

1988

## Crisis Book Socialist Workers Party

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1. How is latest "FROP" version related to:

(i) Their old argument?

(ii) Mandel's ?

(iii) Trotsky's ?

2. Their argument for a FROP is very much in the spirit of their historical tendency to account for a trend as an accumulation of conjunctural factors: FROP is a fact, but not a necessity in our sense.

- Hence, as always, the key factor in a long recovery is the class struggle.

- Once again, notion here of irreversibility of working class development...

3. Their argument ~~is not~~ reflects Mandel's <sup>500000</sup> integration of ROP into a Trotskyist position. But their explanation of the FROP is agnostic. So we cannot say it is Mandel's FROP theory.

- In fact, their emphasis on the dialectic between the FROP & the mass of profit (8) indicates that they took it from my work.

4. The fact that they do not specify the driving force for a ~~FROP~~ FROP is very important. <sup>specification</sup> Their specification of the logic of FROP might have implications for their emphasis on defeat of working class, so they <sup>and up</sup> ~~and up~~ <sup>specification</sup> ~~specification~~.



# Bulletin

Vol. 41, No. 5

July 1988

\$ 2.25

## Draft Political Resolution

Adopted by Socialist Workers Party National Committee  
June 27, 1988

Socialist Workers Party

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The Discussion Bulletin is an internal bulletin for SWP members, published under the direction of the National Committee.  
14 Charles Lane, New York, N.Y. 10014

# Political Committee Letter to Branch Executive Committees

14 Charles Lane  
New York, N.Y. 10014  
July 12, 1988

## TO BRANCH EXECUTIVE COMMITTEES

Dear Comrades,

This issue of the *SWP Discussion Bulletin* contains the National Committee Draft Political Resolution that will be discussed and voted on at the 34th Constitutional Convention of the Socialist Workers Party. The document focuses on the objective situation facing the working class internationally and in the United States following the October 1987 crash of the world stock markets and serves to prepare the party for our coming tasks.

At the conclusion of the preconvention discussion the National Committee will move this draft resolution, together with the National Committee's "Action Program to Confront the Coming Economic Crisis," as its platform. Those voting for these two documents will constitute the members of the National Committee caucus who will meet and elect delegates supporting this platform.

The resolution is now being translated into Spanish. Branches whose members include comrades who need, or prefer, to read a Spanish text should inform the national office of the number of copies needed. The Spanish version will be mailed out to those branches as soon as it is ready. The Spanish translation of the Action Program is available in *Perspectiva Mundial*.

The Draft Political Resolution being voted on at this convention constitutes the first three sections of a more extensive document that has been discussed by the National Committee. The portions still being worked on include: Section IV. The United States: The Rightward Shift of Bipartisan Politics During the 1980s; Section V. Capitalism and Bonapartism; Section VI. Bonapartism, Stalinism, and the Renewal of World Communist Leadership; and Section VII. The Leninist Strategy of Party Building Today.

The political content of these sections will be covered in oral reports at the convention.

The draft resolution is significantly later than the National Committee anticipated due to our decision to respond to a number of events over the last six months that postponed or slowed down work on the resolution. Among these developments was the obligation to build on the historic victory we won when the government dropped its appeal of the federal court ruling and injunction in our suit against the FBI and other police agencies. We decided to rapidly get out two books telling the story of the fight, both of which will be available at Oberlin. The frame-up and arrest of Mark Curtis posed the immediate responsibility to do whatever necessary to organize his defense. The victory in the suit against the government also meant organizing a new stage in the fight to obtain permanent residency for Héctor Mariquín. And there were numerous unanticipated international obligations, including the opportunity to participate in some important conferences in recent weeks.

Work on the resolution was also affected by the decision to prioritize the editing and publication of the Action Program so that it could be available for use during the election campaign and preconvention discussion.

Because of the lateness of the Draft Political Resolution and the fact that several sections of the planned resolution remain to be written, the Political Committee proposes that the 35th Constitutional Convention of the Socialist Workers Party be called for sometime between mid-December 1988 and mid-January 1989. The convention call and exact dates will be discussed and decided by the National Committee in August following the convention.

A second convention around the end of the year will enable the expanded document to be placed before the party for discussion and vote in the fall. The discussion bulletin will be reopened 90 days prior to the convention and the most concentrated part of the oral discussion in the branches will follow the conclusion of the 1988 presidential election campaign.

The political resolution adopted by the convention in August will be referred to the National Committee for editing in light of the convention deliberations. Discussion on the entire document, sections I-VII, will be in order leading up to the next convention.

A December or January convention will serve the same purpose as would a second session of the 34th Constitutional Convention. Given the length of time between the two gatherings, however, and the mobility of the party's membership, we propose that delegates be re-elected. Thus, constitutionally it will be a separate convention.

In the time remaining before the August convention branches will need to organize time for comrades to read and study the Draft Political Resolution and the Action Program. Multiple meetings will have to be organized each week for preconvention discussion. After taking up the three sections of the draft resolution, comrades will want to come back to a discussion of the action program as well, using the version published in the Pathfinder pamphlet.

The Political Committee has voted to extend until the last business mail of July 26 the deadline for receipt of motions or resolutions for convention decision. The deadline for other contributions to the *Discussion Bulletin* has been extended to July 23.

In order to maximize time for political discussion, no meetings to elect convention delegates should take place prior to the weekend of July 30-31. A letter from the Political Committee to all members outlining voting procedures will be published in the last issue of the *Discussion Bulletin*, which will be printed July 28 and arrive in all branches by Saturday, July 30.

Comradely,

Mary-Alice Waters  
for the Political Committee

## I. THE OCTOBER 19, 1987, STOCK MARKET CRASH AND WHAT IT SIGNALS

The October 19, 1987, crash on the New York Stock Exchange was the steepest plunge in stock prices in this century, a larger and faster drop than the 1929 crash that signaled the coming Great Depression. Between Wall Street's opening and closing bells October 19 there was a 23 percent plummet in average stock prices, resulting in roughly \$500 billion in losses. The Chicago stock futures market fell even more sharply, diving 36 percent in 10 hours over two days. The crash culminated a stock market slide that had begun in late August; overall, share prices fell by more than one-third over that period. This came on top of a collapse in the bond market, with prices of U.S. government securities falling 26 percent between late March and October 19.

Unlike the 1929 crash, the dive on Wall Street did not pause at the U.S. borders. With explosive computerized rapidity, it spread to every other stock market around the world over the next 24 hours. Hundreds of billions more dollars in paper values were destroyed. This reflected the tightening interlinkages, especially since World War II, of the U.S.-dominated imperialist world system of capitalist monetary relations, credit, production, and trade. Rather than buffering the shocks from the crash in New York, stock markets from London to Hong Kong, from Tokyo to Toronto, from Sydney to Mexico City helped drag each other down.

The most devastating decline hit the exchanges in semicolonial countries. The Hong Kong stock market ended trading altogether for a week. Shares on the Mexico City exchange dropped 75 percent in October, setting off a loss of nearly one-third of the peso's value and a capital flight of more than \$2 billion from Mexico over the next two months.

The October 19 crash verged on what business-page commentators, borrowing from the vocabulary of nuclear catastrophe, termed a "meltdown" of the capitalist world's stock exchanges. More importantly, given the degree to which trading on the stock, bond, commodities, and futures markets depends on massive infusions of borrowed funds, this meltdown threatened capitalism's international banking network as well. Major securities firms, suffering staggering losses as the day went on, borrowed frantically to buy up stocks in hopes of halting the free-fall of share prices and thus the cash value of their own assets. When this effort failed, the big Wall Street houses were left deeply in debt, with piles of devalued stocks. Major banks, suddenly finding themselves with mounting bad debts, began turning down requests for further credit. To head off disaster, the U.S. government directly intervened. The Federal Reserve Board flooded the banking system with money on October 20 and credit lines were prevented from squeezing shut. A complete collapse was narrowly averted.

Nonetheless, many small stockholders were wiped out. A shakeout of even the largest traders left most with big losses and some — such as E.F. Hutton and L.F. Rothschild — on the ropes. While a few Wall Street houses made a killing in October, overall losses of securities dealers for the final quarter of 1987 were 22 times larger than their previous record loss, and their 1987 profits fell 80 percent from their 1986 level. Capitalists' confidence in the stability of the stock market has still not recovered, as shown by the decline in the average daily volume of shares traded on the New York exchange ever since. Repeated and unpredictable sharp one-day declines over the months since October keep reminding the masters of finance capital that it is not within their powers to prevent a sudden recurrence of an even

more devastating crash.

At the same time, however, the exploiters' ceaseless quest for the highest returns will eventually force them to pour money capital back into stocks, sending volumes and prices soaring once again. Under capitalism, the blind laws of the market are ultimately more powerful than the mightiest state in matters of values and prices. And in a world where almost everything is a commodity, that is powerful indeed.

The near meltdown on October 19 also further exposed the vulnerability of the capitalist world to the towering pile of government and private debt that has built up worldwide since the early 1970s. The indebtedness of the oppressed countries of Latin America, Africa, Asia, and the Pacific accelerated at a dizzying pace in the 1980s as these nations suffered the combined blows of exploding interest rates at the opening of the decade; the deep 1981-82 recessions that rolled through the United States and several other capitalist countries; and the sharp drop in the prices of most raw materials and other commodities sold by Third World countries on the world market.

The total debt owed by the capitalists and governments of these countries to the wealthy families that own the major imperialist banks reached the almost unimaginable figure of \$1.2 trillion by the end of 1987, more than twelve times its level in 1973. Much as bankers in the United States goaded farmers into bigger and bigger debt loads throughout the 1970s, the massive borrowing that resulted in today's Third World debt was initiated, pushed, and sustained by finance capital, which stood to profit mightily off the interest payments.

Mounting international debt slavery has not only meant economic and social devastation for hundreds of millions of peasants and workers; it has also increased the instability of the entire imperialist banking system. The so-called Third World debt crisis is in fact a dance of death between the capitalists in the imperialist countries and those in the semicolonial world, in which the primary victims of an international monetary calamity will be the working people of both the oppressed and oppressor countries.

### Fictitious Capital and Imperialist Economies

Over the past century trade in stocks, bonds, and other commercial paper — the devices that Karl Marx called "fictitious capital" — have become integral to the very functioning of the world capitalist system: its interrelated banking and monetary operations, government finance, domestic and foreign trade, industrial production, mining, and agriculture. Capitalism does not operate on the basis of a "real economy" in which the ups and downs of production determine the conditions of both capitalists and working people, and a "paper economy" whose price gyrations affect only speculators and middle-class professionals who play the markets. The trading in stocks and bonds, together with intertwined credit and monetary flows, are part and parcel of the capitalist mode of production. They are inseparable from the production and circulation of commodities, including the sale and purchase of human labor power. Debt and paper values are not things. Like the commodity itself, they are part of the production and reproduction of capitalist social relations.

The growing instability on Wall Street is a symptom of the profound crisis of capital accumulation infecting the entire body of the world imperialist system. Another crash cannot be prevented by new regulations aimed at altering the habits of



operators on the stock, bond, and options markets: bans on computer-assisted "program" trading, measures to shut down markets if fluctuations become too stormy, stricter credit regulations, or the myriad other "reforms" much-discussed in the big business press in the wake of October 19. Nor can the banking system be sealed off from the large blows it will receive.

The explosive expansion, internationalization, and accelerating transaction speed in the securities markets have become necessary to the circulation of money capital and its interpenetration with industrial, mining, and agricultural production and trade. In order for the surplus value created by the labor of working people to be transformed into profits, the capitalists must compete among themselves to sell the commodities produced in the fields, mines, mills, and factories. They must compete to maximize further gains from their accumulated profits, whether by plowing this money capital back into production or finding other sources of investment or speculation that they believe will yield a larger return.

The circulation of money capital, Marx observed, is the "most striking and characteristic form of appearance of the circuit of industrial capital, in which its aim and driving motive — . . . money making and accumulation — appears in a form that leaps to the eye (buying in order to sell dearer)."<sup>2</sup> Under capitalism, he pointed out, "The production process appears simply as an unavoidable middle term, a necessary evil for the purpose of making money."<sup>3</sup> Frederick Engels, in preparing a second edition of volume two of *Capital* a decade after Marx's death in 1883, added in light of further experience: "This explains why all nations characterized by the capitalist mode of production are periodically seized by fits of giddiness in which they try to accomplish the money-making without the mediation of the production process."<sup>4</sup> Today the world capitalist system has evolved to the point that just such a fit of giddiness has become unavoidable and will grow in intensity.

Stock, bond, and other markets for paper securities did not occupy this central place in the process of production, circulation, and expanded reproduction and accumulation of capital during the emergence of industrial capitalism in the latter part of the 18th and throughout much of the 19th centuries. While editing the third volume of *Capital* for publication in 1895, Engels wrote a brief outline for a supplement on the evolution of the stock exchange.<sup>5</sup> Almost thirty years earlier when Marx had drafted the manuscript, Engels explained, "the stock exchange was still a secondary element in the capitalist system." There was trading in government bonds, he wrote, but "even these were still relatively small in amount. . . . At that time, then, the stock exchange was still just a place where the capitalists plundered one another of their accumulated capitals, and it concerned the workers only as a new piece of evidence of the demoralizing general effect of the capitalist economy. . . ."<sup>6</sup>

In the intervening years, however, the accumulation of capital "has proceeded at an ever growing pace, and in such a way moreover that in no industrial country, least of all England, can the extension of production keep step with that of accumulation, or the accumulation of the individual capitalist be fully employed in the expansion of his own business," Engels noted.<sup>7</sup> The stock and bond markets thus had taken on growing importance as a channel for capitalists to redeploy money capital where they could reap the biggest interest or profits. This was not just a question for a small or degenerate layer of speculators. To keep a business going and revenues coming in, few capitalists could avoid becoming involved in the buying and selling of paper. As a result, Engels continued, the stock exchange "has the tendency to concentrate the whole of production, industrial as well as agricultural, together with the whole of commerce — means of communication as well as the exchange function — in the hands of stock-exchange speculators, so that the stock exchange becomes the most pre-eminent representative of capitalist production as such."<sup>8</sup>

These markets in paper, Engels pointed out, had become necessary with the maturation of capitalism "in order to aid the investment of the mass of money capital . . . afloat."<sup>9</sup> Engels was writing only at the very beginning of this development, when limited-liability, joint-stock corporations themselves were just becoming the dominant form of capitalist enterprise. But his initial assessment of this tendency under capitalism is confirmed by and illuminates the proliferation of types and varieties of fictitious capital over the subsequent century, a trend that has accelerated during the past 15 years. Stocks, corporate and government bonds, and commodities futures contracts have been joined by an array of financial paper featured daily in the business sections of the press: so-called put and call options, stock futures, corporate "junk" bonds, and new semigovernment securities whose profiteering aim and destabilizing potential are cloaked behind cute names such as "Farmer Macs," "Ginnie Macs," and "Fanny Macs."

Already in 1895 Engels took note of the growing role of the stock exchange in financing exploitation abroad and promoting colonial expansion and oppression. Colonial policy, he wrote, "is a pure appendage of the stock exchange, in whose interest the European powers divided up Africa a few years ago."<sup>10</sup>

Today, while the regulation of stock markets themselves — like the issuance of currency — remains the prerogative of national state institutions, the international character of trading in stocks, bonds, futures, and currencies is greater than ever before in history. It is only through unceasing exchanges of money capital denominated in dollars for marks, yen for dollars, dollars for lira, pesos for dollars that world trade, domestic trade, international and domestic debt creation, and thus the hiring of workers and their production of goods take place under capitalism today.

Massive amounts of money capital are transferred electronically all day and night from the bond market in London or Tokyo, to an investment bank on Wall Street, into shares on the New York Stock Exchange, into government securities held by a major bank in Bonn or Stockholm, onto the stock market in Zurich, into currency speculation in Singapore, into a loan to the government of Brazil or Zambia, into interest on a previous loan that ends up in a U.S. or French bank, into mortgages on Canadian or New Zealand farmland, and so on. The prices of sugar, tin, cotton, copper, and other primary commodities on which the oppressed countries with semicolonial economies are dependent for export earnings are subject to destabilizing fluctuations due to what happens on the futures market at the Chicago Mercantile Exchange. Debts on which Third World capitalists and governments are required to pay massively compounding interest to the modern-day usurers are resold to these same wealthy coupon clippers on the international bond market at current prices from as low as 5 cents on the dollar (Peru) to around 50 cents on the dollar (Brazil).

### The Coming Social Crisis

The October 1987 international stock market crash was a product of explosive pressures that have been built up by the evolution of the imperialist-dominated world economy since the deceleration of capital accumulation in the late 1960s and early 1970s. These pressures have become much more volatile following the sharp 1981-82 recession in the United States.

The stock market crash was a warning that the creeping social crisis during the "Reagan boom" of the 1980s — which has devastated layers of working people and geographical regions in the United States, as well as hundreds of millions of toilers in the semicolonial countries — will become the reality for the vast majority of workers and farmers throughout the world. Whatever the exact course and tempo, coming partial crises — whether a sharp downturn in the business cycle, an inflationary outburst, another stock market crash, a major crop failure, a banking or debt disaster — instead of being buffered and absorbed by a robust and expanding international capitalist economy, will more and more threaten to trigger a credit collapse and a worldwide

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depression of industrial production and employment. This will result in a world social crisis whose inevitable product will be mass political battles and polarization that will tie together as never before in human history the prospects of working people in city and countryside across the globe.

Hundreds of millions will be thrown out of work throughout the capitalist world. Massive unemployment will deepen not only in the Third World, but will reach levels in the imperialist countries not experienced since the 1930s. More farmers will be driven off the land. Millions more dispossessed peasants — a major element in capitalism's increased production today of what Marx described as a "relative surplus population"<sup>11</sup> — will join the ranks of unemployed and underemployed workers in the miserable slums that already ring and thread cities throughout the semicolonial world. Waves of ruination will sweep small businesses.

Homelessness, malnutrition, and outright starvation will increase. The capitalists' destruction of the environment will accelerate, as will the breakdown of roads, bridges, and mass transportation used by working people. Employers will attempt to impose conditions in the plants and mills that are more and more intolerable. Disease from the decline of public health measures will mount, and infant mortality rates will rise for the working classes. Educational opportunities will decrease for the producers and their families. All these economic and social blows will fall with special intensity on those layers of working people who are already the most oppressed and exploited due to racist discrimination and national chauvinism: workers whose skin is black, brown, or yellow, and workers who are foreign-born. Working-class women and youth will suffer disproportionately.

Wars and the threat of war will become more frequent in an imperialist system in deepening crisis. As working people organize to fight back against the mounting assault on their living and working conditions, attacks on democratic rights will increase. The capitalists will back more and more violent methods, legal and extralegal, in order to maintain their rule. Reactionary political movements will begin to grow, seeking to take on and crush the increasing struggles by labor and its allies. The brutal face of capitalist rule will become clearer to see. Longtime, stable institutions will be shoved aside, as political parties and trade unions are shattered and routine politics is transformed by mounting class struggles.

The growing social and political crisis in the Soviet Union and Eastern European workers' states will sharpen, as these countries feel the effects of economic and political convulsions throughout the capitalist world. Especially hard hit by the consequences of a world depression will be those workers' states that have inherited a semicolonial economic structure from imperialist domination and aggression.

This is the future whose imminent arrival was announced by the October 1987 stock market crash. Throughout the history of capitalism, every major economic and social crisis has been signaled in the most heated and vulnerable spot in the capitalist economy: the arena of credit and monetary relations. With the emergence of the stock market's centralizing role in capitalist finance, production, and exchange, Wall Street has registered the early tremors of each sharp economic downturn. The most notable example is the crash of October 1929, which signaled the Great Depression that began before the following year was over.

The failures of the then-existing workers' leaderships to respond to the challenge and revolutionary opportunities presented by the growing fightback of workers and farmers during the social crisis of the 1930s resulted in the victory of reaction in country after country. This historic defeat culminated at the end of the decade in the global slaughter of the second world imperialist war.

