have no illusions in the intentions of the right wing AEEU leaders or the leaders of the T&G (given their actions in the Liverpool docks dispute), who are pursuing their own separate interests. Nevertheless, this incipient conflict with the middle-class Blairites in the PLP is a foretaste of the split between Labour's right wing and the union leaders that will open up in the next period. The present hairline crack will become a yawning chasm.

The demand for more working-class representatives in parliament has a tremendous potential significance, far beyond the intentions of the AEEU leadership. The AEEU, Britain's third largest union, which has been on the right wing of the movement for the past 20 years, has raised the idea of flooding the Labour Party with its own members in a campaign aimed at 'reclaiming' the party. "Leaders of the Amalgamated Engineering and Electrical Union", reveals a well-informed newspaper report, "say they are planning the tactics - once adopted by the militant tendency - because they fear Labour is losing touch with its roots and has been hijacked by a metropolitan middle-class elite." (*Sunday Business*, 6th September 1998)

The AEEU, which has already diverted £1 million from the party to encourage members to stand as candidates and stop the Labour Party being dominated by middle class professionals, is now concentrating on building up working class membership. Jackson, the right-wing general secretary, said: "We want to persuade our members out there to also join the Labour Party."

This decision is of course nothing to do with opposing the right wing domination of the Labour Party. The AEEU right wingers have not changed their spots. For instance, they provided the financial backing for the Blairite slate for the last NEC elections. The decision arises from a class conflict between the middle class Blairites and the old right wing, epitomised by Jackson.

While the AEEU stands on the right wing, it fears the real Blairite agenda of breaking the trade union link, which would marginalise the right wing union leaders completely. It would mean an end to any influence they may have had on the party or the Labour government.

"Jackson is worried that they want to break the union link" says the report. More interestingly, it continues: "The AEEU is also funding a campaign against election voting reforms, fearing they would lead Labour to a coalition with the Liberal Democrats."

Clearly, this split in the right wing camp has a progressive side. Whatever the intentions of the AEEU leaders, an influx of trade unionists into the party will serve to change the Labour Party. To think that these new recruits would follow the dictates of the AEEU leaders or the right-wing party leadership is fundamentally mistaken. Given the economic recession and the job losses in manufacturing industry, new AEEU members will be looking for answers and solutions. This cannot be provided on the basis of the capitalist system. Experience and events will inevitably push them to the left.

The effects of a slump

All these processes are unfolding in the context of the gathering crisis of capitalism on a world scale which will hit Britain particularly hard. The coming slump will have a profound effect on the working class. We must not have a mechanical view of the effects of a slump on the class struggle. It is likely - depending on its depth - that a slump will temporarily have a dampening effect on industrial struggles. Those that do take place are likely to be of a bitter and defensive nature. But this tells us little about the exact nature of such strikes. Defensive struggles - that is to say, struggles against cuts in wages, longer hours etc. - can be of a very ferocious character. The fight to prevent factory closures can lead to factory occupations, as we saw in the 1970s with the Upper Clyde ship-building dispute and even more so in the sit-in strikes in France and the US in the 1930s.

We must not forget that the 1926 General Strike was born out of a defensive struggle against cuts. It is true that the strike was defeated as a result of the policies of the TUC and the 'left' union leaders, but that defeat merely prepared the way for

a further radicalisation of the working class, a movement onto the political front, the election of the second Labour government only three years later, leading to a crisis in the Labour Party, the formation of the National Government, and the split-off of the ILP. This shows in general terms how the process can unfold, although nobody expects it to be repeated in exactly the same way. We are dealing, not with a cookbook of historical analogies, but with general processes.

There will be a ferment of discontent in the unions which the officials will be powerless to prevent. This will open up big possibilities for the Marxists, who will put forward transitional demands linked to the need to overthrow capitalism. It is therefore urgent that Marxists redouble their efforts to build strong points of support in every union. This is an urgent task. While discussing the effects of an impending slump we must recognise too that at this early stage there are processes at work in the Labour movement from which the Marxists can gain support right now. At the same time of avoiding a mechanical approach to the consequences of a slump, we should not sit passively awaiting economic crisis as though a slump were a panacea, a solution to all problems. On the contrary, from any point of view the longer a slump were to be delayed the better. Nonetheless, when it comes, as it inevitably will, even those unions where the right wing appear to be in firm control will be shaken and convulsed by the crisis of capitalism. At a certain point even right wing trade union leaders will be compelled to put themselves at the head of the struggle, or be pushed out and replaced by others more in touch with the mood of the workers.