### Growing Premonition of Depression and Social Crisis

The October 1987 crash affected the thinking and expectations of working people around the world, most strikingly in the

United States and other imperialist countries. For the first time since the end of the 1920s, there is a growing premonition among millions of workers and farmers that the question of a coming depression and social crisis is "when," not "if." This premonition is compounded by the recognition among growing numbers of working people that the debt crisis currently wracking the Third World is an integral part of an exploding international debt structure that directly threatens a worldwide catastrophe that can shatter their own lives as well as those of the peoples of Asia, the Pacific, Africa, and the Americas.

This anticipation will not make the actual onset of a world depression and social crisis any less stunning a jolt to the working class. There is no way for the masses of working people to prepare for it. But the increasing realization of the inevitability of a depression is becoming a political factor weighed by a growing number of working people in their consideration of proposed initiatives to organize to defend their living conditions and right to a job. It makes a vanguard of them more ready to emulate those who take considered and determined action, and on the basis of new experiences to listen objectively and with decreasing prejudice to political answers they had previously discounted. It broadens the recognition that homelessness, long-term unemployment, and deteriorating health conditions that have already struck layers of workers and farmers, as well as working people in particular industries and regions, offer a foretaste of every worker's tomorrow, and have become a matter of pressing interest — and action — to all.

A generalized social crisis will not stalk the earth like a Grim Leveller, reducing the conditions of all workers to those of the most exploited, and those of working people in the imperialist countries to those of the masses in the semicolonial world. It will devastate the world's toilers as a whole, hitting with particular force those already worst off and intensifying competition among workers. At the same time, however, a world social crisis will push working people closer together both in their conditions and consciousness. A different world will be forged by the workers themselves. The conditions facing hundreds of millions of working people in the United States and other imperialist countries will lead more of them to begin seeing the jobless, the homeless, the dispossessed farmers and peasants, and the masses of the Third World not as pariahs — not as the "underclass," the "marginalized," the "poor," the "illegals," the "drunk and disorderly" — but as fellow workers with shared interests, goals, and the same class enemy.

Working people worldwide will discover in themselves a common worth that can be realized through common class-struggle action. In the process, millions will be won to building an international communist leadership capable of leading these struggles to victory.

### Rebuilding a World Communist Leadership

While the working class as a whole cannot prepare for the coming crisis, the political vanguard of the working class *must* prepare or it will fail to meet the challenge. The coming depression and world social crisis have practical political, organizational, and strategic consequences for communists today precisely because we can anticipate what lies ahead.

Unions and political parties in the working-class movement will be shaken to their foundations by these events. The labor officialdom and Stalinist organizations will be thrown into deeper crisis. Lacking a proletarian composition and orientation, the "radical movement" will be atomized, some layers demoralized, and others thrown far to the left or far to the right. The truth of Fidel Castro's observation that in today's world "being a revolutionary means and will increasingly mean being a communist" will become more evident to growing numbers of revolutionary-minded fighters. The opportunity and responsibility will grow for vanguard workers to rebuild an international communist leadership of the working class.

\* Communists must do more than anticipate what is coming; they must understand it, explain it, and prepare for it. This requires deepening the turn to the industrial unions and the proletarianization of communist organizations. It changes what can and must be explained and proposed by communists to other vanguard workers. It shapes what communists must focus on in their newspapers, books, pamphlets, and political campaigns, as they fight alongside fellow working people who are looking for a way forward in union battles and social and political struggles.

Only the intensified class battles and deepening political polarization that will inevitably accompany a coming depression can create the conditions under which truly mass communist workers' parties can be built in the imperialist countries. The illusions in capitalism of the labor aristocracy will ring more and more hollow, undermining the stable base of the bureaucratized misleadership of the labor movement. The assumption that capitalism and democracy go hand in hand will be shaken. Hundreds of millions of lives will be changed. Only these conditions can lead to revolutionary situations that pose the struggle

for power by the workers and farmers in the imperialist countries.

The weakening of the imperialist system of oppression and exploitation will accelerate the disintegration of the political stranglehold of the consolidated bureaucratic castes in the Soviet and Eastern European workers' states. This will create more fertile conditions for a world communist movement to develop communist organizations in these countries as well.

The growing realization that a world social crisis is on the agenda raises the stakes in understanding that a communist leadership can only be rebuilt if it is truly international. What is decisive is the construction in each country of organized and tested communist nuclei that are an integral part of an increasingly homogeneous world movement of communist organizations. The prior existence of independent proletarian organizations of these seasoned cadres will be a condition for meeting the coming opportunities to build mass communist parties in the very heat of titanic battles, parties capable of leading the workers and farmers to the conquest of their own governments.

- Deepening the turn to the industrial unions

## II. FALLING AVERAGE RATE OF PROFIT AND THE COMING WORLD DEPRESSION

The falling average rate of industrial profit accruing to the ruling capitalist families in the imperialist countries lies behind the evolution of the economic factors that make the initiation of a worldwide depression inevitable in the coming years. As a result of this fall, (starting as early as the mid-1960s in Britain and as late as the mid-1970s in Japan, a crisis of decelerating capital accumulation has been deepening throughout the major world capitalist economies.

The postwar high point in the average profit rate of the industrial capitalists in the United States came within a half decade of the end of World War II. At that time, the U.S. employing class was still riding the crest of a war-driven rise in capital accumulation initially fueled by massive military production and by the rulers' success, with the union officialdom's patriotic collaboration, in sharply increasing the exploitation of labor.

U.S. industrial production doubled by 1943 from its immediate prewar level in 1940. Meanwhile, the union bureaucracy's willingness to police government-imposed wage controls, rollbacks of labor legislation, and a no-strike pledge led to a leap in the average workweek to 45 hours by 1943-44, and held the rise in real wages in manufacturing over the entire course of the war to 20 percent. Meanwhile, total after-tax corporate profits more than tripled in the United States between 1940 and 1948, while the capitalists' average rate of profit nearly doubled.

### Evolution of Capitalist World's Economies Since World War II

The average profit rate in U.S. industry peaked by 1950. For the subsequent two decades, however, a slow descent in the rate of profit was more than offset for the owners of industrial capital by a huge growth in their mass of profits. Buoyed by this cash flow and consequent further profit expectations, the employers invested capital in replacing worn-out plant and equipment from the war and prewar periods with new factories, heavy equipment, and rolling stock that greatly expanded the capacity for industrial production and transportation. The capitalists invested in the mechanization and automation of new branches of manufacturing. There was a massive growth of the automobile, consumer durables (washing machines, clothes driers, televisions, etc.), and related industries.

A quarter century of overall expansion of U.S. capitalism was further powered by investment in, and loans extended for, the rebuilding of war-shattered Western Europe and Japan; the subsequent rise in world trade; and the intensified superexploitation of regions of the semicolonial world where Washington's imperialist rivals had been dominant prior to the war. All the imperialist ruling classes profited handsomely from the postwar surge of capital accumulation, whether its start dated from 1941, as in the case of the United States, Canada, Australia, and New Zealand, or the end of the 1940s in the case of Western Europe and Japan.

By the late 1960s this prolonged expansion — which spanned four cycles in the ups and downs of capitalist production and trade — began to give way to a crisis of decelerating capital accumulation. Not only did average profit rates begin to drop more rapidly, but the growth in the mass of profits raked in by the capitalists also began to stagnate. In the United States, after-tax profit rates on investment in factories and machinery dropped from an average of 8 percent in the mid-1960s to just over 4 percent today.

Halting growth, intensifying interimperialist price competition, and increasing inflation and instability were hallmarks of this new stage in the evolution of the world's major capitalist economies. Stable exchange rates between the dollar and the currencies of the other imperialist powers had formed the bedrock of the international capitalist monetary system and trade relations ever since late 1944. This arrangement had been based on the U.S. industrial monopoly coming out of the war. By the end of the 1960s, however, Washington was running large budget deficits to finance the Vietnam war. Superimposed on government economic policies aimed at countering the beginning of decelerated capital accumulation and growing price competition, these deficits fueled inflationary pressures throughout the world's capitalist economies. As growing numbers of the U.S. rulers' competitors sought to cash in their depreciating dollar reserves for gold from the U.S. Treasury, the Nixon administration in August 1971 ended the convertibility of the dollar for gold, and with it the fixed exchange rate for the dollar on international currency markets.

By 1973 inflation rates in the United States reached double-digit levels, and oil and meat shortages swept the country. This was followed in 1974-75 by the first world recession since 1937-38, hitting all the major capitalist economies simultaneously. This combination of exploding prices, shortages, and an international recession began to undermine confidence among millions of working people in the rulers' claims that the capitalist system had entered a new and irreversible stage of economic growth, stability, and increasing well-being for all sections of the population.

The 1976-80 upturn in the capitalist business cycle was shallow and inflationary. Growth rates that had averaged 5 percent throughout the imperialist countries during the 1960s and early 1970s dropped to just over 3 percent during the recovery. Official unemployment in the United States and other imperialist countries hovered at rates well above those over the previous quarter century. The rate of inflation initially slowed under the impact of the 1974-75 recession but, like unemployment rates, remained at levels higher than average for the postwar years.

By 1979-80 the U.S. dollar had been dropping against the currencies of its main imperialist competitors for nearly half a decade, and price rises in the United States had hit double-digit rates again. Inflation averaged more than 11 percent in 1979 and more than 13 percent in 1980. In face of this inflationary explosion, the U.S. rulers moved to shore up the dollar and slow down price increases during the last two years of the Carter administration. The Federal Reserve Board sharply constricted the money supply, nearly doubling interests rates over a two-year period. By 1981 prime interest rates in the United States had shot up to almost 20 percent, the highest level since the U.S. Civil War, with disastrous consequences for debt-ridden working farmers, Third World countries, and working people trying to borrow money to buy a car or house. As capitalists in Japan, Germany, Britain, and other imperialist countries poured capital into the United States to profit from these soaring interests rates, the price of the dollar was bid up on world currency markets in a giddy rise against the yen, mark, and pound.

The abrupt moves by the U.S. rulers to halt an inflationary erosion of their profits undermined the shallow upturn in the capitalist business cycle that had begun in 1976. In the United States a brief slump in 1980 was quickly followed by the deep

POP falls from 1950  
But mass did not fall till late 1960's

stagnant mass  
\*  
down the line  
crisis point



1981-82 recession. Sky-high interest rates had caused already-sagging investment in new plant and equipment to collapse. This was rapidly followed by a wave of shutdowns and layoffs. Bank and business failures began to rise sharply. Land values collapsed just as farmers' indebtedness was rising at a record pace, leading to the greatest surge of foreclosures since the 1930s.

The mounting debt of the Third World countries accelerated to its current unpayable, unsustainable, and intolerable proportions. World trade growth decelerated and inter-imperialist competition intensified. Unemployment shot over 10 percent in the United States for the first time since the end of the 1930s. Real wages of workers in the United States, already eroding in the late 1970s, slid downward at a faster pace. The gap began to widen between the average conditions in the working class, and those of workers who are victims of discrimination because of their skin color or national origin.

The effects of this brutal recession would have cut qualitatively deeper had the downturn hit all the major imperialist countries simultaneously as in 1974-75. Japan and several Western European countries did not slip into a recession, however, and this cushioned to a degree the slide in the United States, Canada, Britain, and West Germany. Nonetheless, the consequences of 1981-82, and what they revealed about the worsening crisis of capital accumulation, placed their stamp on the rest of the decade.

Average annual economic growth in the imperialist countries slipped to about 2.5 percent in the 1980s from more than 3 percent in the 1970s and 5 percent in the 1960s. Annual growth in industrial production has fallen sharply, along with the rate of expansion of world trade.

In the United States, the sharp 1981-82 downturn coincided with a sharp acceleration of the employers' assault on labor, announced by the crushing of the air traffic controllers' union (PATCO) in 1981. The utter collapse of the union officialdom in the face of this onslaught by the bosses precipitated a rout of the industrial working class and industrial unions over the subsequent half decade.

For the semicolonial countries the consequences have been far worse. Many of these countries have never pulled out of the 1981-82 recession, experiencing little or no economic growth in this decade. For Latin America as a whole real per capita Gross National Product in 1987 was 5.5 percent below 1980, and for nine countries (Bolivia, Guatemala, Venezuela, Nicaragua, Argentina, El Salvador, Haiti, Honduras, and Mexico) the decline ranged from 10 to 27 percent. This sagging growth has magnified the debt crisis throughout the Third World.

#### Cumulative Consequences of Falling Average Rate of Profit

The imperialists' crisis of capital accumulation will soon enter its third decade. Like the preceding period of capitalist expansion, it has stretched across several business cycles of recession and upturn. Its consequences have been and continue to be far-reaching:

### 1. Intensified Interimperialist Competition

The downward pressure on profit rates intensified price competition among capitalists, including on an international level. This broke down the de facto industrial monopoly held by the U.S. capitalists coming out of World War II.

When the U.S. rulers entered the war they were producing about one-third of the world's manufactures; they emerged less than four years later producing about one-half. That edge in the world market encouraged U.S. capitalists to defer major costly postwar investment in modernization of plant and equipment in industries such as steel and auto. It enabled them to maintain price levels on the world market well above actual production costs, collecting monopoly rents in the form of superprofits.

By the end of the 1960s, however, the monopoly position of

the U.S. capitalists had been challenged in one industry after another: steel, auto, farm equipment, electronics, aerospace, computer-related technology, garment, and textile. Initially the U.S. rulers faced increasing competition in the world market primarily from their Japanese, West German, and other imperialist allies. By the 1970s price competition was even growing with a layer of industrial capitalists in a handful of semicolonial countries such as Brazil, South Korea, Hong Kong, Singapore, and Taiwan. Competition for markets in cereal grains and other farm commodities has come not only from imperialist rivals, but also — as a result of the "green revolution" and a reorientation of agriculture toward the world market — from capitalists in some semicolonial countries. Stiffer competition has forced U.S. and other capitalists to bring prices down on both manufactured and agricultural commodities, reinforcing the squeeze on profit rates.

Marx's conclusion that "it is the fall in the profit rate that provokes the competitive struggle between capitals, not the reverse" has been confirmed once again by the events of the past 25 years.

### 2. Overproduction and Excess Capacity

This inter-imperialist competition is sharpening in a world capitalist market plagued by overproduction of commodities and excess industrial capacity.

The big business media has stressed that manufacturing in the United States, after falling to a low of 68 percent utilization of plant and equipment during the 1982 recession, was functioning on average at about 83 percent of capacity in May 1988. What is rarely noted is that this "high" is actually the lowest level of capacity utilization at the peak of an upturn in the business cycle in the United States since the mid-1960s. By contrast, capacity utilization in 1966 went above 91 percent; in 1973 to nearly 88 percent; and in 1979 to 85 percent.

The capitalists continue to have too much industrial capacity. They are plagued by overproduction of commodities: that is, by more output than they can sell at a high enough profit to justify expanding their productive plant and equipment. The employers have made working people pay the price through mounting work reorganization, speedup, plant shutdowns, and layoffs as they drive along the only road open to them: increasing absolute surplus value (lengthening the workday and intensifying labor through speedup) and relative surplus value (adding so-called labor-saving machinery) as much as the relationship of class forces will permit.

In the auto industry alone Ford has closed 15 plants since 1979 and eliminated 30 percent of its employees; General Motors has announced plans to shut down at least 15 percent of its existing plant capacity and eliminate some 100,000 workers in the next few years. Seventy-five meat-packing plants were shut down between 1980 and 1985, with speedup and retooling in the remaining packing houses resulting in increased output with a quarter million fewer workers. The work force in steel has been cut in half with the shutdown of mills in Pittsburgh, Birmingham, Baltimore, Gary, Chicago, and elsewhere.

The overproduction and excess capacity affecting the ruling classes in the imperialist countries is reflected not only in mounting plant shutdowns and layoffs, but also in the stagnation of trade on the world market. World trade has fallen from a yearly growth rate of nearly 9 percent between 1963 and 1973 to less than half that over the subsequent 15 years.

Overproduction, excess capacity, plant closings, unemployment, intensification of labor, and decelerating world trade, however, have nothing to do with what billions of the world's working people need and can use. Workers and farmers are in need of food, clothing, housing, means of transportation, books, medicine, and many other goods that advances in labor productivity make less and less time-consuming to produce but that the producers themselves are less and less able to afford.

As Marx observed about the history of capitalism: "Since cap-

ital's purpose is not the satisfaction of needs but the production of profit. . . . there must be a constant tension between the restricted dimensions of consumption on the capitalist basis, and production that is constantly striving to overcome these immanent barriers. Moreover, capital consists of commodities, and hence overproduction of capital involves overproduction of commodities. . . .

"It is not that too many means of subsistence are produced in relation to the existing population. On the contrary. Too little is produced to satisfy the mass of the population in an adequate and humane way. Nor are too many means of production produced to employ the potential working population. On the contrary. . . . Periodically, however, too much is produced in the way of means of labor and means of subsistence, too much to function as means for exploiting workers at a given rate of profit."<sup>2</sup>

### 3. Declining Capital Investment in Capacity-Increasing Plant and Equipment

Over the past decade there has been a sharp decline in the rate of new investment by U.S. capitalists in capacity-increasing plant and equipment. Factory closings and layoffs have registered the competitive pressures on the rulers to shed less-productive capacity. Large amounts of value have been destroyed in the process. But stagnating profits continue to make it less worthwhile for the capitalists to invest in building new factories and purchasing major new industrial technologies that would expand productive capacity. There has been no extensive preparation by finance capital to draw new labor power in substantial amounts into expanded and modernized sectors of industrial production.

When the 1974-75 recession began, investment in construction of new factories was 172 percent higher in the United States than it had been 13 years earlier. Over the 13 subsequent years; however, the rate of growth in new factory construction has been cut more than half. And since the sharp 1981-82 recession, annual investment in new plant has actually fallen by nearly 25 percent, from around \$17 billion in 1981 to \$13 billion in 1987. Adjusted for inflation over those six years, the drop in real terms has been much steeper.

Instead of expanding productive capacity, manufacturing investment during the post-1982 upturn in the business cycle has focused on upgrading and retooling a part of existing plants and equipment. This investment in "labor-saving" technology has resulted, as intended, in brutally labor-intensifying reorganization of work, from meat-packing to paper production. This speedup takes a devastating toll on health and safety, means longer hours for workers who remain on the job, and leads to permanent layoffs for many other workers. While Washington boasts that the U.S. economy has created 15 million new jobs since the upturn at the end of 1982, there has been a decline of nearly 1.5 million jobs in mining and manufacturing over that same period. And the average length of the workweek in industry has risen from 39 to 41 hours, with many factory workers putting in 50, 60, or more each week.

The most important revelation from the October 1987 crash was not what was happening on the world's stock and bond markets, but the destabilizing worldwide impact of what was *not* happening in the expansion of capital investment in capacity-increasing industrial plant and equipment.

### 4. Speculative Binge and Debt Explosion

The post-1982 recovery has been fueled by an enormous expansion of fictitious capital. The owners of U.S. corporations have been issuing "junk" bonds to finance an orgy of mergers and takeovers and sinking their capital in a burgeoning variety of paper securities.

Business debt has tripled over the past decade to \$3 trillion, and many corporations are spending 50 percent of their earnings on interest payments to banks and bondholders. In 1986, com-

mercial banks — which unlike so-called investment banks are supposed to make their money from interest on loans that are backed up by collateral in real productive assets such as land and factories — instead collected one-quarter of their profits from capital gains (i.e., rising prices) on the securities markets. The U.S. government debt has shot up from \$1 trillion to \$2.5 trillion in six years, with about 20 percent of the federal budget now going to siphon revenues directly to wealthy bondholders. (Including these interest payments, well over half the budget goes to pay for past or present imperialist wars and to prepare for future ones.) There has been massive borrowing of capital on international securities markets, with purchases abroad of U.S. stocks and bonds leaping thirteenfold from \$7 billion in 1980 to nearly \$90 billion in mid-1987. Billions of dollars in interest payments squeezed from the sweat and blood of Third World toilers have poured into the banks. Consumer and mortgage debt has increased more than twelvefold since 1980 to its current level of \$2.9 trillion.

While overall employment increased 15 percent between late 1982 and September 1987, jobs in brokerage houses and investment banks jumped by more than 60 percent; in credit agencies by more than 50 percent; in real estate-related employment by more than 30 percent; and in insurance companies by nearly 20 percent.

Each additional six months that a downturn in the capitalist business cycle is pushed off by these means will be paid for by an even more wrenching shakeout when the next recession hits. Moreover, at this late stage in the capitalists' falling average rate and stagnating mass of profit, any partial crisis — a recession, another Wall Street crash, major crop failures, Third World debt disaster, or bank failure — could initiate a chain of events that would wipe out today's mountain of paper values overnight, bringing a collapse of the markets to buy and sell them. No degree of lowered interest rates by the U.S. Federal Reserve Board or flood of dollars from the Treasury could stem such a plunge. No matter how easy the money comes, capitalists will only put it to use if it can be converted into capital and invested at a sufficient profit.

The capitalists' search for higher returns in the face of a falling average rate of industrial profit led to the run-up in stock prices that came crashing down in late 1987. Wall Street's pre-October "bull market," however, obscured the fact that the underlying stagnation of profits since the late 1960s has been accompanied by a steep decline in real, inflation-adjusted stock prices. Marx explained that stock and bond prices are to a degree "independent of the movement in the value of real capital that they represent," but at the same time "fluctuate with the level and security of the receipts to which they give a legal title"<sup>3</sup> — that is, with the anticipated profits of the capitalists who issue these pieces of paper. A sustained crisis of capital accumulation must in the long run result in a drop in the stock market. Today's fluctuations of the Dow Jones average of industrial stock prices around \$2,100, down from more than \$2,700 in August 1987, would have to leap to almost \$3,500 in current dollars in order to return to the prices registered at the stock market's high point in 1966.

### 5. U.S. Bank and Business Failures

Another consequence of the U.S. capitalists' declining profit rate has been registered in the greatest wave of bank and business failures since the Great Depression of the 1930s.

Between 1947 and 1978 an average of 3 banks failed in the United States each year. That jumped sharply to 10 per year between 1979 and 1981; another sharp jump to nearly 50 failures during the 1982 recession and the year after; to 80 in 1984; and 120 in 1986. Last year nearly 200 banks went under (about 1.5 percent of U.S. banks). Twenty-five failed in Texas alone during the first quarter of 1988. Registering the instability of the world financial system under the lengthening shadow of government, corporate, consumer, and Third World debt, nearly 1,600 banks

are now on Washington's "problem list," up nearly 800 percent since 1980.

In addition, about one-third of the 3,120 U.S. savings and loan institutions accumulated losses totalling \$13.4 billion in 1987, with almost \$4 billion more in losses during the first three months of 1988. More than 500 failed over the past year, and up to 500 others are close to being insolvent. The true situation of these institutions is even worse than reported figures reveal, since their owners and managers use accounting tricks to maintain outstanding loans and the interest due on them as assets long after these debts have obviously gone bad.

The so-called government bailouts of failing banks and savings and loan institutions are not aimed at protecting the small checking or savings accounts of working people and small business owners. No, are they intended to prevent foreclosure on the land, buildings, livestock, and equipment of exploited farmers in debt to these loan sharks. The aim is to bail out the wealthy shareholders and bondholders who stand to lose billions of dollars of money capital when these financial institutions collapse.

The current surge in bank and savings and loan failures is exposing the myth promoted by the capitalists that the earnings deposited by working people in these institutions are eternally "guaranteed" by the government. Total "insured" bank and savings and loan deposits today amount to \$1.6 trillion. Yet the Federal Deposit Insurance Corporation (FDIC), which "stands behind" bank deposits, currently has only \$18 billion in its account, and it is estimated that up to one-sixth of this will go to bail out a single major Texas bank before the end of 1988. The Federal Savings and Loan Insurance Corporation (FSLIC) was \$13.7 billion in the red by March 1988, even after Congress lent it \$10.8 billion the previous year. The FSLIC announced in June 1988 that it was spending more than 40 percent of its cash on hand to liquidate two small California savings and loans institutions. These facts give a taste of what is in store for millions of workers and farmers in the more and more likely event of a large-scale banking collapse in the United States.

Business failures, which hit the smallest proprietors especially hard, in 1985 reached their highest rate since the opening years of the Great Depression. The rate of failures rose still further in 1986 before leveling off at that high plateau in 1987.

## 6. Devastation of Semicolonial Countries

The toilers of the oppressed countries of Africa, Asia, the Pacific, and the Americas have been dealt the heaviest blows by the sharpening of the imperialists' accumulation crisis over the past decade. These countries, which have inherited economies distorted by centuries of colonial and semicolonial domination, are being devastated by an accelerating transfer of values produced there into the hands of the imperialist ruling classes.

Marx pointed out that interest-bearing capital is always "the mother of every insane form." Thus "debts, for example, can appear as commodities in the mind of the banker."

So it has been with the imperialists' debt offensive against the Third World. Lacking sufficiently profitable ways to invest money capital in expansion of industrial capacity, the capitalist rulers from New York to Tokyo and from London to Sydney have foisted gigantic loans onto governments and groups of capitalists in the semicolonial countries. To the imperialist bankers, these mounting debts appear on the balance sheet as massive assets — a "right" to suck in billions of dollars in interest payments each year from the wealth produced by the labor of workers, peasants, and artisans across the world.

These debts, which take the form of pieces of paper, are actually the registration of a social relationship of forces between the exploiting families of finance capital and their states, and the capitalists and governments of the oppressed countries. The compounding interest quickly outstrips the principal, and the whirlpool of indebtedness drains ever more wealth produced by the toilers in the semicolonial countries. As interest mounts, the

imperialists bring their enormous power to bear on governments in the semicolonial countries, pressing them to squeeze out funds for payments by imposing more and more severe austerity measures on the workers and peasants: currency devaluations, abolition of price subsidies on food and other necessities, wage cuts, longer hours, speedup, and sharp cutbacks in spending for health, education, and housing.

In exchange for rescheduling payments on interest and principal, governments in the Third World are being forced to turn over ownership of whole factories, mines, or tracts of farm and forestland to imperialist interests, or to hand over a set percentage of earnings from the sales of commodities on the world market. The government of Argentina has announced plans to turn over 40 percent ownership of the state telephone company and airline to foreign capital in return for funds to pay off a small piece of the debt. A "debt repayment" project in Brazil will deforest an area the size of Britain by the mid-1990s, while another endangers an area the combined size of France and Britain. On the basis of such "renegotiation deals," the imperialist bankers make further loans and collect interest on these new debts as well.

In recent years, however, the size of the Third World debt load has become so staggering that sections of finance capital have begun to worry about sudden defaults that could trigger a cascading disintegration of the international banking system. Total debts owed to the imperialist ruling families by the semicolonial countries now stand at \$1.2 trillion. Between 1982 and 1987 these countries were robbed of \$140 billion by means of interest paid to the banks.

The combined \$228 billion debt load of the African countries is equivalent to half the continent's annual Gross National Product; for 17 sub-Saharan countries the debt amounts to more than 100 percent of their yearly GNP, and for five countries more than 200 percent. Interest payments on Africa's debt eat up some 40 percent of the continent's annual export earnings. Yet the debt continues to mount year by year.

For Latin America, payments to the imperialist banks on its \$410 billion debt rob the continent of an average of one-third of export earnings, while the overall debt rose another 4.5 percent in 1987. Mexico alone was drained of \$50 billion in interest payments between 1982 and 1987. Of the Latin American countries with the largest foreign debt, Argentina devoted more than half its export earnings to interest payments last year; Mexico spent 40 percent; and Brazil 28 percent.

While the debt burden on the semicolonial countries was already reaching crisis dimensions in the 1970s, it did not explode to its current mountainous proportions until the opening years of the 1980s. In 1973 the entire Third World debt stood at under \$100 billion, and Latin America's at \$42 billion. By 1979 total indebtedness of the semicolonial countries had reached \$300 billion, still only 75 percent of the current debt of the Latin American countries alone. In less than a decade, however, the debt load quadrupled. The loan weapon used by the imperialist banks to plunder the Third World had itself become a source of increasing crisis, uncertainty, and instability throughout the world capitalist system.

The explosion of interest rates in the United States and sharp rise of the dollar in 1979 rapidly inflated the outstanding debts, sending the governments of semicolonial countries back to the banks in a race for further loans to keep up payments. Then the 1981-82 recession reduced the market in the imperialist countries for agricultural and raw materials exports from the semicolonial countries, sending the prices for these commodities into a nose-dive. Falling export earnings, in turn, deprived these countries of the dollars, yen, pounds, and marks they needed both to cover rising interest payments and to buy necessary imported food and manufactured goods from the imperialist countries. The sharp fall in raw materials prices accelerated a more long-term decline caused by such factors as the development of cheaper manufac-

tured substitutes like synthetic rubber, textiles, sweeteners, and new metal alloys. According to a World Bank report, after adjusting for inflation the 1986 prices of raw materials (excluding oil) on the world market were at their lowest level since the late 1930s. The modest upturn in some commodity prices in the first half of 1988 will not mark a reversal of this long-term downward drift.

Meanwhile, world market prices for manufactured goods imported by the semicolonial countries, which skyrocketed between 1979 and 1982, have continued to run ahead of the declining export earnings of these countries. Under this one-two punch, the buying power of Africa's export earnings had plummeted by more than 30 percent since 1980; Latin America's by one-quarter; and Asia's (not including Japan) by close to 10 percent. This evolution has worsened the unequal trade relations between the imperialist ruling families and the capitalists in the Third World.

Even under the best monetary and market conditions for the semicolonial countries, unequal terms of trade are built into the higher average productivity of labor in the industrialized capitalist countries due to their generally greater economic and technological development. A commodity produced with an hour of labor in an imperialist country is usually exchanged for one produced with many hours of labor in a semicolonial country, siphoning value created by workers and peasants in the Third World into the pockets of international finance capital.

Capitalists in the imperialist countries also compete with semicolonial producers for buyers of many raw materials and agricultural commodities. Nearly 70 percent of raw materials exports come from North America, Western Europe, Australia, and other imperialist countries. Over the past decade the imperialist ruling classes have increasingly resorted to quotas, tariffs, or other restrictive measures against Third World imports to boost their own sales and profits at the expense of the semicolonial producers. One half of the exports from these African, Asian, and Latin American countries are estimated to face such trade restrictions.

The U.S. government, for example, has sought to protect the capitalist families that own the giant sugar monopolies by annually lowering the quota for sugar imports into the United States. The 1988 quota was decreased by 25 percent to the lowest quantity of imported sugar in more than 100 years. In 1988 the United States will import only 685,000 tons of sugar, nearly 14 times less than the five million tons imported in 1981. Combined with increased dumping of noncane sugar and substitute sweeteners on the world market by U.S. and European capitalists, the U.S. quota has drastically reduced export earnings of many Caribbean and Latin American countries, the Philippines, and other sugar-producing countries. Caribbean sugar and other exports to the United States have dropped by more than 30 percent since the opening of the 1980s.

Finance capital also reaps vast profits from ownership and control of the giant monopoly distributors, transportation networks, and insurance companies that capitalists in the semicolonial world depend on for access to the world market.

The decline of the dollar against other major imperialist currencies between late 1985 and early 1988 has not improved the debt situation for the Third World. Most commodities sold by the semicolonial countries on the world market are denominated in dollars, so their net export income sank in tandem with the U.S. currency. But since only one-third of the outstanding Third World foreign debt is denominated in dollars, the total amount has been inflated by the strengthening of the yen, mark, and other imperialist currencies. Moreover, since the currencies of most Third World countries have been depreciating against the dollar, the dollar-denominated portion of their debt has grown more burdensome as well.

As the threat of default on the Third World debt has mounted in recent years, imperialist banks have slowed down the pace of

new lending. At the same time, they have increased the use of muscle to collect as much as possible on the uncollected interest and to gain compliance with onerous conditions from Third World governments for any concessions in rescheduling payments and floating new loans.

In both 1986 and 1987, Third World countries sent out some \$30 billion more in debt payments than they received in new loans. According to the World Bank, the Third World countries have suffered a net drain of \$85 billion since 1982 from a combination of interest payments and capital flight by domestic and foreign exploiters. The International Monetary Fund and the World Bank — the latter set up supposedly to provide inexpensive "development loans" to semicolonial countries — have themselves been central to this transfer of capital from Asia, Africa, and Latin America into the coffers of the ruling families of North America, Western Europe, Japan, Australia, and New Zealand.

While it is the bourgeoisies and middle-class technocrats in the semicolonial world who sit down with the representatives of imperialist finance capital to renegotiate ever-deeper indebtedness, it is the workers, peasants, and small producers of these oppressed countries who pay the toll for this brutal rip-off. According to the World Bank, since 1980 the debt burden has reduced real income by 25 percent in the poorest semicolonial countries, mostly in Africa, and by nearly 15 percent in relatively better-off countries in Latin America and East Asia.

## 7. Farm Crisis in Imperialist Countries

A front-page *New York Times* article in May 1988 made the grotesque claim that "the world's farmers produce vastly more food and other goods than the world can use." In a world where some 10 million people face starvation, hundreds of millions suffer from malnutrition, and hundreds of millions more are ill-housed and ill-clothed, nothing could be farther from the truth. But neither could anything underline so pointedly the consequences both for farmers and all humanity of the intensifying price competition among the capitalists of the major imperialist powers in processing, packaging, transporting, and marketing agricultural commodities.

The living standards of exploited farmers in the United States were already under pressure in the 1970s, as rising prices of machinery, seed, fertilizer, fuel, and other inputs outpaced any increase in prices farmers received for the commodities they produced. With rising land prices pushing up the collateral value of farms, and with the exploiters seeking ways to turn around the declining profitability of their capital, interest-hungry federal and private banks pressured farmers to go more and more heavily into debt to buy new equipment and to expand acreage and production of crops and livestock.

Real income of working farmers had already begun falling in the closing years of the 1970s. But the calamity came with the six-year collapse in land prices sparked by the 1981-82 recession. By 1986 average land prices in five Midwest states had plunged 58 percent since 1980, and in Iowa by 63 percent. For the United States as a whole, agricultural land prices fell by 35 percent over this period, for a total drop of some \$300 billion.

For farmers who had seen their indebtedness shoot up like a geyser with rising interest rates between 1979 and 1982, this collapse in the value of collateral they could use to maintain outstanding loans and obtain future ones spelled disaster. The continuing decline of agricultural prices throughout this period exacerbated farmers' plight.

Working farmers have already been hit by depression conditions. The annual income of more and more of them has been driven below a living wage. Growing numbers have been forced to look for a factory job or other full-time employment to support themselves and their families. And hundreds of thousands have been driven off the land altogether.

Of the 2.43 million farms in the United States in mid-1981.



some 260,000 — 11 percent — were no longer operating by mid-1987. At the end of that year the acreage of foreclosed land held by the owners of big banks, insurance companies, and government agencies was roughly comparable in area to one-third of all the farmland in Iowa.

As the result of foreclosure on tens of thousands of indebted farmers, together with declining interest rates since 1982, the total farm debt in the United States has fallen from more than \$200 billion earlier in the 1980s to under \$150 billion today. As a Federal Reserve Board economist put it, the farm picture has "improved because the weak people have been bankrupted."

But the scourge of farm foreclosures is far from over. In May 1988 the federal Farm Home Administration (FmHA), a semigovernment agency purportedly set up to help the worst-off farmers, announced that as many as 65,000 of these producers would have to liquidate their assets or be forced into foreclosure. Thousands of other farmers in debt to private banks or other government agencies are still being driven off the land as well. It is estimated that more than 15 percent of farmers today are so deeply in debt that they face losing their land, buildings, livestock, and equipment even before a recession begins.

Tens of thousands of farmers in the United States are being pushed more rapidly toward foreclosure by the disastrous drought across most of North America in the spring and summer of 1988. As of the end of the first half of 1988, some 1,900 counties in 37 states — well over half the counties in the United States — had been declared drought disaster areas by the federal Department of Agriculture. In the northern Great Plains states some 60 percent of this year's grain crop had already been lost. Crop yields nationwide for corn, soybeans, oats, barley, spring wheat, and other grains could drop by 50 percent or more over the summer. By the end of June severe soil erosion had devastated more than 13 million acres of farm and rangeland. Ground moisture had fallen 32 percent below normal, worse than the 1934 low point of the Great Depression's Dust Bowl.

Capitalist domination of the distribution and sales of agricultural products turns natural disasters such as a drought into social catastrophes that ruin many exploited farmers and raise food prices for working people. Meanwhile, enormous profits are reaped by the handful of capitalists who own the giant food processing and marketing monopolies and speculate on the commodities futures markets.

The huge government agricultural subsidies and farm-debt bailouts that have received so much publicity in recent years are designed to profit the wealthy owners of the food monopolies, of bonds and bank stocks, and of the biggest capitalist farms. An example is the 1987 "rescue" of the federal Farm Credit System, which holds one-third of the total U.S. farm debt: Congress authorized \$4 billion in bonds that will ensure payment to the capitalists holding the banks' previously issued notes, as well as interest to the coupon clippers who buy up the new securities. The dollar value of the boondoggle for finance capital provided by these misnamed "Farmer Mac" bonds exceeds the earlier federal bailouts of Chrysler, Lockheed, or New York City.

While guaranteeing these capitalists against losses, the farm credit banks continue to foreclose on farmers every day. When the federal farm credit bank handling loans in Louisiana, Alabama, and Mississippi was closed by Washington in May 1988 — the first one to fail in the 70-year history of the system — government officials warned that some 40 percent of the farmers with outstanding debts to the institution faced either foreclosure or liquidation of their assets. The remaining 30,000 farmers who are Black are concentrated in this region and are sure to be disproportionately victimized by such a wave of disposessions.

Government farm subsidy payments have risen from 11 percent of farmers' average income from commodity sales in 1979 to more than one-third today. But the billions of dollars disbursed under these programs end up disproportionately in the bank accounts of the agribusiness capitalists and the richest

exploiting farmers. The wealthiest 4 percent of U.S. farm operators take in about 60 percent of total farm income each year, and receive almost a quarter of the federal subsidies. The top 1 percent get 40 percent of total farm income and receive almost 10 percent of the subsidies. The working farmers who account for some three-quarters of U.S. farms, on the other hand, receive only 3 percent of total farm income and less than 20 percent of government payments.

Both workers and working farmers in the economically advanced capitalist countries are victims of the intensifying imperialist competition for profits on processed agricultural products. The proceeds from mounting food prices are pocketed overwhelmingly by the capitalists who own the processing, packaging, transport, and marketing monopolies. The rise in the cost of food, which does virtually nothing to raise the income of exploited farmers, is the most regressive tax possible on working people both in urban and rural areas, and both in the United States and worldwide.

In Japan, for example, the capitalist government's restrictions on agricultural imports raise the shelf price of rice, wheat, and beef to between three and six times the world average. The bosses and labor bureaucracy try to convince workers that working farmers are to blame for these high food costs, and in this way hope to weaken workers' understanding of the need for an alliance with exploited farmers.

In Western Europe government price supports now account for nearly 50 percent of annual farm income. As in the United States, these enormous government subsidies benefit finance capital and a handful of capitalist farmers, while the exploited majority find it ever more difficult to make a living on the land. Three-quarters of the farming population in both Europe and Japan have to depend on outside income to make a living.

In most imperialist countries, government agricultural programs also drive farmers to take land out of production, at a time when hundreds of millions of people around the world are desperately in need of food. In the United States, for example, the amount of land left idle under such government programs in 1987 nearly equaled the combined area of North Dakota and Florida, and even more acreage is to be set aside in 1988. In their drive to boost the profits of the agricultural capitalists and giant distribution and processing monopolies, the imperialist rulers promote famine and malnutrition in a world where farmers using available land and current methods could already produce more than enough fiber and food to provide a plentiful diet and adequate clothing to every human being.

## 8. Declining Real Wages and Accelerating Speedup

To counter the deceleration of capital accumulation, the rulers in the United States and other imperialist countries have sought to boost profit rates by increasing their exploitation of the working class. The value of labor power has been driven down in the United States for the first time since the Great Depression of the 1930s. Speedup has squeezed more profits from working people at the cost of health and safety conditions on the job and in society as a whole. The workweek in manufacturing has reached its highest level since World War II.