On the basis of events, workers will flood into the unions looking for a solution to their problems. Leaders will be tested out. New militants will be thrust to the fore. Within the unions, left forces will come together to oppose the right wing. Many of the old, tired elements will tend to drop away, although the best elements can be revitalised by the struggle. The trade union movement will be transformed from top to bottom by events and pushed far to the left. On this basis, provided we work correctly, the Marxist tendency will extend its influence throughout the labour movement.

Weakness of Left Reformists

The swing to the left in the 1970s was followed by a swing to the right in the 1980s and 1990s. The sharp move to the right in the labour movement over the last 15 years or more, was also mirrored by a collapse of the left reformists in Britain and internationally. Today, the lefts everywhere are a shadow of their previous size and influence. This arose on the one hand from the left reformists' lack of a fundamental alternative to the right wing, and on the other, from the boom that developed in the 1980s.

Politically, the left reformists around the Campaign Group, which had split from the Tribune Group in the early 1980s, have largely abandoned their radical programme of nationalisation and state intervention, and have increasingly accommodated themselves to the right wing. A number, like Sawyer, Blunkett, Short and Primarolo, went over completely to the right wing, and even ended up in the Blair Cabinet and the House of Lords. They rapidly jettisoned their 'radical' past as they travelled towards right wing reformism.

While the right wing are completely wedded to the 'national interests' of big business, both in domestic and international policies, the lefts have proved incapable of offering a clear class alternative. On home policy, the left, while making very mild criticisms of the pro-capitalist policies of the Blair government, have no class policies to put in their place. Their lukewarm attacks on Blair's economic policy appear to revolve around the need to cut interest rates. Added to this may be increased taxes, more borrowing and a reflation of the economy. In essence this is a form of lukewarm Keynesianism.

This is a far cry from their past programme, the so-called Alternative Economic Strategy, which included nationalisation of the top 25 monopolies and state controls over the economy. Even this programme was based upon the continuation of capitalism and would only serve to aggravate the crisis. But at least it had a semblance of an alternative to the right wing. Today, there is no fundamental difference. The "left" Livingstone, in a display of open opportunism, actually praised Blair, as well as Brown's handling of the economy.

The left reformists' efforts to 'defend' Clause Four were pathetic. Incapable of understanding the significance of Clause Four, a majority was quite prepared to

accommodate the aims of the right wing. Rather than clearly oppose the right wing's attempt to obliterate the socialist objectives of the party, their 'defence' amounted to a willingness to 'revise' or 'modernise' the statement. This compromise with the right enabled the Blairites to steal an advantage. After all, they too only wanted to 'modernise' the socialist aim!

On international issues they fare little better. To their credit, they verbally oppose the aggression of imperialism, such as the bombing of Iraq, but then they appeal to the so-called United Nations to solve the problem. The leaders of the 'left' take a pacifist attitude to the aggression of imperialism. There is not an ounce of class content in their position. The UN is dominated by the major powers, and is incapable of solving any major international issue where it comes into conflict with the interests of any of these powers. The small countries that also make up the UN are simply so much small change in the hands of the imperialists. As with the League of Nations before the war, the UN is utterly impotent.

However, the bombing of Yugoslavia by NATO sowed disarray in the ranks of left reformism. Tribune, including Michael Foot came out in favour of imperialist aggression, as well as Ken Livingstone and other 'lefts'. Despite their past pacifist credentials, once the chips were down, they ended up as some of the worst war mongers. As with the Blairites, they echoed the imperialist war propaganda at every turn. They had no class position whatsoever.

Only a class approach can defend the interests of the working class, nationally and internationally. Outside the class struggle there can be no solution. However, the 'lefts' have no clear ideas or perspectives. They merely offer token opposition, which in the end boils down to gesture politics or pacifist protests. Their 'realistic' solutions, based on 'practical' politics, are in reality completely utopian.