Real wages in the United States have been pushed back to their level at the beginning of the 1960s. Most of this drop occurred from the late 1970s on, under the impact first of exploding inflation and then the 1981-82 recession. During the post-1981 rout of the unions, the average annual increase in money wages in new contracts dropped to the lowest level since the 1930s, falling farther and farther behind the rise in the cost of living. Many contracts signed after 1981 actually contained wage freezes or outright cuts in money wages.

As recently as the first half of 1986, for example, 31 percent of the workers covered by contracts signed since 1981 had their wages frozen for the first year; another 10 percent took first-year wage cuts; and nearly one-third received no increase in money

wages over the entire term of the contract.

Between 1981 and 1984, unionized meat-packers took pay cuts that brought down their average wage rate from \$10.69 an hour to \$8.24. Contracts signed in late 1986 and early 1987 froze wages at these levels and, in some cases, instituted two-tier systems that drove starting wages down as far as \$6 an hour. Wages of nonunion meat-packers have been pushed down even farther to \$5 an hour and below.

The 1983 basic steel contract signed by the United Steel Workers gave seven major companies an immediate \$1.25 an hour wage cut. This was followed in 1986-87 by company-by-company givebacks in USWA contracts of \$3.15 an hour to LTV, \$1.96 an hour to Bethlehem Steel, and 99 cents an hour to USX and National Steel. Pay cuts were taken by workers in the copper mines, airlines, and many other industries and workplaces as well.

Today one-third of wage workers in the United States are paid less than \$5 per hour.

Union contracts signed in 1987 marked the first year since 1982 that a majority of settlements included percentage wage increases larger in dollar terms than the previous pact. These pay increases, which averaged only 2.1 percent over the life of the contract, still fell short of inflation, ensuring a further decline in real wages in the years ahead.

Class inequality in the distribution of income in the United States has increased as well. Recent years have been a boom time for millions of middle-class and professional families. Those with incomes in the top 10 percent of the U.S. population saw their reported income increase by 16 percent since 1977 and the top 1 percent saw it leap by 50 percent. Over that same period, however, those below the top 20 percent of the population have seen their real buying power go down. And those in the bottom 20 percent have seen their share in aggregate real income drop from 6.8 percent in 1980 to 4.6 percent in 1986.

Real wage growth in Japan has fallen from nearly 6 percent annually in the 1970s to just over 1 percent since 1979. There has also been a steady growth in Japan of subcontracting labor in manufacturing to temporary workers at wages 30 to 50 percent below the rest of the work force. Subcontracting now accounts for some 40 percent of workers in Japan's steel industry, and outsourcing for 75 percent of workers in auto.

Real wages declined throughout the imperialist countries of Western Europe between 1979 and 1985, although there have been small gains in a number of these countries as inflation slowed over the past two years. The number of people living below the official poverty line in Britain rose by 55 percent between 1979 and 1985.

## 9. Rising Unemployment and Growing Relative Surplus Population

The capitalists' falling average rate of profit results not only in "surplus" plant, "surplus" food, and other "surplus" capital and commodities, but also in what Marx described as a "relative surplus population." The layoffs of wage workers and dispossession of agricultural producers proceeds at an accelerating pace that outstrips capitalism's capacity to absorb this surplus labor power into new employment. The expanding reserve army of the unemployed becomes a source of pressure used by the capitalists to intensify the labor and hold down the wages of employed workers, and to increase competition among all workers.

"The overwork of the employed part of the working class swells the ranks of its reserve," Marx explained, "while, conversely, the greater pressure that the reserve by its competition exerts on the employed workers forces them to submit to overwork and subjects them to the dictates of capital. The condemnation of one part of the working class to enforced idleness by the overwork of the other part, and vice versa, becomes a means of enriching the individual capitalists."<sup>5</sup>

This process has accelerated not just in each imperialist coun-

try but worldwide since the onset of the capitalists' accumulation crisis in the late 1960s and early 1970s. In the United States, Washington boasts about having reduced unemployment to under 6 percent from its peak of more than 10 percent in 1982, the highest level since 1938. What government spokespeople fail to mention is that this "low" figure remains substantially higher than the average of 4.8 percent for the entire quarter century between 1948 and 1973. Since 1973 joblessness has averaged 7.3 percent. While the annual unemployment rate went above 6 percent only twice between 1948 and 1973, it has dipped below 6 percent only twice for the 15 years since 1973.

Moreover, the "official" government jobless figure that makes its way into the headlines does not include either the growing numbers of part-time workers seeking full-time employment or the so-called discouraged workers who have given up hope of ever finding a job. The government does issue such figures, however; as of December 1987 unemployment measured in this way was 8.8 percent according to government sources. Adding in immigrant workers, layers of women and young people who would look for jobs if the prospects were better, and others overlooked in government figures, the true unemployment picture at the top of the "Reagan boom" is much grimmer than portrayed in official statistics.

Laid-off workers today are also condemned to spend more time off the job than in the past. The average duration of each spell of unemployment rose from 11 weeks during the 27 years prior to 1974; to 13 weeks from the 1974-75 world recession through 1981; and to 16.5 weeks since the 1981-82 recession. Today more than a quarter of those counted in government jobless figures are out of work more than 15 weeks, compared to only 15 percent in 1967; and nearly 15 percent today are out of work more than half a year, compared to only 6 percent in 1967. Even these figures on the average duration of each spell of unemployment understate the evolving picture, since in recent years workers more frequently have several bouts of unemployment over the course of a single year. Of the 10.8 million workers laid off between January 1981 and January 1986, nearly one-third were still jobless at the end of that period and another 30 percent were working for 80 percent or less of their previous wage.

The official unemployment rate for Japan was 2.6 percent in April 1988, well below that of most other imperialist powers. But when part-time workers looking for full-time jobs and the so-called discouraged workers are added in, the figure jumps to more than 8 percent, the same as for the United States. Moreover, in Japan the legal workweek remains 48 hours.

Prior to the 1974-75 world recession unemployment was below 5 percent in Spain, below 4 percent in Italy and Britain, below 3 percent in France, and below 1 percent in West Germany. In stark contrast, throughout the upturn in the capitalist business cycle since 1982 joblessness across Europe has hovered around 11 percent. In April and May 1988 official jobless figures stood at 19.9 percent for Spain; 15.6 percent for Italy; 13.9 percent for the Netherlands; 10.8 percent for Belgium; 10.3 percent for France; and 8.8 percent for Britain. In Canada, New Zealand, and Australia unemployment is running at more than 7 percent.

The most devastating effects of capitalism's production of a relative surplus population is in the Third World. Official unemployment rates, while themselves very high, conceal the true enormity of the numbers of human beings who live on the knife-edge of existence without any way to make a living. Major cities throughout the semicolonial countries are surrounded by makeshift neighborhoods of peasant families who have been driven off the land and eke out a meager existence as vendors or doing odd jobs when they can get them. These dispossessed toilers are both peasants who would pour back to the countryside in their millions if arable land and cheap credit were available to them, but at the same time are unemployed workers in the growing ranks of capitalism's relative surplus population.

In India, for example, there are 25 million employed wage workers, and tens of millions are officially registered as unemployed. But this is out of a population of 800 million! The immensity of unemployment and underemployment in India, both in countryside and city, is completely obscured by official statistics, since the vast majority of its toilers are not even counted in government employment figures.

In Latin America official unemployment across the continent rose by nearly 50 percent between 1980 and 1987, from 47 million to 70 million out of a population of 400 million. According to the International Labor Organization, the percentage of Latin America's toilers who are not even counted on the jobless rolls and scrape by on the margins of economic life jumped from 29 percent in 1980 to 39 percent in 1985.

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Given unemployment levels already at a post-1930s high during an upturn in the business cycle, the next international recession will have grave economic and social repercussions throughout the capitalist world. Interimperialist rivalry for dwindling markets will intensify. Price competition will sharpen. Capitalist overproduction and excess capacity will be exacerbated, leading to a new wave of plant closings and layoffs. Investment in expansion of plant and equipment will drop even more steeply than over the past decade. With government and private indebtedness already at an all-time high, bank and business failures will accelerate and defaults on mushrooming corporate and Third World debt will increase. Finance capital will be pushed to greater bor-

rowing and speculation in an effort to pull out of the trough.

Government intervention in this destabilizing process will grow by leaps and bounds. But no alternative economic policies followed by the employing classes or by their states and political parties can avert these consequences of the evolution of the falling average rate of industrial profit. The capitalists are not refraining from major new capacity-expanding investment because they are choosing to divert too much capital into securities markets, real estate speculation, loan-sharking, and speeding up production in outmoded factories. The cause and effect is the other way around. The exploiters are sinking their capital into "labor-saving" retooling and speculative paper claims on values because they can get a better rate of return there than from investments in building new factories, installing major new technologies, and hiring on large amounts of additional labor power.

### The Coming World Depression

The capitalists' falling average rate and stagnating mass of profits have undermined the equilibrium of world capitalism. The October 1987 crash on the world's stock markets signaled the consequences: no longer can the exploiters be confident that a major bankruptcy, loan default, crop failure, bank collapse, deflationary slump, stock market dive, or other partial crisis will be buffered and absorbed by the strength of production, investment, and trade in the broader capitalist economy. Today, at this advanced point in the stagnation of capital accumulation, any of these partial crises have the growing potential to spiral out of control and trigger a worldwide depression and a generalized social crisis.

nothing is impossible

### III. THE POLITICS AND ECONOMICS OF CAPITALIST DEVELOPMENT: THE DYNAMICS OF WORLD REVOLUTION TODAY

The political period in which we are now living was initiated with Washington's entry into World War II. Its character and trajectory have been determined by the international relationship of class forces and the structure of the imperialist system coming out of that war.

Our understanding of the interrelationship between the development of the world market and the dynamics of world revolution is grounded in the political continuity of the modern communist workers' movement. The initial lessons drawn from this accumulated class-struggle experience are generalized in the writings of Marx and Engels and in the programmatic conquests of the Bolshevik Party and Communist International under Lenin's leadership.

In the opening years of the 1920s the leadership of the Communist International was confronted by a temporary stabilization of the major European capitalist states following the war-precipitated social crisis and tumultuous revolutionary upsurge of 1917-19. The international leadership had to win the new communist parties to understand and carry out a shift in tactical orientation to take account of the changed situation.

At the third Comintern congress in June 1921 the Bolshevik leaders initiated a discussion of the reasons for this shift. This discussion also raised the broader related question of how communists must recognize and act on the interconnected economic phenomena and political events that establish political periods, necessitate conjunctural shifts in tactics, and mark turning points in the long-term development of world capitalism and the class struggle.

A resolution and report on the world economic crisis and the tasks of the Communist International were discussed and adopted by the delegates: "Report on the World Economic Crisis and the New Tasks of the Communist International" and "Theses on the International Situation and the Tasks of the Comintern."<sup>1</sup> Leon Trotsky prepared and presented the report and resolution at that congress on behalf of the Bolshevik leadership. He further developed their major themes 18 months later in a report to the fourth Comintern congress in December 1922: "Report on the New Soviet Economic Policy and the Perspectives of the World Revolution."<sup>2</sup> In April 1923 he summarized some of the main theoretical points from these Comintern reports and resolutions in a short and condensed letter, which was published later that year under the title, "The Curve of Capitalist Development."<sup>3</sup>

The 1921 Comintern report explained that in order for communists to assess accurately the current political conjuncture and direction of development of the capitalist world, it is not sufficient to chart the ups and downs of the business cycle; that is, the trade and inventory cycles of recession and recovery that "were inherent in capitalism at its very birth" and "will accompany it to its grave."<sup>4</sup> Nor is it possible to deduce some longer-term cycle, taking place over a number of shorter business cycles, that itself lawfully shapes the economic and political prospects of the exploiters and the exploited.

"There is no 'rigidly lawful rhythm' to the long-term development of world capitalism," Trotsky said in the 1923 article. Capitalist economic cycles, of whatever duration or amplitude, he insisted, "are not fundamental but derivative economic phenomena. They unfold on the basis of the development of pro-

ductive forces through the medium of market relations" Capitalism, he emphasized, "is not characterized solely by the periodic recurrence of cycles — otherwise what would occur would be a complex repetition and not dynamic development."<sup>5</sup>

It is true, Trotsky pointed out, that broad changes in world politics and class relations are rooted "in the changes of the economic foundation" of society "and not anywhere else."<sup>6</sup> But he cited Engels's observation that these underlying economic factors "generally operate a long time in secret before they suddenly and violently make themselves felt on the surface."<sup>7</sup>

Using statistics on output of major manufactured and agricultural goods, the evolution of world trade, and other indices broadly measuring advances in productivity of human labor as the world market expands, Trotsky explained, it is possible to draw a curve that traces the economic development of world capitalism from the Industrial Revolution in the latter part of the 18th century to current times. Once this curve has been charted, however, a careful observer will note that its turning points and the length and steepness of its upward, downward, and stagnant segments — corresponding to particular stages or periods in the history of the international capitalist system — depend not solely or even primarily on lawful capitalist economic phenomena.

"As regards the large segments of the capitalist curve of development," Trotsky said, "...their character and duration are determined not by the internal interplay of capitalist forces but by those external conditions through whose channel capitalist development flows. The acquisition by capitalism of new countries and continents, the discovery of new natural resources, and, in the wake of these, such major facts of 'superstructural' order as wars and revolutions, determine the character and the replacement of ascending, stagnating, or declining epochs of capitalist development."<sup>8</sup>

The shifting trajectory of modern human history has been determined in the last analysis by the uneven and combined development that reflects the extension — and since 1917, at the same time, the retreat — of the capitalist mode of production and exchange. The evolution of these capitalist relations cannot be abstracted from the concrete ways that capitalism absorbs and interacts with the various preexisting forms of social organization, exploitation, and oppression drawn into its expanding world domination over several centuries. The capitalist mode of production uses as raw material all the various social relations that capitalism inherits.

Capitalism acts in different ways on different of these materials — for example, on various categories of social labor: indigent populations living under tribal forms of social organization; former slaves or serfs; peasants and other rural toilers; oppressed nationalities that are overwhelmingly working-class; various waves of immigrants; and so on. It forcibly draws the labor of these toilers into the worldwide production and circulation of surplus value, while at the same time maintaining and reproducing important aspects and legacies of precapitalist social relations as adjuncts to its own forms and methods of exploitation and oppression. Most importantly, it creates new combinations from these interactions.

With the victory of the Bolshevik-led revolution in 1917, prospects for a truly world revolution became a reality for



the first time in history. The first workers' and peasants' republic was a beacon for the world's exploited producers, including throughout the oppressed countries of the colonial world. The triumph in Russia spurred revolutionary movements and the establishment of governments of the toilers throughout the oppressed Asian regions of the old tsarist empire. National liberation struggles against imperialist superexploitation and oppression emerged throughout Asia and growing parts of the colonial world, and these struggles became irreversibly intertwined with the defense and extension of the socialist revolution.

Thus, ever since October 1917 the course of history has been increasingly shaped by the dynamics of world revolution: by the interaction of the class struggle and the testing of political leaderships of the workers and farmers in the imperialist countries, the colonial and semicolonial world, and the workers' states. As the 1921 Comintern documents explain, the course of the disequilibrium and equilibrium of world capitalism does "not take place in a social and political vacuum," but involves "the struggle between living forces: the contending classes and their parties."<sup>9</sup>

The history of the world capitalist system throughout most of the 20th century has been molded by waves of struggles by toilers in countryside and city, in imperialist centers and oppressed countries, against capital and the imperialist system of domination; by the ebbs and flows of these struggles; by their defeats, stalemates, and victories; and by their mutual effects on one another. It has been profoundly changed by workers and peasants overturning capitalist property relations, leading to the establishment of a growing number of workers' states outside the world market for capital.

The fundamental characteristics of particular segments in the curve of capitalist development do not repeat in broad outline or new forms those of one or another historical period that came before it. Instead, the characteristics of each period reflect in new and concrete ways the interrelationship of economic, social, and political forces under the changed conditions. New questions are posed before the working class for resolution.

Grasping this dynamic equips that part of the working class that is the communist party to discover not only the character of the conjuncture through which we are living, but also to anticipate sudden leaps that speed up the tempo of world and national politics and change both the rules and consequences of actions in the class struggle. Most importantly, it equips us to organize on the basis of this understanding and prepare consciously to change the world.

### Fall of the World's Final Empire

Today's deepening international capitalist crisis is part of a broader decline: the fall of the world's final capitalist empire — that of finance capital, whose dominant power is U.S. imperialism.

This decline follows on the successive fall of each of the European colonial empires that arose over the history of world capitalism. Each, for a time, was dominant over the other imperial powers. The explosive rise of rival European empires of finance capital during the closing decades of the 19th century and the opening decade of the 20th resulted in the slaughter of World War I, a desperate interimperialist war for redivision of the colonies and domination of the exploited nations. The outcome of that war, and the establishment of the Soviet workers' and peasants' republic in October 1917, gave rise to the conditions that weakened and eventually brought down colonialism in subsequent decades.

In the wake of these events, the U.S. rulers were able to benefit from the weakening of their imperialist rivals. The growing strength of Wall Street and Washington slowed down for a time the decline of the imperialist system. U.S. capitalism, which Lenin called "the only full beneficiary from the war,"<sup>10</sup> emerged in the 1920s not only as the capitalist world's creditor, but as its leading industrial power as well. The basis had been laid for

U.S. imperialism to challenge Britain's receding political and military supremacy.

The U.S. rulers bided their time over the following two decades. With the unfolding of World War II, however, they made their decisive move, in the Atlantic and the Pacific, for dominance among the imperialist powers. That worldwide bloodbath was the horrible price paid by humanity for the failure of the working-class movement to resolve the crisis of world capitalism and its imperialist system that marked the 1920s and 1930s. This deepening crisis saw two decades of agricultural depression, a decade of deep international industrial depression and mass unemployment, and an interimperialist trade war.

At the opening of the 1920s and over the course of the 1930s, the working class waged gigantic struggles that turned the latter half of the 1930s into a prerevolutionary period and posed new opportunities and tasks for a world communist movement. As Social Democratic and Stalinist misleaderships demobilized and disorganized these struggles, however, the failure to register victories — and thus resolve the capitalist crisis to the benefit of the great majority of humanity — opened the road across Europe to defeats of the workers and farmers at the hands of fascist reaction. These defeats were the most crushing in the history of the modern working class.

World War II was the devastating product of those historic defeats. This interimperialist conflict over dominance in the world capitalist market and system of oppression and exploitation was not, as Washington's propagandists claimed, a war to liberate the colonial peoples. Its purpose was to redivide the fruits of domination over them. Substantial layers of the major capitalist ruling classes among the Allied Nations, moreover, hoped that the war launched by German imperialism against the Soviet Union would weaken the workers' state enough to make possible its overturn and the reimposition of capitalist exploitation over its large toiling population and vast lands.

The transformation of the U.S. work force during World War II, followed by Washington's victory at the head of the Allied capitalist governments in 1945, prepared the qualitative strengthening of U.S. capitalism's economic preponderance and established its overwhelming military supremacy among the imperialist powers. The propagandists of U.S. capitalism now spoke of an "American century."

The rise of national independence movements during the war weakened the European (and late-arriving Japanese) capitalist empires still further, resulting in the rapid loss of the vast majority of their colonies over the following years. U.S. imperialism moved into the breach, rapidly expanding its economic interests and military influence throughout the former colonies. At the same time, Washington maintained and reinforced direct control over its colony in Puerto Rico and numerous other Caribbean and Pacific islands; consolidated its longstanding economic and military domination over neocolonial regimes throughout Central and South America and in the former U.S. colony in the Philippines; and transformed Hawaii and Alaska into states of the union, formalizing its expansion into an arctic and Pacific state, as well.

This "American Century," however, had already begun to decline before it could arise. A stable historic rise of Washington's world position would have required a reversal of the fall of the European colonial empires. An "American Century" had to be a new imperialist century, a new century of international finance capital. It had to be based on an extension of the world imperialist system, not on further retreats and defeats. Only on that foundation could the U.S. rulers' new and dominant position among their capitalist rivals correspond to an overall strengthening of the world imperialism at whose head they stood and with whose fortunes they were inescapably intertwined. By the midpoint of World War II, however, the prospects for such an outcome began to recede:

• In early 1943 the victory over German imperialism at

ingrad signaled that the Soviet working people, in and out of the form, had ensured the survival of the world's first, and at that time only, workers' state.

- In 1945 the partisan guerrillas under the leadership of the Communist Party of Yugoslavia swept to power over the German occupation army in that country, blocking the establishment of a bourgeois regime and opening the road to the establishment of a workers' and peasants' government. By 1947 capitalist social relations had been overturned and replaced by nationalized industry, a state monopoly of foreign trade, and a planned economy.

- The Soviet army occupied Eastern Europe in the course of its 1944-45 counteroffensive against the Axis imperialist invasion, and by 1949 capitalist property relations had been abolished in Poland, Czechoslovakia, Hungary, Rumania, Bulgaria, Albania, and East Germany.

- The 1945-46 strike wave in the United States blocked the employing class from its goal of rolling back the conquests won by the working class during the second half of the 1930s. While the U.S. labor movement was unable to sustain these battles, capitalist reaction was sufficiently stymied that the door remained open to a new rise by the mid-1950s of the Black rights struggle that had emerged during the closing years of the war. This was the social force that, more than any other, determined the political trajectory of the U.S. class struggle in the following decades. Moreover, the "Bring the Troops Home" movement among U.S. GIs at the end of World War II blocked Washington's plans to redeploy U.S. soldiers to China to bolster the landlord-capitalist regime there in the developing civil war.

- In 1949 the Chinese revolution tore one-fifth of the world's population from imperialist domination. The new workers' and peasants' regime successfully turned back Washington's efforts at the opening of the 1950s to reimpose imperialist control over northern Korea and use that as a launching pad to roll back the Chinese revolution. Under the impetus of the mobilization around the war in Korea, a workers' state was established in China as well by 1953.

- In 1954 Vietnamese liberation fighters defeated the U.S.-backed French imperialist army, and within two years the new Democratic Republic of Vietnam had become a workers' state.

- The failure of combined British and French forces to maintain control over Egypt's Suez Canal in 1956, or to sustain working-class support at home for this effort, marked the final full-scale retreat of Washington's most powerful allies from playing a central role in policing the world imperialist system. Washington, with hundreds of thousands of troops stationed at U.S. bases around the globe, had to shoulder responsibility for that worldwide counterrevolutionary task.

- Over subsequent decades further defeats have been sustained by the U.S.-dominated imperialist and colonial system in regions throughout the world: Indochina, Algeria, Cuba, Palestine, Ethiopia, the former Portuguese African colonies, Iran, Grenada, Nicaragua, and elsewhere.

The outcome of World War II marked the opening of a new stage in the history of the imperialist system. The U.S. rulers emerged victorious and dominant among the imperialist powers. But the Soviet Union had survived, and other new setbacks to imperialism — dealt by the rise of the colonial revolution especially — had begun to be inflicted at the very peak of Washington's postwar power, and have continued and extended over the subsequent four-and-a-half decades.

The struggles for national liberation and socialism became even more intertwined in the aftermath of World War II, reinforcing the dynamic set in motion by the October 1917 revolution and its impact throughout Asia and other parts of the colonial world. In China, Korea, Vietnam, and Cuba revolutionary struggles against imperialist domination, against political tyranny, and for land reform took on an anticapitalist direction, led to the establishment of workers' and peasants' governments, and grew over into socialist revolutions against both foreign and

domestic capitalist exploiters.

At the beginning of the 1960s the victory in Cuba opened the socialist revolution in the Americas, right at the doorstep of U.S. imperialism. From the outset, the leaders of the new Cuban workers' state sought ways to put both their political authority and the power of the revolutionary government at the service of the international struggle against imperialism. They recognized the growing interpenetration of battles by workers and peasants worldwide against imperialist domination and capitalist exploitation. They took full political responsibility for socialist Cuba's place as a beacon for the oppressed and exploited peoples not only of the Americas, but also of Africa, Asia, and the Pacific. On that basis they fully integrated Cuba into the Movement of Nonaligned Countries and its leadership.

During its first decade, the Cuban revolution sustained many blows from imperialism and other reactionary forces, including the murder of Che Guevara in 1967. Despite these blows, by the latter half of the 1960s the leaders of the Cuban revolution had not only begun to build a mass communist party of the vanguard of Cuba's workers and farmers. They had also begun to use their leadership of a workers' state to chart a political course that has advanced the renewal of communist leadership on a world scale for the first time since the Stalinist destruction of the Communist International.

### No Replacement for U.S. Imperialism

The industrial monopoly held by U.S. imperialism coming out of the war rapidly began to erode. The Japanese and West German capitalists modernized and expanded their manufacturing capacity at a relatively quicker pace than their U.S. rivals over the postwar years. By the mid-1960s this had resulted in renewed price competition and altered the economic balance of forces in the world capitalist market.

This relative decline of U.S. imperialism since the end of World War II, however, has not strengthened its Western European, Japanese, or other imperialist competitors. Nor has it brought any of them closer to establishing its own predominance in the capitalist world.

Despite intensifying competition for profits on the world market, the rival national ruling classes are chained together in their decline, with the U.S. capitalist rulers at their head. They are chained together by the need to halt the uneven but continuing shift in the world relationship of class forces since World War II to the advantage of the workers and farmers, and to increase the rate of exploitation of the toilers at home and abroad. In advancing these common goals, there is no replacement within the imperialist alliance for Washington's military power, U.S. economic weight, or the dollar as international reserve currency.

The Japanese, German, and other imperialist ruling classes, of course, seek to advance their own interests against each other and against the U.S. rulers and U.S.-owned monopolies in the world market. Any advantages gained in this regard, however, are temporary and partial when weighed politically against the weakening of the imperialist system as a whole.

This situation is new in the history of world capitalism. The decline of the economic, monetary, political, and military dominance of each previous leading imperial power cleared the way for an already well-prepared successor. These transitions were marked by shifting alliances and wars among the ascending and declining regimes. The victor became the axis of new military and political blocs. Its exports dominated world trade, and its currency world finance.

In the 16th and 17th centuries the Spanish and Dutch empires, through bloody colonial expansion in the Americas and Asia, accumulated much of the wealth on which capitalism based its initial burst of growth. By the 18th century they had been displaced by Britain and France, and by the end of the 1700s British agricultural, banking, and manufacturing capital had laid the foundation for almost a century and a half of varying degrees of

capitalist world predominance before giving way to Wall Street and Washington.

The lack of any alternative to U.S. predominance today is a manifestation of the terminal weakness of finance capital's imperialist system of domination. The policy choices of the U.S. rulers do not represent international leadership by a rising social class, but the pragmatic survival tactics of a declining social class at the helm of a decaying empire. The ruling capitalist families have no historical view, no line of march along which they are seeking to lead society. They have no long-term strategies. They make short-term decisions to deal with the problems at hand, test the waters, and confront further — and always unexpected — problems as defense of their profits and prerogatives require them to do so.

These ruling families have no "new ideas," no "solutions" to the crisis gripping their social system. They select not the leaders they "need," but the leaders they are able to produce. They rely on their national economic weight; the corruption and compliance it can purchase, including within broad layers of the working class; their massive military might; their monopoly of state power; and both legal and extralegal violence against those who resist their exploitation and oppression. On that basis, the capitalist rulers' propagandists, academics, and spokespeople produce not "ideas," but ideological rationalizations backed up by the power of the existing fact.

### U.S. Strategic Military Power

The U.S. armed forces are the spinal column of NATO and of the military alliances with imperialist Japan, Australia, and New Zealand, as well as the ultimate sword standing behind the Israeli and South African regimes that serve as imperialist bastions in the Middle East and southern Africa. Washington has 63 percent of the imperialist world's naval tonnage; 46 percent of its land-based and 91 percent of its sea-based jet fighters; and 39 percent of its ground troops.

The U.S. rulers' international military dominance, however, is not based simply on being the most massively armed strategic power within a system of military alliances with other imperialist governments. Nor, like British imperialism in its heyday, does Washington rely primarily on its unchallenged position as the world's leading naval power. Unlike any of its predecessors, the military might of U.S. imperialism reaches *directly* into every part of the world.

One-quarter of all U.S. forces — some 550,000 troops — are based at nearly 400 U.S. military installations in Western Europe, the Middle East, Africa, the Indian Ocean, Japan, the Philippines, South Korea, Australia, the Pacific Islands, Panama, Puerto Rico, and Cuba's Guantanamo Bay. Another 7 to 8 percent of U.S. forces, about 180,000 troops, are on naval patrols in the Persian Gulf and elsewhere around the world. Five of the U.S. military's 18 standing divisions are in Western Europe, and there are 277 U.S. bases or other installations there, strung from Iceland to Britain and all the way across the continent to Turkey.

The Soviet workers' state had begun to construct a nuclear arsenal by the early 1950s to break the monopoly carefully developed by Washington in the years immediately following World War II. In contrast, the economically strongest of U.S. imperialism's competitors — Japan and West Germany — are blocked by historical and political factors from developing nuclear arsenals. Germany's attempted nuclear armament would bring a showdown with the Soviet Union, as well as social upheaval throughout Western Europe. In Japan, whose people were the first victims of the horrors of atomic weapons at the hands of the U.S. rulers, steps to build a nuclear arsenal would so deeply divide the population as to push that society toward civil war.

The British and French imperialists do have their own nuclear arsenals, as does the Israeli regime. The rulers of the South African apartheid regime have some nuclear weapons as well.

These subsidiary arsenals, despite the very real dangers they pose to the world's working people, do not lessen the dependence of the entire imperialist system on Washington's strategic nuclear arms and delivery systems.

U.S. military supremacy rules out a repetition of interimperialist conflicts such as the First and Second World Wars, despite mounting economic and political tensions among the rival national ruling classes and their states. In addition, the imperialists are aware that the previous two world wars were fought at a heavy price to international finance capital: the Russian revolution; Chinese revolution; the overturn of capitalist property relations in Eastern Europe, North Korea, China, and Vietnam; and national liberation struggles that exploded across Asia and the Pacific, Africa, Central and South America, and the Caribbean.

Moreover, the nuclear standoff with the Soviet Union also compels the imperialist rulers to shelve for the foreseeable future their historic goal of rolling back the workers' states and reestablishing capitalist exploitation over the peoples of those countries.

Instead, policing Asia, the Pacific, Africa, Latin America, and the Caribbean has been the focus of imperialism's efforts to hold back the world revolution over the past four decades. It is in the colonial and semicolonial countries that the most massive and brutal imperialist military power has been used since World War II — from Korea to Algeria, from Kenya to the Dominican Republic, from Vietnam to Angola, from Palestine to Ireland, from Nicaragua to the Congo, from the Suez Canal to the Persian Gulf, from Grenada to New Caledonia.

All the imperialist ruling classes are dependent on the massive presence of U.S. ground, air, and naval forces on every continent and in every ocean to maintain the world capitalist order against struggles for national liberation and social justice by workers and peasants. A few of Washington's imperialist allies still play a direct military role in this counterrevolutionary effort, although limited to regions near their own borders or under their colonial rule either now or in the recent past. France operates brutally in this way vis-à-vis Chad and a few other former African colonies, as well as in New Caledonia and its other Pacific and Caribbean colonies (Tahiti, Guadeloupe, Martinique, Guyane); Britain in the Malvinas and Ireland; Israel in the Arab lands surrounding its occupying niche; and South Africa in Namibia, Angola, Mozambique, and elsewhere in southern Africa.

Even in these cases, as soon as conflicts become far-reaching, U.S. military power is decisive. Without Washington's direct military involvement in transport, logistics, matériel, and intelligence, for example, British imperialism could not have fought, let alone won, the war to hold onto the Malvinas. It was for this reason that former U.S. Secretary of Defense Caspar Weinberger was decorated in 1987 by the queen of England. The political obstacles to massive, U.S.-organized assistance to South Africa's apartheid regime have made it impossible for Pretoria to stand up militarily in southern Angola to the combined forces of the Cuban volunteers, Angolan army, South West African People's Organisation, and the African National Congress.

A number of European capitalist governments, having lost their last colonial holdings in the 1960s and 1970s, have been reduced to playing little or no independent military role in the Third World compared to the major imperialist powers. This is true of the Belgian and Portuguese rulers, for example. Together with other smaller imperialist countries, some of which never had their own colonies, they now contribute to the defense of world capitalist interests primarily through political and military complicity with U.S.-organized overt and covert operations.

In addition, not even the most strongly armed and politically servile of imperialism's neocolonial client states are reliable as stable military surrogates for Washington, nor can they be. The past decade alone, for example, has seen the overthrow of the shah of Iran; the demise of the Marcos dictatorship in the Philip-

ness; the growing instability of the South American regime, a crisis shaking the governments of Brazil and Argentina; and a political-economic crisis threatening any stable role for the Mexican ruling class.

Only the military forces of U.S. imperialism itself are capable of patrolling every region of the earth. Washington can and will continue to pressure its allies to pick up more of the costs for this mounting military effort. It must and will pull back from forward military positions around the world that are less and less sustainable economically and politically. But this will not fundamentally alter the military equation among the imperialist powers. While the imperialist ruling classes will keep getting pushed back by advances in the world revolution, they can never give up their attempt to preserve the greatest possible portion of the globe for capitalist exploitation.

The deepening economic crisis will increase imperialist pressures toward war, as workers and peasants organize struggles to defend themselves against intensifying attacks on their social conditions and national sovereignty. The most decisive victories in the world revolution since World War II have all been in the semicolonial countries. But wars fought in these countries by the imperialists — even if successful — have neither reversed the fundamental decline of their world system nor brought them long-term stability. Nor have bloody triumphs for international finance capital in the Third World brought it closer to overthrowing the workers' states where capitalist property relations have been abolished.

Moreover, Washington's historic defeat in Vietnam severely undercut support among working people in the United States for such military aggression. It reinforces such attitudes in other imperialist countries. It creates important obstacles to the use of imperialist military might in Central America and the Caribbean, elsewhere in the Americas, Asia, the Pacific, and Africa.

In addition, growing opposition to nuclear arms among working people throughout Western Europe in particular, as well as in the United States and other imperialist countries, has become a powerful objective political factor limiting the military options of Washington and its allies. It threatens the imperialists with unexpected and explosive reactions to the deployment of nuclear weapons and delivery systems and the movements of nuclear-armed ships and submarines.

### U.S. Economic Power and the Dollar

In addition to Washington's military power, the enormous size and weight of the U.S. market and productive capacity also preclude any replacement of U.S. imperialist dominance in the capitalist world. The conditions of production, finance, and trade in the United States are the primary determinant of the direction and prospects of the entire international capitalist economy. This remains true to a much greater degree than for any other imperialist country.

The relative decline of U.S. capitalism increases the vulnerability of all the imperialist economies to partial crises. No other power, however, has the economic size to serve as a counterweight that could salvage the equilibrium of the world capitalist system.

Despite the rapid end of the industrial monopoly of U.S. imperialism that came out of World War II, the annual output of U.S. capitalism today remains three times that of its closest competitor, Japan. The U.S. share of world exports has fallen from 15 percent at the beginning of the 1960s to around 11 percent in the mid-1980s. But this frequently cited figure overstates the erosion of U.S. economic power, since it leaves out commodities produced and exported by U.S.-owned factories in other countries.

U.S.-owned corporations today produce 17 percent of the exports on the world market, roughly the same as two decades ago. In 1985, for example, U.S.-owned affiliates in other countries sold \$410 billion in goods to buyers where they are located and

States itself totalled \$216 billion. The big majority of commodities produced in the United States are sold on the U.S. market, and U.S. capital has often found it more profitable to produce overseas for sales on foreign markets.

The enormous size of the U.S. economy can be gauged by how much it buys, as well as how much it sells. The U.S. market alone absorbs some 25 percent of the goods imported by all the imperialist countries combined. The United States, for example, makes up half the international market for consumer electronics, and 25 to 30 percent of world purchases of auto parts.

The economic power of U.S. imperialism that stands behind the dollar precludes its replacement as the international reserve currency in capitalist trade and finance. At the end of 1987, more than two-thirds of the foreign exchange reserves of all the world's governments were held in U.S. dollars, while 15 percent were held in West German marks and 7 percent in Japanese yen.

The U.S. rulers are even able to wield the historically declining dollar as a club in their economic competition against their imperialist rivals. In 1987, for example, the central banks of other imperialist governments bought up \$130 billion in dollars to help bolster the plummeting value of the U.S. currency and defend the competitiveness of their own exports. Together with dollars bought over previous years, Tokyo, Bonn, London, and other rivals of U.S. imperialism ended up sitting on more than \$450 billion of the depreciating currency at the end of 1987. But doing so was a lesser evil for Washington's rivals than allowing a free-falling dollar to endanger the entire international monetary system.

In this way, the weight of U.S. capitalism is successfully brought to bear on its competitors to shore up the commanding, even if slipping, U.S. share in the division of the international pool of surplus value produced by the world's toilers. The rivals of the U.S. ruling class mobilized their own national capital to aid the additional accumulation of capital in the United States. That is one of the ways that interimperialist competition works today, in a situation where Wall Street and Washington retain their predominant position and intensifying conflicts among the rival ruling classes cannot be resolved by war as they were twice before in this century.

This balance of forces among the capitalist powers cannot be substantially altered by agreements among the 12 Western European governments that make up the European Community, popularly called the European Common Market. The EC is scheduled to end all internal barriers to trade, labor, and capital flows by 1992, creating a common market of some 350 million people. But the 1992 goal is already in trouble, as rival capitalist interests jockey to protect their own profits.

Competition among the dozen European ruling classes will intensify, not abate, with the next world recession or explosion of inflation, let alone a more devastating social and economic crisis. The rival national capitals will not give up their separate states, which protect their interests against each other and above all against the working people off whose labor they grow wealthy.

Without a common European state there can be no common currency to rival the dollar, nor common monetary and financial policies. Whatever their efforts to ensure a wider European market for their goods and capital, the German exploiters will never mortgage their profits to the fortunes of the French economy, the French to the fortunes of the British, the British to the Portuguese, Danish, Spanish, or Greek. Thus no one of their currencies can become the world's reserve currency replacing the dollar.

The U.S. rulers, for their part, are already responding to the prospect of greater rivalry from a European common market by pushing for one of their own with the Canadian capitalists. U.S. finance capital is also trying to use Mexico's debt burden as a club to bludgeon the government of that semicolonial country —



already the third largest market for U.S. exports — to open its doors even wider to U.S. imperialist penetration and domination.

### Effects of Post-World War II Expansion and International Penetration of Capital on Class Structure in the Capitalist World

In the closing years of World War II, the international relationship of class forces shifted to the detriment of imperialism. Important victories have been won since then by the toilers of Asia, the Pacific, Africa, and the Americas. In a few semicolonial countries working people waged revolutionary struggles that established workers' and peasants' governments, put an end to imperialist domination, and culminated over a number of years in the expropriation of the landlords and capitalists.

Cuba is the outstanding example of the gains that are made possible by this socialist course. Not only does Cuba's economic and social development stand in stark contrast to the rest of Latin America and other Third World countries, but the Cuban leadership has been decisive in beginning the renewal of communist leadership on a world scale. These advances have been made in the face of enormous obstacles resulting from the legacy of centuries of colonial and semicolonial oppression and ongoing imperialist economic and military pressures.

The overwhelming majority of countries in the semicolonial world, however, remain dominated by the world capitalist market and oppressed by the imperialist system. Most are saddled with neocolonial governments that represent domestic exploiting classes subservient to varying degrees to imperialism. The operation of the law of value, combined with the policies of finance capital and its various state powers, have maintained and reinforced the division of the capitalist world — first called attention to by Lenin, and later by the Communist International — into a handful of imperialist countries and the great majority of oppressed and exploited countries.

Since World War II there has been an expansion of manufacturing in the semicolonial countries and a substantial differentiation in rates of development, including significant industrialization in a few cases. Despite these changes, not a single one of the semicolonial countries has crossed the bridge into the ranks of the industrialized imperialist states, even as a junior partner.