In reality, the left reformists have no confidence in the working class. Without class politics, theory or perspectives, they are pushed in one direction and then another. They have become increasingly amorphous. Furthermore, they have no confidence in socialist ideas. For them Keynesianism is far more 'realistic', but in a period of capitalist crisis it can never offer a way forward. It is this lack of confidence in their ideas and in the working class that pushed them to a compromise 'centre-left' slate for the NEC of the Labour Party. They still cling to this approach even when the

right wing elements on their slate were soundly defeated.

Despite their deficiencies, as opposition grows in the trade unions and the Labour Party, the left around the Campaign Group and the *Tribune* will be forced to take a more radical stance, even further to the left than their position in the 1970s. Consequently, on the basis of events they will dislodge the right wing leadership, and, despite themselves, gain an overwhelming majority in the coming period. If Blair splits away, then they will become the dominant tendency. This will not necessarily be on the basis of the people who make up the left of the party at the present time. The coming period will see the transformation and retransformation of the party. There will be a massive influx of leftward-moving workers, who will be the backbone of this mass left wing. This is in complete contrast to the class composition of the left current around Benn in the late 1970s and early 1980s. Which was by and large a petit bourgeois layer, which scattered at the first difficult obstacle.

The left reformists will reflect the movement to the left in the labour movement, and at the same time, become an attraction to workers who are becoming aroused politically. We originally believed this left would be built around the Campaign Group. Now it seems more likely that it would emerge around the *Tribune* Group. Even then, individuals like Prescott could easily move in a left direction in the big events that lie ahead. Whoever becomes the leader - and this is all speculation at the present time - it is clear that the pressures from below will be reflected at the top and create a realignment.

At a certain stage, a split within the Labour Party will propel it massively to the left. The situation would be transformed, and provide enormous possibilities for the programme of Marxism. The lefts must be given critical support where they adopt a progressive policy or take a correct step forward. At the same time, their weaknesses and woolly ideas must be criticised in a friendly manner, while counterposing a clear socialist programme. On the basis of experience and events the left reformists, who will attempt to offer a radical programme within the confines of capitalism, will reveal their political inadequacy. There is no way forward for working people on the basis of capitalism, however radical the programme. Such attempts are doomed to fail.

The rise of Nationalism

The re-emergence of the national question in Scotland, and, to a lesser extent, in Wales, is a further manifestation of the crisis of British capitalism. We leave aside the question of Northern Ireland, which we will deal with separately, except to say that a lasting solution to the Irish problem is impossible on the basis of capitalism. After more than 25 years of armed struggle, the IRA's goal of a united Ireland is further away than ever. The present 'settlement' which was hailed by Blair as a great victory, is extremely fragile and was achieved by promising all things to all people. With the collapse of the Executive, things are unraveling very quickly. It remains to be seen how long things will hold. Over the next few months it will be subjected to severe testing. At any time the deal can be blown apart, with all the attendant consequences, North and South of the border and in mainland Britain.

The national question has not yet reached such an extreme expression elsewhere. But this remains a minefield, as the fate of the ex-Yugoslavia shows. It is essential that British workers approach this question in a serious manner. While taking due account of the aspirations and sensibilities of all peoples, it is necessary to approach the national question from a consistent class and internationalist standpoint. Our tendency has a proud record on the national question, where we have maintained a principled position, while not succumbing to the pressure of bourgeois and petty bourgeois nationalism. By contrast, every other tendency on the Left has capitulated to nationalism in one way or another. The latest development has been the setting up of a separate Scottish Socialist Party, in clear contradiction to the most elementary principles of Leninism.

The national question in Wales has not reached the same degree as in Scotland. Nevertheless, it remains an important factor in the situation which we must take into account. In the future, on the basis of disillusionment with Blair, the Welsh nationalists will grow. Already in the elections to the Welsh Assembly and the European elections, Plaid Cymru has made gains at the expense of the Labour Party. For the first time ever, the nationalists succeeded in tak-

ing the Labour strongholds of Rhondda, Llanelli and Islwyn. This represents a political earthquake.