### The Oppressed Countries of Asia, Africa, the Pacific, and the Americas

The big majority of working people in the colonial and semicolonial countries remain on the land. In the oppressed countries of Africa and Asia more than two-thirds of the population still live and toil in the countryside. In Latin America and the Caribbean the figure is one-third for the region as a whole, although many countries still have 40 to 70 percent of the population in rural areas (Barbados, Haiti, Honduras, Guatemala, Bolivia, Ecuador, Dominican Republic, Paraguay, Nicaragua, Costa Rica, El Salvador, and others). Agricultural commodities and raw materials account for some 80 percent of export earnings from the semicolonial countries, compared to less than a quarter for the imperialist countries.

In many of the oppressed countries the majority of the rural toilers work the land under semifeudal or other precapitalist or semicapitalist conditions, bound to village chieftains or wealthy landholding families. In other countries bourgeois "land reforms" have brought the toilers under more directly capitalist forms of exploitation: wage laborers working for a pittance on plantations owned by local landlords or imperialist-based corporations, while scratching out subsistence on a tiny plot; tenant farmers paying money rent to these same landholding exploiters; or independent commodity producers working as debt slaves for local or foreign capitalists who lend them money and hold their mortgage, sell them farming supplies, and purchase their product to resell at a profit.

Whatever the form of exploitation of these rural toilers, a

growing portion of the wealth produced by their labor ends up in the hands of imperialist finance capital. Sometimes the landholders themselves are capitalist-owned businesses in the United States, Canada, Western Europe, Japan, Australia, or New Zealand. For commodities such as coffee, cotton, cocoa, pineapple, tea, bananas, sugar, and others, between 60 to 90 percent of the trade on the world market is controlled by three to six imperialist-owned monopolies. Even much of the wealth initially extracted from the toilers by domestic capitalists and landlords ends up being drained from these countries through interest payments and unequal trade relations, becoming part of imperialism's superprofits.

Throughout the semicolonial world two processes intermesh. Millions of toilers are still being drawn out of precapitalist social relations on the land into the capitalist rents and mortgages system and rural wage labor. At the same time, millions of others are being driven off the land into swollen slums where they join a growing urban proletariat, and from which many migrate in search of work to more economically advanced semicolonial countries or one of the imperialist centers.

The expansion of industry and commerce in many of these countries has also created a growing employed urban proletariat. Workers — whose average wages and conditions are well below those of workers in any of the imperialist countries — have formed unions; many have become seasoned fighters in labor and political struggles.

While layers of capitalists in parts of the Third World have been able to break into the international capitalist market for manufactured goods — not only for light consumer items and durables, but also steel, automobiles, trucks, computers, and ships — not a single one of these countries has seen the growth of a home market sufficient to absorb a significant portion of what the domestic industrialists produce. The majority, usually a big majority, of workers and peasants simply have such a low standard of living that the consumer market among the bourgeoisie and relatively small middle classes cannot even approach making up for it. The majority of toilers are often not part of the modern sectors of the economy, not really part of a modern class structure.

Unlike the imperialist powers, most countries with semicolonial economic structures do not even have a single wholesale market price for most agricultural commodities, nor a single average rate of industrial profit of domestic capitalists. Stock and securities markets, to the degree they exist, have not taken on the function described by Engels of centralizing the accumulation and redeployment of domestic agricultural, industrial, and commercial capital. This is a barrier to the mobilization of the various local pockets of national capital on a substantial enough scale to contribute to sustained economic development comparable to that in the advanced capitalist countries.

A great deal of attention has been focused by the big business press on a handful of semicolonial countries in Latin America and Asia — Brazil, Mexico, South Korea, Taiwan, Hong Kong, and Singapore — that have managed to increase their share in world industrial production by a few percentage points in the more than 40 years since the end of World War II. For the rest of the semicolonial countries, however, the total share in world industrial output has fallen over this same period. Moreover, even in the so-called newly industrializing countries, the economic and social conditions of working people drastically limit the home market.

The proliferating U.S.- and other imperialist-owned assembly plants (*maquiladores*) that are allegedly "developing" northern Mexico, for example, pay workers \$3 to \$5 per day. In Brazil and South Korea average wages of workers employed in manufacturing are well below \$1.50 an hour. The expansion of manufacturing in these countries has been predicated on dispossession of the peasantry and superexploitation of the growing proletariat, which has driven down average real wages, not on de-

veloping a broad working class capable of purchasing a wide range of consumer goods and durables.

In none of the cases where neocolonial governments have carried out what have been billed as "land reforms" has the result been a thoroughgoing land distribution and state provision of cheap credit. As a result, nowhere in these countries has there developed a broad, modern class of small farmers whose income and living standards on average are equal to that of skilled workers. Instead, a thin layer of well-off farmers has been created and the superexploitation, dispossession, and pauperization of the toiling rural majority has increased.

This lack of a broad home market puts the capitalists in these countries at a severe disadvantage in the intensifying trade competition on the world market. It makes the economies of these countries particularly vulnerable to inflation, recessions, monetary fluctuations, trade restrictions, and other factors that slash demand for imports in the capitalist world. Imperialism, nonetheless, continues to accelerate the export-orientation of agriculture and industry, both native and foreign-owned. The semicolonial countries, most of them originally with substantial acreage of rich soil and plentiful forests and water resources, have been transformed into importers of food, clothing, and other basic necessities.

The imperialist-owned monopolies reap profits at both ends — from the exports whose distribution, transport, insurance, and financing they control; and from the industrial and consumer goods that Third World countries must import. Most neocolonial governments are expanding so-called free trade zones, where imperialist-owned companies can exploit workers virtually free from regulation and pay little if any taxes on the profits squeezed from their labor. Finance capital also promotes large-scale organized tourism in many of these countries, aimed at visitors from the imperialist centers and controlled by syndicates of local and foreign monopolists dealing in hotels, restaurants, gambling, drugs, and prostitution.

Over the past decade, the imperialist bankers and international financial agencies have introduced even greater distortions into the economic structures of Third World countries, in order to boost export and tourist earnings that can be channeled into interest payments on the ballooning foreign debt. Imperialist-sponsored "development" projects have resulted in disastrous overplanting of farmland and overcutting of forests. This is responsible for the creeping Sahara that is devastating much previously arable cropland in northern Africa; a growing threat to the forest and river networks of Central America; the virtual deforestation of much of Haiti; and the accelerating destruction of the Brazilian rain forests.

The mounting debt trap exacerbates every aspect of imperialist domination of the oppressed countries, blocking economic development and condemning hundreds of millions of people — the big majority of the toiling population of the capitalist-dominated world — to brutalizing economic and social conditions.

- While 85 percent of the people of the capitalist world live in the semicolonial countries, they receive only about 20 percent of its total income.

- More than 60 percent of the world's population lives without electricity.

- On the African continent some two-thirds of the population is illiterate, ranging to above 90 percent in some countries. In the oppressed countries of Asia some 40 percent of adults cannot read or write, once again reaching above 80 percent in several cases. In Central and South America illiteracy runs at about one-quarter of the population for the continent as a whole, and above 40 percent in some countries.

- Infant mortality — which in the United States averages some 11 deaths during the first year of life for every 1,000 births — averages 125 per 1,000 on the African continent, going well over 200 in several countries. In the semicolonial countries

50 deaths for every 1,000 births, going over 100 in a few countries.

- Five million children die from diarrhea every year and two million from measles, the overwhelming majority of them in the Third World.

- The caloric intake for the peoples of the semicolonial countries is 36 percent lower on average than in the United States, and daily consumption of protein is more than 45 percent lower. Two million people in the world die of starvation each year.

### The United States and Other Imperialist Countries

The labor force in the United States today is more than double its size at the opening of World War II. The structure and composition of the working population have seen qualitative changes since the Great Depression.

- The demand for labor power created by the massive expansion of military-related production during World War II drew in millions of working people from the countryside, which had been devastated by two decades of depression conditions. This resulted in a sharp 20 percent drop in the farm population between 1940 and 1945, the largest and fastest shift in U.S. history.

The accelerating development of the productivity of agricultural labor since then has resulted in the proletarianization of millions of members of farm families. Today the percentage of the labor force engaged in agriculture has dropped to below 3 percent from more than 15 percent in 1940.

On top of these changes, a majority of working farmers today are forced by economic necessity to work a full- or part-time job, and many belong to industrial unions. The gap between the general living and social conditions of workers and exploited farmers in the United States is narrower today than ever before.

- Over the past thirty years the percentage of total nonfarm production accounted for by manufacturing has remained roughly the same (20 to 24 percent), and has moved toward the higher end of that range since the upturn from the 1981-82 recession. In 1987 some 25 million workers were employed in manufacturing, mining, and construction, a 43 percent increase since 1946.

The rising rate of surplus value in manufacturing since 1941 — that is, the percentage of value produced by labor that goes to the bosses as a surplus instead of to workers as wages — and the long-term growth in the mass of profits made possible a faster growth rate of sales, clerical, and "service" jobs (government, wholesale and retail trade, schools, hospitals, offices, etc.) relative to employment in plants, mines, and mills.

Since the mid-1970s the capitalists have destroyed values in outmoded industrial plant and equipment by writing off a major hunk of excess capacity, and have slowed investment in new plant and equipment. As a result, the rate of hiring of additional labor power has been reduced as well. A world depression will result not only in massive unemployment in mining and manufacturing, however. It will come as a devastating blow to sectors of the economy that generate no new value for the capitalists, leading to millions more layoffs.

The creeping crisis of the past fifteen years has already witnessed major layoffs of workers in health, education, and other vital social services. The firing of up to 15,000 employees from Wall Street securities outfits in New York following the October 1987 crash provides a taste of what another stock market or banking collapse would mean for working people employed in financial institutions, let alone the many other commercial sectors of the economy that would be rocked by such an event.

- During World War II hundreds of thousands of working farmers, sharecroppers, and tenant farmers who were Black

poured into industry, as the massive expansion of production created opportunities to escape the economic devastation that had wracked the rural South for decades. Following the war, Blacks continued to be driven off the land and migrated in growing numbers to cities both in the North and throughout the South looking for jobs.

The prolonged postwar acceleration of capital accumulation, combined with gains won through civil rights battles against Jim Crow segregation in the 1950s and 1960s, broke down further employment barriers. Among employed male workers who are Black, the percentage holding industrial jobs went up from 17 percent in 1940 to 40 percent in 1971. Workers who are Black today comprise 11 percent of the labor force and some 15 percent of the work force in industry.

There has also been an increase in the proletarianization of Chicanos since World War II, as well as of the growing Puerto Rican population living and working in the United States.

These workers who are part of oppressed nationalities continue to face racial and national discrimination in hiring, in job upgrading, and in the workplace and labor movement — a reality that gives their labor power a lower than average value in the working class. The racist inequalities confronting workers who are Black, Chicano, Puerto Rican, Chinese, American Indian, or from other oppressed nationalities and national minorities are constantly reproduced and reinforced by the capitalist job market, and are used by the employers to keep the working class divided and thus weakened.

This is the objective basis for the fact that only labor's fight for affirmative action quotas can forge a strong and united working-class movement capable of defending the exploited producers against the effects of today's employer attacks and the much deeper social crisis and capitalist offensive that lie ahead.

● The last quarter century has witnessed the greatest immigration of workers to the United States since the early 1900s. In the mid-1960s, at the peak of the postwar expansion, U.S. capital was rapidly drawing in new labor power, so Congress loosened immigration quotas to expand the reserve army of labor and hold down wages. As the decline in the average industrial rate of profit accelerated over the next decade, the employers sought to cut costs and found even greater need for a pool of workers who could be intensely exploited through low wages, long hours, and substandard job conditions.

Over this same period, the dispossession of peasants and mounting unemployment and underemployment throughout the semicolonial world was leading millions to emigrate in search of a way to make a living. They were joined by others fleeing the terror of U.S.-backed dictatorships in many countries.

By keeping these workers in a pariah status as "aliens" and "illegals," the employers attempt to create a broad, permanent layer of the working class with few political or social rights. These workers face systematic discrimination on the basis of language, skin color, and nationality, as well as the constant threat of harassment or deportation by "la migra." The threat of such victimization often serves as a barrier to immigrant workers exercising their right to fight for union protection or social and medical services.

During the 1970s some 6.6 million immigrants came to the United States, about two-thirds of them with documents; as many as nine million more are expected by the end of the 1980s. In 1987 more than 600,000 documented immigrants entered the United States. That figure, which does not even count many scores of thousands of additional immigrants who entered the United States without papers, is more than were accepted by all other governments in the world combined last year.

In contrast to the turn of the century, when the big majority of immigrants to the United States were from Europe, more than 90 percent now are from Asia, Mexico, Central and South America, the Caribbean, and the Pacific islands. Today a language other than English is spoken at home by 11 percent of the U.S. popu-

lation; in almost half these homes the language is Spanish. It is estimated that before the end of the decade more than half the public elementary school children in California will be either nonwhite, Spanish-speaking, or both.

Other imperialist powers have also drawn in immigrant labor in growing numbers over the postwar period. While most immigrants to Canada came from Eastern and Southern Europe until the 1960s, the majority over the past quarter century have come from the Caribbean, Asia, and Latin America.

Despite measures throughout Western Europe in the mid-1970s to restrict a further influx of workers from the semicolonial world, the size of the immigrant populations has continued to grow. France today has a higher percentage of foreign-born workers than the United States. In addition to continuing immigration to the cities of Britain by working people from the Caribbean and the Indian subcontinent, there has also been a new wave of Irish immigration, as imperialist superexploitation and British colonial oppression have worsened conditions in Northern Ireland.

In addition to the indigenous oppressed Maori population in New Zealand, there has been a mounting immigration of toilers from throughout the Pacific islands over the past two decades. Workers of non-European origin make up a large and growing percentage of the industrial working class in New Zealand. A "white Australia" policy was openly on the books of that country's government until the 1960s, but there has been growing immigration over the past quarter century from Asia, the Middle East, the Pacific, and Latin America, as well as a continuation of the longer-standing influx from Europe. The majority of these immigrants to Australia are workers, and a disproportionately large number are part of the industrial working class.

Japan, where overall immigration has been smaller than in the other largest imperialist powers, is nonetheless approaching a million foreign-born residents, with some 700,000 from Korea alone. A new and bigger wave of immigration has been growing there during the latter half of the 1980s, mostly from Southeast Asia, India, and Pakistan. In addition, three million people of Japanese national origin comprise a pariah "Burakumin" caste subject to discrimination and superexploitation.

Even smaller imperialist centers such as Iceland have imported immigrant labor in recent years and have begun to develop, even if still on a much reduced scale, similar patterns for the exploitation of immigrant workers.

Immigrants live and work in especially large numbers in the giant proletarian centers of these imperialist countries — New York City, London, Paris, Berlin, Los Angeles, Auckland, Sydney, Stockholm, Toronto, Amsterdam — giving these cities a multinational, multilingual, and increasingly cosmopolitan character. One-quarter of New York's population is foreign-born. More than 700,000 residents of London are Black or Asian. Half of all elementary school students in Amsterdam are non-Dutch, and young people of Turkish origin make up a growing percentage of students in West Berlin schools. Arab and African workers are a large component of the Paris proletariat, and an even greater percentage of the working class in Marseilles and much of southern France.

● The incorporation of women into the labor force in the United States took a leap forward during World War II. The entrance of five million women into civilian and military jobs raised their participation rate from 25 percent of the labor force in 1940 to 36 percent in 1945. Despite a dip during the immediate postwar demobilization and industrial reconversion, the percentage of women in the labor force never dropped back to its prewar level. The accelerated rise in female employment that began in 1941 has continued ever since.

Not only did women provide a growing percentage of labor power drawn in by U.S. capital during the long expansion, but the pace of their incorporation into the labor force actually increased as the crisis of capital accumulation grew over the past

two decades and the bosses sought ways to drive down the price of labor power. From the mid-1960s to today, women have been hired for over 60 percent of the new jobs created in the United States.

In 1987 nearly 70 percent of women between the ages 16 and 65 were in the labor force in the United States, and 45 percent of workers were women. The number of years that a woman remains in the work force on average has risen sharply, as well. Today a young woman getting her first job can expect to work for more than 25 years of her life, up from 12 years in 1940. There has also been a sharp increase in the participation in the work force of married women with children under 18. In 1950, 22 percent of these women worked. In 1987 some 70 percent of married women with children 6 to 17 were in the labor force, and nearly 85 percent of women who are divorced. For women with children under 6, the percentage was 56.8 percent for married women in 1987 and 70 percent for those who are divorced. And 51.9 percent of women with children less than a year old are in the labor force today, compared with 31 percent as recently as 1976!

Full-time, year-round workers who are women in the United States are now paid on the average 64 percent of what is made by similarly employed workers who are male — up from 59 percent a decade ago. While the relative price of female labor power has risen in the last few years in the United States under the impact of women's affirmative action gains, the value of female labor power remains substantially lower than that of adult males. This has been true throughout the entire history of capitalism, in every country. It continues to be lower today because of the historical legacy of women's oppression inherited by capitalism, perpetuated and reproduced by its social relations of production, and reinforced by bourgeois ideology.

Workers who are female do not take home smaller paychecks because their "jobs don't pay well." To the contrary. It is the bosses who "don't pay well," and they are able to keep wages low by preserving certain jobs as segregated bastions of cheaper female labor power. This superexploitation is possible because these jobs are held by women, not because they are "dull and repetitive" or "low-paying jobs."

As women fight successfully to break down the barriers of sex segregation on the job, however — as they did during the labor shortage of World War II — this situation begins to change. The influx of millions of women into the work force and unions has brought a growing proportion of women into social and political life. They have become part of the working class in a qualitatively new way, thus increasing their self-confidence and fighting capacities and that of the working class as a whole.

With the rise of struggles for equal rights in the 1970s, a broader vanguard layer of working women once again battled their way into jobs previously held largely, sometimes almost solely, by men. These include unionized industrial jobs in coal mining, steel, oil refineries, transportation, auto assembly lines, and construction. Women in such jobs generally found themselves working alongside men receiving equal wages for equal work and taking home paychecks substantially larger than they had received in previous jobs. During the 1970s there was, for the first time in this century, a small but real decline in the indices used to measure sex segregation on the job.

The 1981-82 recession and the employers' subsequent restructuring of sectors of industry cut into some of these gains won by women in desegregating employment, but did not reverse them. Women workers have been largely successful over the 1980s in maintaining their position in industry. Like millions of others, of course, many of these industrial workers who are women have found themselves in recent years holding different jobs than a decade ago, with lower pay, worse conditions, and longer hours. The much deeper downturns ahead will lead to renewed and sharper attacks on job desegregation as part of the assault on the working class.

Every manifestation of sex segregation in the workplace is a

barrier to women's equality and working-class unity. This underlines the need to include the fight to enforce affirmative action quotas to defend and extend women's conquests in employment and job equality as a central part of the struggle by the labor movement to protect workers' living and working conditions. Only through such social and political battles led by the working-class movement can the historical gap between the value of labor power of men and women be closed and women's equality eventually be achieved.

The incorporation of women in the work force has increased in all the imperialist countries since World War II and, as in the United States, even accelerated since the onset of the world capitalist crisis in the mid-1970s. As of 1983, for example, 72 percent of working-age women in Denmark were in the work force; 77 percent in Sweden; 67 percent in Norway; 60 percent in Canada; 58 percent in Britain; 57 percent in Japan; 50 percent in Belgium, France, and Germany; 52 percent in Australia; 47 percent in New Zealand; and 40 percent in Italy.

As elsewhere, the value of women's labor power in these countries is lower than that of men's. In Britain, for example, women's pay averages 75 percent of men's, and 40 percent of women categorized as "full-time manual workers" earn less than 100 pounds per week, compared to only 6 percent of men in such jobs. In New Zealand women make on average 73 percent of what men take home. In Japan working women are paid only about half what the average male worker is paid. Throughout the imperialist countries, moreover, women hold a disproportionately large number of newly created part-time or temporary jobs.

Women are moving into the work force in growing numbers in semicolonial countries as well. In Latin America the percentage of women who are wage or salaried workers grew from 17.9 percent in 1950 to 26.6 percent in 1980. A study of the so-called free trade zones in the Third World found that some 80 percent of the workers in these imperialist-owned factories are young women. By hiring a largely female work force, the capitalist owners reap the benefit of lower wages along with the tax breaks and other inducements wrung from neocolonial regimes. The majority of the more than 350,000 workers in the largely U.S.-owned maquilador assembly plants in Mexico along the U.S. border are women, many of them making as little as 40 to 60 cents an hour.