Discontent was clearly evident in Wales where the Blair leadership blocked Rhodri Morgan becoming leader of the Welsh Assembly. Despite all the manipulation of the Blairites, Morgan succeeded in getting the backing of 22 local Labour Parties as opposed to only eight for the Blairite Alun Michael. Again, this is symptomatic of the opposition in the rank and file. As it turned out, Michael only won on the basis of the union votes. Even then he only managed to scrape into the Assembly on the list system.

However, at this stage, the votes for Plaid are a protest vote against the policies of the Blair government. They are not an endorsement of Welsh nationalism. In fact Plaid abandoned independence and concentrated on the social issues. Nevertheless, the existence of a national problem in Wales, if not answered by the Labour movement can fester on the basis of the crisis of capitalism, and open the way for the rise of nationalism. This would pose a serious threat to the unity of the working class. Only on the basis of the socialist reconstruction of society can the problems of the Welsh people be solved. This would go hand in hand with the establishment of genuine autonomy, not the talking shop of the truncated assembly.

Left Backlash in Scotland

The national question in Scotland remains an important issue for the working class. As was evident from the voting for the Scottish Parliament and the European elections, the pro-capitalist policies of the Blair government have created widespread disillusionment in Scotland and have boosted support for the SNP. If allowed to continue, the SNP, who are now the official opposition, could gain a majority in the future, which may prepare the way for independence. If allowed to happen, this has potentially very serious implications for the unity of the British working class and the struggle for socialism.

At the last general election, the Tory Party was annihilated in Scotland. They lost every parliamentary seat. This was a clear rejection by the people of Scotland, as throughout the rest of Britain, of 18 years of Thatcherism and everything the Tories stood for. Without precedent, the Scottish

Tory Party was reduced to a rump with no MPs, no councils under their control, and now barely registering 10 percent in opinion polls. In contrast, Labour in Scotland received an overwhelming mandate for change.

While Labour delivered a successful referendum on the establishment of a Scottish Parliament, the determination of Blair to stick to Tory spending limits has forced local authorities to cut services and axe jobs throughout Scotland. In Edinburgh, the Labour council, to its shame, has decided to cut services, which originally included the withdrawal of all hot meals for primary school children. This scandalous approach was confirmed when George Robertson, the then Scottish secretary, warned the STUC there would be no "financial seventh cavalry" to bail out Scottish councils. As elsewhere, Labour has sought to continue with Tory policies. Now established in the Health Service, PFI is expanding into local government in Scotland. Falkirk Council's decision to build five new secondary schools on the basis of PFI is being promoted by the Scottish Office as the example for others to follow. This has caused big opposition in the unions and in the party.

This situation has created a backlash in Scotland, where Blair is seen as pursuing Tory policies to appease 'Middle England'. The Lib-Lab coalition in Scotland will lead to further disillusionment, as they dish out more of the same. An opinion poll for the 'Daily Record' last April showed that 28% feel things are a little, or a lot, better under Labour compared with the Tories, and 47% see no change. The top five reasons cited in a MOI poll for criticising the Labour government were 'performance in general'; 'NHS waiting lists'; 'disability benefit cuts'; 'tax increases/budget' and 'education cuts'. That explains the big abstention rate in the recent elections.

The SNP is a petit bourgeois nationalist organisation which uses demagoguery, rhetoric and lies to build its support. In particular, its recent growth has been due to standing to the 'left' of the Labour Party. Under Alex Salmond the nationalists have dropped their Tartan Tory image as a means of challenging Labour in its heartlands. Although this is all rhetoric, it can find a ready response amongst Labour supporters disillusioned by Blair. This has sent shock waves through the Labour Party, whose members are increasingly openly critical of the Blair line. That came to a head in the

Scottish Labour Party conference where the government was lambasted over benefit cuts and defence. The leadership only avoided defeat over PFI when the vote was adjourned and rerun the following day!

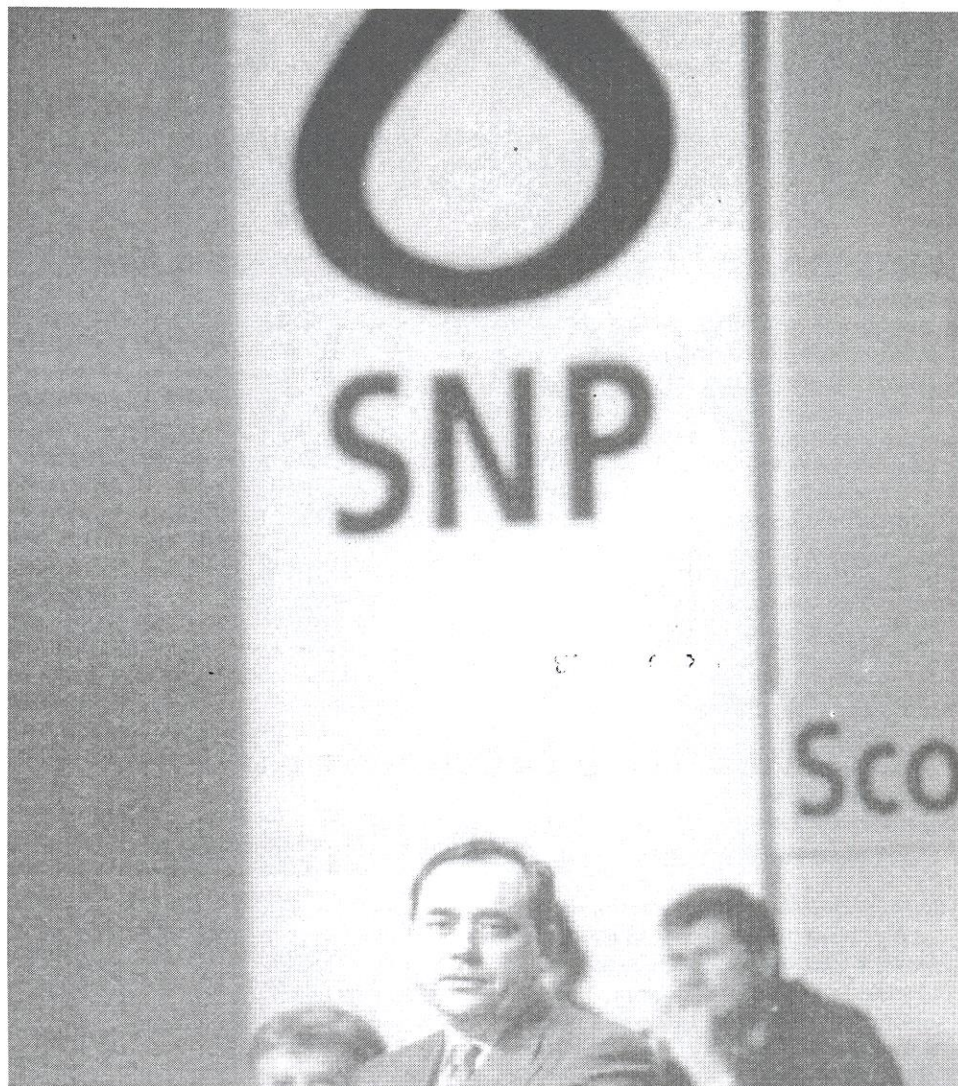
The Blairites have attempted to silence all opposition in Scotland by imposing Blairite candidates. This has created bitterness within and outside of the party, reflected in the massive victory for Dennis Canavan in Falkirk West. Canavan, a left Labour MP, was blocked by the Blairites for "not being good enough." Yet he won with a thumping 12,000 majority over the official Blairite candidate.

In Scotland, the PR system not only allowed the Tories into the Scottish Parliament, but also one representative from the fringe Green Party and the tiny left nationalist grouping, the Scottish Socialist Party. Tommy Sheridan of the SSP came third in Pollok, but was elected on the list vote. His victory was due to his personal following after his work against the poll tax. Elsewhere the SSP made little headway. The same was true of Scargill's party, which also picked up only a handful of votes.

While the votes for these left groups indicate a discontent with Blairism, they also show that growing disillusionment with the Labour leadership will not express itself in the growth of new parties. Under certain conditions they can pick up protest votes, but little else. When the mass of workers move into political action, they will move through the traditional mass organisations of the working class. There are no short cuts.