### New Forces for World Workers' Movement

These irreversible changes in class structure brought about by the international expansion and penetration of capital have important consequences for workers and farmers.

On an international scale, the expansion of the capitalist rents and mortgages system and wage labor in the countryside continues to draw millions of exploited rural toilers more tightly into the world capitalist market, both as peasants and farm workers. At the same time, growing numbers of working people from the Third World continue to be driven off the land and drawn by capital into the mines, mills, and factories not only in the nations of their birth but in the imperialist countries as well.

The effects of increasing exploitation do not fall in an undifferentiated way on all layers of the toiling population. Workers in much of the semicolonial world are already living under depression conditions that, on the whole, are only a growing premonition to working people in the imperialist countries.

Within the imperialist countries workers who are Black, workers of other oppressed nationalities, immigrants, youth, and layers of working-class women have been hit most heavily by the creeping social crisis that is already under way. But it is not only these sections of the working class that have been affected. Large layers of working farmers have been ruined and dispossessed. Cutbacks in social spending by capitalist governments have reinforced the workings of the law of value in shifting the distribution of income even more lopsidedly to the benefit of the ruling rich and monied middle classes. And the employers' profit drive



has fueled an ideological offensive against women aimed at pushing back gains in their fight for equality in employment and on the job.

All these factors intensify competition among working people and initially set back the willingness and capacity to think and act in class terms — to identify "we" as the exploited toilers, whether currently employed or unemployed, and regardless of skin color, national origin, sex, age, or job category; and to recognize "they" as our common class enemy, the imperialist ruling families and capitalist exploiters both in the countries where we ourselves live and work and elsewhere around the world.

Yet the toilers of the oppressed and oppressor countries are more intertwined today than ever before in an integrated capitalist world market. We increasingly cross swords with the same imperialist-owned monopoly corporations. Transactions that determine our lives and livelihoods are conducted on the same stock, bond, and commodities markets. Our common future is threatened by the debt crisis that finance capital has inflicted on the semicolonial world. The effects of the deepening capitalist crisis, and the worldwide depression that it will inevitably bring, will drive down the living and job conditions of all working people. But they will also create the objective basis, and an ever-greater need, for a common international fight if the struggles on any front are to be victorious.

The workings of the world capitalist system continue to bring masses of new workers into the labor force throughout the imperialist countries: immigrants escaping the unlivable conditions in their homelands; women who must go to work to support their families and who want to have a more independent and less restricted life; members of farm families driven off the land. In the United States workers who are Black, Latino, Asian, or female already account for the majority of new entrants into the work force, and in little more than a decade will make up 85 percent of workers entering the job market.

Changes such as these give "national" working-class traditions less and less reality and weight. What does it mean today to speak of a "typical U.S. worker"? A "French" worker? A "British" worker? A "Dutch" worker? A "New Zealand" worker? A "Canadian" worker? A "German" worker? Or a "European" or "North American" worker?

The working class in the imperialist countries is qualitatively different in composition from the working class that faced the Great Depression and took part in mass struggles between labor and capital. The working class today can no longer be described in national terms without excluding a decisive and growing part of the class itself. It is far more multinational. Workers of different national origins, with different first languages, and of different skin colors more and more often work alongside each other, and gain common experiences in struggles against the employers. The employed working class is far more female than ever before as well.

In preparing for the class battles that inevitably lie ahead, the eyes of communists must not turn back to various "national" working-class traditions of the 1930s, nor to reactionary illusions of some "North American" or "European" consciousness of tomorrow. Instead, our eyes must turn toward the realities of the working class and its allies in the 1990s, and the international fighting course that must be explained, generalized, and led in every country in today's world.

### \* Prospects for Reversing the Falling Rate of Industrial Profit and Preparing a New Acceleration of Capital Accumulation

To reenter a road of accelerating and self-feeding capital accumulation, the exploiters must inflict crushing defeats on the working class; drive under giant quantities of the weakest and most outmoded capitals at home and abroad in a ruthless competition for markets and profits; and invest in new industries and technologies that qualitatively expand their productive capacity.

This course would require the capitalists to jack up the rate of

exploitation of the working class to a degree that could only be achieved by longer hours of work and intense speedup. To accomplish this, in turn, would require chronic unemployment and defeats of the unions on a massive enough scale to sap workers' confidence, intensify competition and deepen divisions among them and with their allies, diminish their level of organization, and thus destroy their capacity to fight. These defeats would need to be international in scope, extending from the imperialist countries throughout the Third World.

Finance capital would have to destroy excess capital and productive capacity not only through sweeping shutdowns of outmoded facilities, but above all through unrelenting destruction of rival capitals at home, in other imperialist countries, and throughout the semicolonial world. The resulting elimination of capitalist firms, including very large ones, would further accelerate the concentration and centralization of capital, both on a national and international level.

The capitalists would have to open up major new markets, realize enormous masses of profits through increased sales, and speed up the turnover of capital. They would have to find new ways to drive down further the costs of raw materials, energy, and plant and equipment.

Only by attaining these goals could the capitalists restore a high enough average rate of profit and accumulation of mass of profits to launch and sustain a major wave of investment in construction of new factory capacity and a massive computerization, let alone "robotization," of whole sectors of industrial production. Only on that basis could a new ascending period of capitalist expansion be prepared, partial crises absorbed, surging inflation avoided, and the business cycle moderated.

The 30-year accelerated expansion of U.S. capitalism that began in 1941 created a substantial enough aristocratic layer in the U.S. working class to fasten a class-collaborationist officialdom on the labor movement; extinguish the embers of the broad proletarian social movement that had begun to take shape through the struggles that built the industrial unions and fought racism and reaction; eliminate the need for the rulers to move outside imperialist democracy in order to maintain stable political control; and foster the gutting of union power that continues to this day. With a time lag, a process with increasingly similar elements took place throughout the imperialist countries over the postwar years.

Despite this grave weakening of the labor movement, the toll that the international profit system has exacted from working people worldwide through and following the 1974-75 and 1981-82 recessions falls far short of the blows that the capitalists must deal to living standards and conditions of work as preconditions for launching and sustaining a new wave of capital accumulation. Nor have the rulers been able to impose the draconian reorganization of class relations and degree of additional social devastation on the peoples in the colonial and semicolonial countries that would be necessary to collect the Third World debt.

To judge the capitalists' prospects for preparing a new acceleration of capital accumulation, it is useful to look at a number of their possible options. Several are factors that played a significant role in the initial capital accumulation that gave rise to the world dominance of industrial capitalism by the opening decades of the 20th century. Others have either played a role, or are often perceived to have played a role, in helping the capitalists pull out of previous capital accumulation crises. Still others are factors that under certain historical and political conditions have the potential to give a powerful boost to the capitalists' average rate of industrial profit.

In reviewing these various options, we need to answer the question of whether or not they can work given the class structure and relationship of forces in today's world.

### Nuclear Power

From the late 1940s through the 1960s, the "peaceful use of

*Crucial role of political class*

atom" was presented throughout the capitalist world as a virtually unlimited economic boon. Nuclear power was going to drastically lower energy costs across the board and result in a general increase in the average industrial rate of profit. The massive investments necessary to construct and outfit the reactor plants — given their long-term profit potentials — would further stimulate economic expansion.

Instead, over the past two decades nuclear power has ended in a debacle. The politics of nuclear power became the opposite of what had been expected by the capitalist rulers. As a result, it has proven to be an economic disaster for them. Nuclear power has met growing public opposition, as accidents such as those at Three Mile Island in the United States and Chernobyl in the Soviet Union have put a spotlight on its unalterable catastrophic dangers. On top of the ever-present threat of a meltdown, nuclear reactors day in and day out produce mounting radioactive wastes (22,000 tons in the United States as of 1987) that remain life-threatening for tens of thousands of years and cannot be safely stored or disposed of.

Popular opposition to nuclear power has become a permanent political factor throughout the imperialist countries. It has cut deep into industry profits by forcing the shutdown or cancelation of many plants and steeply increasing capital costs to cover additional safety equipment and procedures. The capitalists have increasingly concluded that nuclear power is a losing proposition. No new plants have been ordered in the United States since 1978, and more than 100 — some near completion — have been canceled. Only three are currently scheduled to be completed and opened after 1989, and all of these are in jeopardy from challenges to their operating safety.

There is massive overcapacity in the U.S. nuclear reactor manufacturing industry, which now produces almost entirely for plants being foisted onto semicolonial countries. Especially following the Chernobyl disaster, capital investment in nuclear power has slowed across most of Western Europe, and the debate over phasing out existing reactors is under way in many countries. Even in France, where nuclear power accounts for 65 percent of electrical generation, the industry faces a \$32 billion debt.

Because of the change in consciousness about its irremediable dangers, nuclear power cannot be made profitable. While the wealthy owners of utilities monopolies are now organizing to recoup some of their colossal outlays through tax write-offs, higher rates, and accounting procedures, there is no way for them to transform a massive loss into a profitable new source of expanded productive capacity. They are now waging a battle within finance capital as a whole to share out the losses, not divide the profits, of four decades of investment in nuclear power.

The anticipation of a drastic lowering of the circulating costs of constant capital (that is, the costs of raw materials and, as in this case, energy) by the closing decade of the 20th century has instead ended in an enormous increase in fixed costs (of plant and equipment). Moreover, the "promise" of nuclear power has left a long-term legacy to humanity of tens of thousands of tons of deadly radioactive wastes, as well as hundreds of useless concrete-and-steel monuments to the truth of Marx's insight into capitalism's tendency to transform the forces of production into forces of destruction.

### A New Gold Rush

The opening of major new goldfields in California and Australia in the late 1840s and in South Africa and Alaska in the 1890s were among the factors that enabled the capitalists to pull out of two depressive downswings during the 19th century. The discovery of gold deposits in Brazil or elsewhere today cannot play the same role.

In the 19th century gold mining had not yet been monopolized by a handful of major capitalist producers. Today the owners of a few giant trusts mine and market gold using the same profit

criteria as capitalists in other sectors of production. Expansion costs and world price calculations, not "discoveries," now dominate gold production. On the basis of those cost and profit decisions, the mining monopolists determine how much gold to produce, how many miners to hire or lay off, and how much of their output to hold back from sales.

There will be no more unforeseen "gold rushes" that lower its value and flood the capitalist world with money, driving up prices and profits across the board.

### Revolution in Capitalist Agriculture

At the origins of capitalism, as Marx discovered and explained, the new exploiting class "conquered the field for capitalist agriculture, incorporated the soil into capital, and created for the urban industries the necessary supplies of free and rightless proletarians."<sup>11</sup> The capitalists did this primarily through massive expropriations of small agricultural producers, as well as the takeover of church and other feudal landholdings.

Hundreds of years later capital is still dispossessing rural producers, both in the imperialist countries and throughout the semicolonial world. Most of the world's best land has already long been concentrated in the hands of the exploiters, however. Wealth amassed through further expropriations is nowhere near sufficient to empower a broad new surge of capital accumulation.

Rapid mechanization and adoption of new farming methods following World War II led to an explosion of agricultural production in the United States and other imperialist countries, helping to stoke the capitalist expansion. But the ruling capitalist families cannot look to a repetition of this today. The world capitalist market already faces chronic overproduction of agricultural commodities, which has led to intensified price competition and large-scale protectionist measures. Despite conjunctural ups and downs, agricultural prices will remain depressed throughout the coming years of deepening economic and social crisis.

Contributing to the production of this glut of farm commodities for export will be more and more nations throughout the Third World, whose workers and peasants will at the same time suffer and die in growing numbers from malnutrition and starvation, from a profit famine created by finance capital.

### A 'Marshall Plan' for the Semicolonial Countries

Between 1948 and 1952 the U.S. rulers provided billions of dollars in long-term loans that were used to rebuild the foundation for renewed industrial production and stabilization in war-ravaged capitalist Europe. The capitalist expansion over the subsequent two decades rapidly narrowed the large initial postwar gap between the U.S. and Western European industrial rate of profit and resulting mass of profits.

Today, imperialist governments, banks, and international finance agencies have foisted hundreds of billions of dollars in loans on the semicolonial countries. Not only has it proved impossible, however, for the local bourgeoisies to reproduce there the successes registered in postwar Europe, but the opposite has occurred. The gap between the economic strength of the imperialist and semicolonial countries has widened. The Third World debt is not a blessing preliminary to a historic expansion but a trap that shuts tighter and tighter preliminary to a devastating crisis. No better confirmation than these contrasting experiences could be given of the fact that debt is a *social relation*, one that varies in its effects depending on the relative power of lender and borrower.

At the beginning of the 1960s the U.S. government announce with great fanfare the Alliance for Progress, which was presented as a road to economic and industrial development for Latin America. A quarter century later the balance sheet is clear from the deteriorating economic and social conditions throughout the Americas. The Alliance for Progress allotted \$20 billion in "d

velopment funds" spread over 10 years, while in just the past seven years there has been a net drain of \$159 billion from Latin America to the imperialist ruling families through debt payments and capital flight.

More recently, Washington's Caribbean Basin Initiative was trumpeted in the early 1980s as a road to development and a "democratic" alternative to the Cuban, Nicaraguan, and Grenadan roads. But the CBI, which was supposed to open the U.S. market to increased imports from the Caribbean, has instead been followed by a 30 percent decline in imports from the region.

Imperialist domination of the semicolonial countries prevents the development of a class structure and value of labor power capable of supporting an internal market that can meet the profit needs either of a broad developing local bourgeoisie or absorb massive imports of capital and commodities from the imperialist countries. These semicolonial class relations permit the emergence of isolated pockets of prosperity, layers of very wealthy export- and service-oriented capitalists, and a narrow middle class. But there neither is nor can be a large-scale middle class, employed proletariat, and relatively well-off population of small farmers able to purchase a range of consumer durables, let alone cars or houses, on a level in any way comparable to the imperialist countries.

Moreover, the semicolonial world has been a relatively shrinking, not a growing market for the owners of the imperialist monopolies as well. Sales by U.S.-owned corporations to these countries actually declined from 36 percent of total exports in 1975 to 32.5 percent in 1986.

The semicolonial countries were hit hard by the recessions in 1974-75 and, even more so, 1981-82. Capitalists in these countries, heavily dependent on revenues from exports, have faced contracting world markets and intensifying competition with imperialist-owned businesses. While in 1975 goods produced in the Third World accounted for 40 percent of U.S. imports, that slipped to just over 30 percent by 1986. This has dealt a heavy blow to economic growth in all the semicolonial countries, even the relatively best-off.

Between 1979 and 1984, annual growth in industrial production for South Korea, Taiwan, Singapore, and Hong Kong slumped to only 15 percent of the 1966-73 growth rate. For Brazil and Mexico average industrial growth rates for 1979-84 fell to 20 percent of the 1966-73 levels. Growing unemployment, underemployment, and worsening living conditions — in city and countryside alike — have been the result for hundreds of millions of workers and peasants.

In the early and mid-1970s the ruling classes of the semicolonial countries with large oil resources succeeded in wresting a bigger piece of the pie from the owners of the imperialist energy monopolies. The illusion that any of these ruling classes would join the ranks of international finance capital, or that increased oil revenues would undergird durable economic and social development in these countries, let alone make them lesser members of the imperialist "family of nations," rapidly evaporated.

Capitalist producers in the imperialist countries responded to rising energy prices by stepping up domestic oil exploration and production, intensifying price competition, and capturing a growing share of the world market. The workers and peasants of the oil-producing semicolonial countries did not benefit widely or long from the windfall of their domestic exploiting classes, while the conditions of toilers elsewhere in the semicolonial world have been worsened by rising energy prices.

Far from being potential engines of capital accumulation able to help bail out the world capitalist system, the semicolonial countries are already sustaining the heaviest blows from the economic downswing that began two decades ago. Interest payments on the mounting foreign debt eat up more and more wealth produced by the toilers, erecting further obstacles to economic development and leading the national bourgeoisies to drive down

living standards further.

The next world recession will cut even more deeply into already contracting markets for exports from the semicolonial countries and worsen still more their terms of trade with the imperialist exploiters. Above all, the growing debt peonage of the nations of the Third World can provide the detonator for a worldwide crisis in which the working people of all continents will be the victims.

The Marshall Plan has been repeated. Its main result has been the debt crisis in the semicolonial world. And it has been a disaster for the vast majority of the workers and peasants of these countries.

### The Soviet, Eastern European, and Chinese Markets

Despite the enormous combined population of the Soviet Union, China, and the Eastern European workers' states, an increased opening of their markets to commodities and capital from the imperialist countries will not resolve the deepening crisis of world capitalism.

First, trade with the workers' states currently represents only a tiny share of total U.S. imports and exports. In 1975 trade with these countries accounted for under 2 percent of U.S. foreign sales and purchases, and dropped to 1.3 percent in 1986. Capital investments in these countries, while larger today than a decade ago, account for an infinitesimal percentage of U.S. or other imperialist holdings abroad.

While such trade and investment may grow in the future, even by large amounts in dollar terms, these economic links cannot undergo a qualitative change without a matching shift in social relations in the Soviet Union, China, and other workers' states. This is particularly true for any extensive increase in capital investment, which, unlike increased commodity markets alone, could conceivably make a substantial difference to the imperialists in accelerating their rate of capital accumulation.

As a precondition to any qualitative increase in imperialist penetration of the workers' states, the state monopoly on foreign trade would have to be substantially dismantled. The ruble and other currencies would have to become convertible on world money markets, making these countries vulnerable to speculation, fluctuating prices, and large-scale cyclical and structural unemployment.

Above all, the governments in the workers' states would have to lift control over the investment of capital and exploitation of labor power by the imperialists. These regimes would have to permit workers' wages, conditions, and hours to be set by the capitalists without extensive regulation. They would have to open their soil, forests, and other resources to the monopolies on a massive scale. They would have to allow the capitalists to make decisions on the distribution and reinvestment of profits and — most fundamentally — allow capital flows to be determined by the market, not the plan.

Short of such measures, international finance capital will continue to seek markets and investment concessions in the workers' states, but these economic ties will be much riskier and less attractive on the whole than those in countries where capitalist property relations prevail.

As the crisis produced by the political monopoly of the privileged bureaucratic castes deepens in the Soviet Union, Eastern Europe, and China, the governing strata in these deformed and degenerated workers' states have begun to implement limited aspects of some of the above measures. They cannot and will not carry out the full complement, however, for two important reasons.

First, to do so would amount to a suicide pact. The castes would be agreeing to officiate over the destruction of their own power. It is one thing for the bureaucratic layers to share a greater portion of the trough from which they derive their own material benefits and comforts; it is quite another to permit imperialism to steal the trough outright.

Second, and most importantly, whatever further steps the Stalinist misleaders take to reimpose the methods of capitalist exploitation, they will not be able to carry out such a program on a broad scale without a political confrontation with growing layers of the working class and rural toilers. Any effort to break the plan and reintroduce the market as the determinant of industrial investment would rapidly lead to devastating economic and social consequences for the workers and peasants that would yield revolutionary uprisings and civil war.

For well over half a century the workers' states and their social conquests have proven stronger than these privileged bureaucracies, and this will not cease to be the case during a period when their political stranglehold is weakening.

Not only will world imperialism be unable to bail itself out on the backs of working people in the Soviet Union, Eastern Europe, and China. But the convulsions throughout the capitalist world will shatter the plans of the bureaucratic castes, including their reactionary illusions and hopes in world capitalism, and deepen the crisis of their regimes.

### A New Technological Revolution

Can the exploiters reverse the current deceleration of capital accumulation by investing in a massive expansion of new, automated industrial capacity?

In the wake of the 1974-75 recession and the deeper downturn in 1981-82, the capitalists managed to destroy a substantial amount of capital, ridding themselves of a great deal of outmoded plant and equipment no longer competitive on the world market. They have invested in substantial amounts of "labor-saving" advanced technology to refurbish existing productive capacity, speed up production, and cut wage costs. They have rolled back work rules and reorganized the labor process at the expense of health and safety on the job. They have expanded the reserve army of the unemployed and pushed down the value of labor power. They have instituted limited cost-cutting measures, such as "just-in-time" inventory systems to reduce warehousing expenses and speed up the turnover time of capital.