Scotland will be hard hit by the developing crisis of British capitalism, especially in the wake of a new slump. With the run down of steel, shipbuilding and coal, the economy has relied more on high tech inward investment. The 550 job losses by Mitsubishi in East Lothian, and other redundancies in the hi-tech sector, is a clear sign of what is to come. Local authorities, which have become key employers, are facing further cuts and economies, threatening thousands of jobs across Scotland. This situation will tend to demoralise Labour supporters and could result in a further swing towards nationalism. This is the price the movement is being forced to pay because of the crimes of reformism.

Without question, events are poised to shake Scotland to its foundations over the next few years. We must explain that the



only hope for the Labour Party in Scotland, as elsewhere, is a rejection of the Tory policies pursued by the Blair government and the adoption of a bold socialist programme. Only by these means will Labour be able to undercut the left wing rhetoric of the Scottish nationalists, thereby preventing any move to independence, which would be a disaster for the Scottish working class, as well as for workers throughout Britain.

Scottish Workers

The Scottish workers must turn their backs on middle class nationalism. The problems of Scottish workers cannot be solved on the basis of an independent Scotland. It would lead to economic decline and cut across the unity of the workers throughout Britain. The idea put forward by the SSP of a separate socialist Scotland is a utopia. It is playing with the fires of nationalism, as the Stalinists did in the past. The idea is based upon the mistaken slogan of John MacLean, which we thoroughly criticised many times. If it proved impossible to build "Socialism in one country" in the USSR, then what hope can there be in Scotland? There cannot be Socialism in one country, as the Stalinist states proved.

While being sensitive to the national aspirations of the Scottish people, the poison of nationalism has to be combated by the class unity of Scottish, English, Welsh and Irish workers.

This in turn must be linked to the fight for socialist policies within the Labour party and trade unions. If nationalism is to be defeated, the trade unions and Labour Party will have to be transformed into vehicles for real change. This process is part and parcel of the perspectives of a crisis Labour government and the splitting away of the right wing. The rise of a left Labour Party would fundamentally alter the situation in Scotland, as well as south of the border. While being sympathetic to the national aspirations, the Marxist tendency must fight for the unity of the working class. This must be linked to the overthrow of capitalism throughout Britain and the establishment of a Socialist Britain as a stepping stone to a socialist Europe and a World Federation of Socialist states. Only a Socialist Britain can secure genuine autonomy for Scotland and Wales, and linked to a Socialist United Ireland, guarantee the rights of all the peoples, and finally solve the national question.

Question of leadership



Marxist perspectives are a working hypotheses, which have to be constantly discussed and updated or altered in the light of events. "Every historical prognosis is always conditional", wrote Trotsky, "and the more concrete the prognosis, the more conditional it is. A prognosis is not a promissory note which can be cashed on a given date. Prognosis outlines only the definite trends of the development. But along with these trends a different order of forces and tendencies operate, which at a certain moment begin to predominate. All those who seek exact predictions of concrete events should consult the astrologists. Marxist prognosis aids only in orientation." (In Defence of Marxism, p.175)

The purpose of this article has not been to foresee in advance every detail. That is impossible. What we have attempted to do, using the method of Marxism, is to sketch out the general processes which are unfolding. Although events in Britain have been more drawn out than on the Continent, there has been an accumulation of contradictions that will serve to introduce rapid changes. The whole process is a dialectical one.

As old Engels used to say there are periods in history in which 20 years pass as a single day, but others in which the history of 20 years can be summed up in 24 hours. For a long time, it appears if nothing is happening. Then, suddenly, huge changes take

place very quickly. The mole of revolution, remarked Marx, burrows deep beneath the surface of society. An accumulation of contradictions builds up. Now we are reaching the critical point where quantity becomes transformed into quality. On a world scale capitalism has entered a period of convulsions, more characteristic of the inter-war period than the long period of relative stability that followed the Second World War. This fact is reflected in the tremendous instability in the world economy, the violent swings on the stock market, increased tensions between the different capitalist powers. These are merely the surface manifestations of the fact that the system is reaching an impasse on a world scale.

Marxist Tendency

Of course, this does not mean, either that the capitalist system will collapse of its own accord, or that the revolution will occur next week. On the contrary. The extreme weakness of the Marxist tendency rules out the possibility of a quick denouement. The process will unfold over a period of some years, with inevitable ebbs and flows. But the main thing to grasp is that the process of world revolution has already begun. The crisis in Asia has already resulted in a revolution in Indonesia and in revolutionary developments in Malaysia, South Korea and now Iran. We have witnessed the revolutionary uprising in Albania, derailed by the ex-Stalinists. In the last period we have seen big movements of the workers and youth in France, Germany, Greece, Italy

and Spain. This is an early anticipation of what lies ahead.

To the superficial observer, the process in Britain is lagging far behind the other countries of Europe. But the contradictions in British society have been slowly accumulating for a long time. They can rapidly assume a most explosive character. Events in Britain can catch up with the rest of Europe in a relatively short space of time. We must be prepared for sudden and swift changes in the psychology of the masses. The election of the Labour government by a massive majority represented a sea-change in the situation. It represents a fundamental break, raising the perspective of a crisis Labour government, with all the consequences that flow from it. The Blairites saw this as the end of a process. In reality, it was only the opening chapter.

The three basic pillars of the Establishment in Britain were always the monarchy, the Church of England and the Tory Party. It is no accident that all three are now in deep crisis. This reflects the growing crisis and impasse of British capitalism. This is unprecedented, and is a pointer to the realignment of politics in Britain. In the coming period, British society will be shaken to its very foundations. Just as the past revolutionary convulsions before the First World War were due to the sharp decline of British capitalism and the loss of its monopoly of world markets, so the marked decline today will give rise to tremendous changes. Developments and tasks which were long forgotten can once again come to the fore. Before the war, the British ruling class were preparing for civil war, but this process was cut across by the outbreak of the war itself and subsequent developments. In the long term, the bourgeois will be forced to consider this option once again. In the meantime, there will be big swings to the left. On the basis of the crisis, revolutionary ideas will get a big echo in the trade unions and the Labour Party.

The mass of workers do not learn from books but from experience. Events, events, events are the great teachers. They serve to transform the outlook of the proletariat. Given the attacks on the white collar sections, who now have broadly similar conditions to blue-collar workers, conditions for a generalised movement of all sections is being prepared for the future. Despite the role of the Labour and trade union leaders - both of the right and left varieties - which

hold back the working class, the ideas of reformism will become increasingly out of step with the realities of the situation.

The British working class will have to painfully relearn the lessons of the past. It will not arrive on the stage of history fully conscious of its historical mission. Neither events nor consciousness develop in a straight line. Consequently, those layers that move into political action for the first time will inevitably take the line of least resistance. Given the enormous weight and authority of the organised labour movement, they will test out again and again the trade unions and the Labour Party. It is a law - first worked out by our tendency - that the working class will move through its traditional organisations. Despite all the setbacks and betrayals of the past, there is no alternative to these organisations.

Subjective Factor

A deep slump can push the workers actively onto the political front. At the present time, in advance of such a crisis, there is a general malaise and a questioning of such things as privatisation, the profits of the 'fat cats' and so on. Even in the USA, there is the beginnings of a questioning of capitalism. This is expressed even in such an unlikely scenario as the reaction of cinema audiences to the film *Titanic*. When the film depicted the death by drowning of the rich, American audiences applauded and cheered. This may seem anecdotal, but nevertheless the bourgeois press expressed concern about it. After all, ordinary folk are supposed to look up to the rich and successful, especially in the USA. This reaction was not accidental, but the result of nearly two decades of attacks on living standards, downsizing, out-sourcing and merciless pressure on the masses, while a minority have become fabulously rich. In the event of a slump, this questioning will become general and seek an organised political expression. As Trotsky explained before the war in discussions on the USA, "The perspective for economic strikes is, for the next period, excluded, given the situation of the growing unemployed ranks, etc. We can look for the possibility that it will put all its weight in the political balance."

The ground will be cut from under the feet of the right reformists. The collapse of the market will leave them exposed. What could Blair say under conditions of mass unemployment and falling living standards?

"Long live the Market?" The crisis of capitalism means the crisis of reformism, beginning with right reformism. As workers move on the political front, while putting their trust in the 'left' leaders, they will be looking for a way out of the capitalist crisis. With the correct orientation, these layers can be influenced by the ideas of genuine Marxism. The task of the Marxist tendency, in the words of Lenin, is to 'patiently explain' the ideas at every turn of events, contrasting a revolutionary transitional programme to that of left reformism. While avoiding the pitfalls of opportunism and ultra-leftism, we must steer a bold course to the left-moving workers and youth. It will be from these sections that the mass forces of Marxism will be drawn.

The movement towards world revolution has begun. The process will unfold in a protracted manner due to the weakness, at this stage, of the forces of Marxism and also the weakness of the bourgeoisie, who will be incapable of resolving the impasse. Again and again the proletariat will be forced to move into action. Within the revolution, there will be periods of reaction, indifference and despair affecting the workers. But this will give way to periods of further revolutionary advance. The proletariat has no alternative but to struggle. The British working class has a rich history behind it: the struggle to build the trade unions, revolutionary Chartism, the 1926 General Strike and the struggle against fascism.

What is lacking for the successful overthrow of capitalism is the subjective factor, i.e., the leadership of the working class. It is the most important factor in history. Without the subjective factor, as events have demonstrated repeatedly, great revolutionary upheavals will end in terrible defeats for the working class. Unless the working class shows a way out of the crisis, the danger is present, in the words of Marx, for the common ruin of all contending classes.

However, the subjective factor cannot be assembled spontaneously. It has to be prepared over years through the training and education of cadres. It has to be rooted in the trade unions, the Labour Party, the shop stewards committees, the workplaces and amongst the youth. The ground has to be prepared through the training of cadres, who will have a colossal historical responsibility on their shoulders. Theory, which represents the generalised experience of the working class, has to be conquered. There is no other tendency on the planet which



has the correct Marxist perspectives, programme, theory, tradition or orientation. The Marxist tendency can be tremendously optimistic in the face of the unfolding world revolution. We must remain firm on the basis of our ideas, of the ideas of Marx, Engels, Lenin and Trotsky, and on the contribution we have made over the past 60 years.

But ideas are not enough. We need to find a road to the masses. First the advanced layers in the labour movement and amongst the youth. In our day to day work, there will be tremendous possibilities, which will increase as the proletariat realises that there can be no solution on the basis of capitalism. A new epoch opens up like the 1930s, except on a higher level. The ruling class will no longer be able to rule in the old way, and the working class will no longer be able to live in the old way. By winning the advanced layer, the Marxist tendency can face seriously to the mass of workers as a whole. Events will convince the proletariat of the correctness of Marxist ideas. On that basis, the working class, armed with a revolutionary leadership, can be victorious in Britain and internationally and prepare the way for the socialist reconstruction of the world society.

London, 16th July 1999

socialist *appeal* fights for

☆ **Socialist measures in the interests 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.** £5.00 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.

☆ **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.



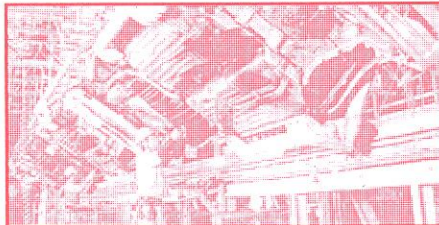
☆ **No more sell offs.** Reverse the Tories privatisation scandal. Renationalise all the privatised industries and utilities under democratic workers control and management. No compensation for the fat cats, only those in genuine need.



☆ **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 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.

☆ **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.



☆ **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 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.

 **Join us in the fight for socialism!**

Socialist Appeal supporters are at the forefront of the fight to commit the Labour government to introduce bold socialist measures. We are campaigning on the above programme as the only solution for working people. Why not join us in this fight? For more details:

Name.....

Address.....

tel.....

**return to: Socialist Appeal, PO Box 2626, London N1 7SQ
tel 0171 251 1094 e-mail socappeal@easynet.co.uk**