Despite these accomplishments, the employers remain far from establishing the preconditions to begin preparing massive capital investments in the construction of new factories and a major expansion of the automation and computerization of production. For that, they need to drive up the rate of exploitation of the working class much further and begin on that basis to anticipate an ascending average rate of profit.

"Robotization" could accelerate a capitalist expansion, but it cannot cause one. Large-scale "robotization" of industry under capitalism could only occur as a product of a devastating onslaught by the employers on the conditions of the working class. It would serve not to lessen the overwork of the toilers but to intensify exploitation to the greatest possible degree. Living labor alone creates the mass of surplus value from which profits are derived, and the capitalists seek to use every advance in science and technology to extract more and more labor time from

the brain and muscle of the producers.

Moreover, there is an irresolvable contradiction between the enormous chronic unemployment and devastated living standards of the working population that must inevitably accompany "robotization" under capitalism, and the exploiters' inability to realize profits unless they can find buyers for the massively expanded quantities of commodities that automated production would entail.

Capitalist "robotization" is a reactionary fantasy. It is only realizable assuming fascist-like defeats of the working class and its organizations.

### Workers Will Have Their Chance

Neither past sources of rapid capital accumulation nor other options can enable the imperialist ruling classes to restore the long-term accelerating accumulation of world capitalism and avert an international depression and general social crisis.

The harder times confronting growing layers of working people, and the more devastating shocks that lie ahead, do not mark the difficult birth of a new world capitalist order. Instead, they register the wrenching decline of the more and more overheated and underpowered imperialist system forged under the dominance of Wall Street and Washington during and following World War II.

The period in the history of capitalist development that we are living through today is heading toward intensified class battles on a national and international scale, including wars and revolutionary situations. In order to squeeze more wealth from the labor of the exploited producers, the capitalists will step up attacks on wage workers, small farmers, and peasants the world over.

The employers will attempt to weaken and where possible smash the unions, in order to radically alter the relationship of class forces between capital and labor. The imperialist ruling classes will seek to intensify the debt peonage of the oppressed nations and demand ever greater economic, political, and military subordination of the colonial peoples to the profit needs of international capital. They will continue to look for opportunities to weaken the states where capitalist relations have been overturned, laying the groundwork for eventual moves to retake these parts of the globe for direct exploitation.

These attacks will be met by growing resistance by working people around the world, from fights for jobs and a shorter workweek, to revolutionary national liberation struggles. The capitalists will stop at nothing to try to defend their profits and prerogatives, and will shove aside bourgeois democratic forms of rule as it becomes necessary to fight to maintain their power.

Before the exploiters can unleash a victorious reign of reaction, however, the workers will have the first chance. The mightiest class battles of human history will provide the workers and exploited farmers in the United States and many other countries the opportunity to place revolutionary solutions on the order of the day.

$r = \frac{S/V}{C/V + 1}$  : SWP argues that the kind of I taking place now has not sufficiently expanded profitability, i.e. it has raised  $C/V$  and cut unit costs but has not sufficiently raised  $S/V$  to counteract the continuing fall in the average  $r$ .

The lower turning point happens depends ultimately on raising the rate of exploitation enough to offset the  $\uparrow C/V$  and  $\downarrow$



Shouldn't we begin with SWP as a Trotskyist organ,  
etc. ? (pp 3-4)

THE SOCIALIST WORKERS PARTY

K. Kazanas

April 21, 1986

INTRODUCTION: UNDERSTANDING "CAPITALIST STABILIZATION"

In June 1921, Leon Trotsky opened the second session of the Third World Congress of the Communist International with a question:

Does development actually proceed even now in the direction of the revolution? Or is it necessary to recognize that capitalism has succeeded in coping with the difficulties arising from the war? And if it has not already restored, is it either restoring or close to restoring capitalist equilibrium upon new postwar foundations?<sup>1</sup>

The question was not a rhetorical one. It in fact framed the bitterest and most turbulent debates of that era, among Soviet Marxists and non-Marxists alike, as to the character and mechanisms of capitalist recovery and implications for the proletarian revolution. The failure of workers' revolutionary movements across Europe to come to power and the cyclical upturn following the end of WWI pointed to the apparent fact that the capitalist system had indeed managed to restore itself and was bent on re-establishing a new order.

The issue of capitalist "stabilization" and the economic and political conditions under which it seemed to be emerging, fundamentally challenged the position held by many Soviet Marxists of the tradition of Rosa Luxemburg that the era of WWI

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Leon Trotsky, "Report on the World Economic Crisis and the New Tasks of the Communist International," Second Session, June 23, 1921, as quoted in Trotsky's, The First Five Years of the Communist International, I, London: New Park Press, 1973, p. 228.

and its aftermath was the era of the "general crisis", the beginning of the end of the capitalist system.<sup>2</sup> From this perspective, the system was supposed to have begun its long decline toward inevitable collapse hurried along by the radicalization of the working class and the social upheavals the decline would engender. But a capitalist reorganization and resurgence was apparently underway, manifested especially by the ascendance of U.S. capital, its dominance over Europe, and the expansion of the world market under its auspices. More and more, the proponents of the theory of the "general crisis" resorted to explanations of the rift between theory and reality as an aberration,<sup>3</sup> and temporary at that.

The debates intensified as others of the Hilferding tradition, and even the bourgeois Soviet economists, appeared to be vindicated, with either "organized capitalism" or the invisible hand of the

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Among those who subscribed to the Luxemburgian tradition were Eugen Varga, its chief proponent, and Stalin. Opposed to this tradition were those whose works represented, in widely diverse forms, the tradition of Rudolf Hilferding. In this tradition, the analysis of imperialism and capitalist crisis centered not on the problem of markets, but on the changes in the institutional forms of capital and the impact of the growing tendency to concentration and centralization on its mobility and expansion. Bukharin, Preobrazhensky, and Lenin, although widely divergent in their political conclusions, share a common root in this tradition.

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Richard Day points out that "the theory of the 'general crisis' held that no cyclical recovery was possible in the West; the chronic 'problem of markets' must give way to a new period of wars and revolutions, for which the Soviet Union had to be militarily prepared. When a recovery did begin, coinciding with the rise to power of Hitler and Roosevelt, the Stalinists spoke first of a depression 'of a special kind' and later of an expansion 'of a special kind'. By the end of the 1930's the 'special' cycle required a special explanation." (Richard B. Day, The 'Crisis' and the 'Crash', London: New Left Books, 1981, p. 39.)

market producing a recovery.

Trotsky's contribution to the debate placed him somewhere between these two poles. The system was neither inherently ~~and~~ automatically inclined to collapse nor ~~to~~ recovery. Instead ~~the~~ *the whole*

*↳* inner logic of its development necessarily pushed it to crisis, *wards a*  
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~~while~~ long term recovery depended upon external conjunctural

factors and the strength of working class resistance. For Trotsky, this position retained the centrality of the class struggle and the historical relevance of the proletarian revolution, even in the face of a capitalist recovery. ~~most~~ *The ideas were*

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*Trotsky's debates*  
developed in ~~his~~ arguments with the Soviet economist Nikolai Kondratiev in the early 1920s, *in which* Trotsky attempted to explain capitalist crisis and recovery as processes relating the system's inherent cyclical tendencies along a long term "basic curve of capitalist development" whose path is determined by external and fortuitous factors. As we shall see, however, rather than providing a resolution to the theoretical debates, Trotsky's framework reproduces the theoretical problem of understanding the dynamic of capitalist crisis and recovery and is then extended by those who subsequently incorporate it. *which problem*

*} unclear*

There is little doubt that the outcome of the debates regarding the problem of capitalist recovery and the seriousness of the implications for revolutionary strategies influenced (and some would say served to justify) the historic strategic turns of the Bolshevik Party under Stalin: the policy of building "socialism in one country", the forced collectivization and industrialization, as well as the character and political

direction of the Party and its leadership in the Third International. It was in this context that the Left Opposition within the Bolshevik Party emerged in 1923, which led eventually to the formation of the Fourth International under Trotsky's leadership in 1938. Among its national sections was the Socialist Workers Party of the United States (SWP) led by James P. Cannon. Since its inception, the SWP has remained the major Trotskyist organization within the U.S.<sup>4</sup>

Trotsky's theoretical legacy has provided a substantial part of the framework <sup>within</sup> ~~on~~ which the SWP has developed its economic analysis and political strategies for the current period. However, with this legacy the SWP has also inherited the original unresolved problem: how to recognize and understand the process of capitalist secular recovery (not simply the downturn); how to grasp the significance of this aspect of capitalist development both before and as it is happening so as to develop more effective political strategies, especially during the boom. As we shall see, the post-WWII history of the Party is one marked by "strategic retreats" from and "strategic turns" to the working class reflecting the timing of boom and bust in the postwar trend of accumulation. What we argue in this section is that this

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In 1940, the Voorhis Act required the registration of materials, names and addresses of national and branch leaders and headquarters of political groups within the U.S. which recognized "foreign control" and which advocated the violent overthrow of the U.S. government. The SWP formally disaffiliated with the Fourth International but recognized informally its leadership and retained a close organizational relationship to the international Trotskyist movement. See Chapter 4 above for a more detailed organizational history of the relation between the SWP and the Fourth International.



reflects, in significant ways, the effect of the disjuncture in Trotsky's theoretical framework, i.e., a theory of secular crisis which is half necessity/half possibility; that the downturn is necessitated by inherent tendencies but the secular recovery depends on external and conjunctural factors. By ignoring or ~~dismissing theoretically~~ the problem of capitalist secular recovery, this disjuncture shifts and narrows the focus of analysis to the phenomena of the business cycle in the course of a long term upswing. This appears as the inability to anticipate and recognize the phenomena of secular recovery as it emerges and the difficulty of developing consistent strategies to mobilize workers in its eventuality.

We are not saying that this problem is limited to Trotsky's analysis. As we shall be showing throughout this chapter, this theoretical gap is a widespread and persistent problem in nearly all analyses of capitalist crisis on the Left. Nor are we suggesting that political strategies are directly and simply reflective of their related theoretical frameworks. For the SWP and other Left groups in the 1950s and 1960s, there were very powerful objective constraints on their ability to work within the industrial unions posed by a conservative labor bureaucracy and the successes of McCarthyism. There were also limits reflecting organizational and leadership characteristics within the Party itself which contributed to the shifts in orientation to the working class. But there is, however, a strong relationship between theoretical understanding and shifts in strategy that is revealed as the phenomena of crisis and recovery appear. It is this relationship we wish to focus on in the

context of the SWP to demonstrate the broader problem between theory and political program confronted by all groups on the Left.

To do this we will first discuss Trotsky's theoretical framework drawn on the basis of the relation between the business cycle and his conception of "the basic curve of capitalist development." We then show how this framework is adopted by the SWP in its economic analysis of the post-WWII period and the turning point in the late-1960s to early 1970s, using the Party's official resolutions, Discussion Bulletins, and the analyses of central figures (James P. Cannon, Dick Roberts, Jack Barnes, and Steve Clark). The last section draws the implications of Trotsky's economic analysis of capitalist crisis for the SWP's political strategy and program and in their implementation of these in this period.

#### TROTSKY'S FRAMEWORK: TWO CURVES OF CAPITALIST DEVELOPMENT

For Trotsky, both the theory of "the general crisis" and the arguments which suggested that crisis leads to a new harmony or "moving equilibrium" were equally flawed and foolishly optimistic from opposite points of view: the system was neither ready to collapse nor had it created <sup>by</sup> ~~for~~ itself the conditions for a new, sustained period of growth. And in both cases, Trotsky strongly rejected the implication that the proletarian revolution, as the motive force behind the system's demise, was either historically incidental or irrelevant.

By force of its internal contradictions capitalism thus develops not along a straight line but in a zigzag manner,

through ups and downs. This is what provides the ground for the following claim of the apologists of capitalism, namely: Since we observe after the war a succession of boom and crisis it follows that all things are working together for the best in this best of all capitalist worlds. It is otherwise in reality. The fact that capitalism continues to oscillate cyclically after the war merely signifies that capitalism is not yet dead, that we are not dealing with a corpse. So long as capitalism is not yet overthrown by the proletarian revolution, it will continue to live in cycles, swinging up and down. Crisis and booms were inherent in capitalism at its very birth; they will accompany it to its grave.<sup>5</sup>

To avoid the pitfalls of regarding capitalist development as either inherently driven to collapse or to restored equilibrium, Trotsky argued for a new theoretical conception of the system's dynamic, one which related the short term cyclical fluctuations of economic activity to the basic trend of capitalist growth. Not one, but two curves expressed the system's complex growth processes. Apart from the inherent "zigzag" of the boom and bust of the industrial cycle, Trotsky defined a "basic curve of capitalist development". This "basic curve"

denotes the general growth of the productive forces, circulation of commodities, foreign trade, banking operations, and so on. On the whole, this curve moves upward through the entire development of capitalism...This basic curve, however, rises upward unevenly...In other words, history knows of epochs of swift as well as more gradual growth of the productive forces under capitalism."<sup>6</sup>

Accordingly, Trotsky divided the history of capitalist development into five distinct epochs:

1781-1851: a curve of very slow growth ending with the destruction of semi-feudal social relations

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Trotsky, p. 252.

<sup>6</sup> Trotsky, "Flood Tide," first published in Pravda, no.292, Dec. 25, 1921, reprinted in The First Five Years of the Communist International, II, N.Y.: Monad Press, 1972, pp. 79-80.

in the revolutions of 1848

1851-1873: a curve of rapidly expanding growth

1873-1894: a curve of depressed growth

1894-1913: a curve of expansive growth

1914- "the period of the destruction of capitalist economy"

Fluctuations of the industrial cycle have always accompanied the movement of the basic curve "like the vibrations of a wire string"<sup>7</sup> But in any historical epoch, the character of these oscillations changes depending upon whether the basic curve is ascending or descending: with a rising basic curve, the cyclical booms are steeper and more protracted-- cyclical busts are shallower and shorter. With a stagnating or declining basic curve, cycles exhibit the opposite tendencies. These changes reflect the relation between the inherent dynamic of the cycle and the underlying general health of the economy. For Trotsky, WWI marked the end of an epoch of expansion with such devastation that the capacity to regain prewar levels of growth was also destroyed. Writing in 1921, he argued that the cyclical downturn of 1919-20 signalled the turning point and beginning of a long period of general stagnation. Given the particular condition of the postwar economies, the limits to expanding world markets, and the extent of working class radicalization during these years, Trotsky saw 1914 as marking the beginning of the "leveling out in reverse" and demise of the system despite any temporary cyclical upturns (as for example, the one which occurred from 1920-21).

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Ibid., p. 80.



Some national economies may fare better than others at this time, but the system as a whole would degenerate.

During this leveling-out process America will have to forget about maintaining her greatest and most important markets on their former scale. And this means that the foregoing crisis is not a transitory normal crisis for America but the beginning of a prolonged epoch of depression.<sup>8</sup>

At the same time as Trotsky was drawing his framework and analysis, Soviet economist Nikolai Kondratiev was also speaking of empirically identifiable "long cycles" of capitalist growth in much the same way as Trotsky. Like Trotsky, Kondratiev distinguished these from the more frequent industrial cycles, and drew attention to the relation between these "major" and "minor" cycles. Even Kondratiev's periodization of capitalist development since the 18th century was virtually the same as Trotsky's. Their conclusions, however, were radically opposed.

Kondratiev's empirical analyses of conditions in the post-1914 period led him to speculate on the nature of the apparent historic tendencies for the capitalist system to slip in and out of balance:

In its most general form the essence of an economic crisis lies in the fact that the national economies of separate countries and the world economy as a whole, taken as a moving system of elements, loses its equilibrium and experiences an acute, painful process of transition to the condition of a new moving equilibrium. From the economic point of view a crisis is always only an acute and painful process of liquidating the disparities which have arisen in the structure of a national economy, and which destroy the equilibrium of its elements. [A crisis] is the process of establishing a new equilibrium among these elements in place of the one which has broken down.<sup>9</sup>

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Trotsky, "Report on the World Economic Crisis and the New Tasks of the Communist International," *Ibid.*, pp. 257-258.

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N.D. Kondratiev, "Mirovoe Khozyaistvo i evo Kon'yunktury vo

Kondratiev, in fact, agreed with Trotsky's diagnosis of the 1920 downturn, i.e., that it heralded the end of the long period of expansion that lasted since 1896. But, he argued, the significance of the short cycles in a period of stagnation demonstrates the process by which the system in itself works toward regaining its long term equilibrium.

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Trotsky's response to Kondratiev's concept of a "moving equilibrium" revealed the nature of the difference between them and clarified Trotsky's own theoretical perspective. To suggest that capitalist development moved in regular patterns both in its short and long term development, and that these patterns together were part of an inherent recovery process was to suggest the system contained within its own logic a "regulator". For Trotsky this meant Kondratiev's "long cycles" pointed not to the system's ultimate demise, but to the path of its continuing survival.

To challenge this conception, Trotsky pressed the distinction between the determinants of the two curves.

It is already possible to refute in advance Professor Kondratiev's attempt to invest epochs labelled by him as major cycles with the same 'rigidly lawful rhythm' that is observed in minor cycles; it is an obviously false generalization from a formal analogy.

The periodic reoccurrence of minor cycles is conditioned by the internal dynamics of capitalist forces, and manifests itself always and everywhere once the market comes into existence. As regards the large segments of the capitalist curve of development (fifty years) which Professor Kondratiev incautiously proposes to designate also as

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vremya i posle voyny", Vologda, 1922, p. 191, as quoted in Richard B. Day, "The Theory of the Long Cycle: Kondratiev, Trotsky, Mandel," New Left Review, No. 99, Sept./Oct. 1976, p. 68.

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Ibid., p. 254 in Day, pp. 68-69.

cycles, their character and duration are determined not by the internal interplay of capitalist forces but by those external conditions through whose channel capitalist development flows. The acquisition by capitalism of new countries and continents, the discovery of new natural resources, and, in the wake of these, such major facts of 'superstructural' order as wars and revolutions, determine the character and the replacement of ascending, stagnating, or declining epochs of capitalist development.<sup>11</sup>

This dichotomy between the internal dynamic of the cycle and the external conditions for long term economic growth provides the basic structure of Trotsky's theoretical framework. The capitalist system's inner contradictions lead to inevitable *cyclical* ruptures and recoveries in the balance between growth of output and consumption, leading to saturation of markets and overproduction. Cyclical crises demonstrate the inherent tendency of the system. These fluctuations, however, take place within a broader context of development whose character and direction are shaped by external, conjunctural factors: wars, revolutions, imperialist acquisitions of new markets and resources. These external factors are essentially accidental or independent of the "interplay of capitalist forces", and therefore cannot be understood as providing any sort of "regulation" or rhythm to the basic curve.<sup>12</sup>

It is this internal/external dichotomy that casts Trotsky's

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Leon Trotsky, "The Curve of Capitalist Development," (April 21, 1923), in The Problems of Everyday Life, New York: Monad Press, 1973, pp. 276-277.

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Trotsky provided graphic demonstration of the non-continuous, disjunctive nature of the basic curve to make his point about the externality of the factors stimulating secular growth. See Day, The 'Crisis' and the 'Crash', Appendix. As Day points out, Trotsky concluded that "the turning-points of development were unpredictable by nature, and no automatic periodicity of long cycles could be expected." (p. 285)

*cycle of crisis?*

theory of crisis as half necessity, half possibility: the system is necessarily biased toward crisis, despite temporary upturns, yet secular recovery is strictly conjunctural. But Trotsky went yet one step further to argue that even though there was always the theoretical possibility for capitalist "stabilization" or secular recovery, the prospects for such were highly unlikely for two reasons. First, because external growth factors are limited and finite, capitalist development tends to exhaust them faster than they appear, and with their disappearance, the expansion of the market ceases and accumulation comes to a halt. In Trotsky's view, during the 1920s, the capitalist system had already "embraced the terrestrial globe", and the markets of Asia, Latin America, Africa, and devastated Europe could not provide sufficient stimulus for the system as a whole to restore growth at pre-war levels.

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Secondly, secular recovery was made virtually impossible because of the progressive radicalization and development of working class power which is itself the product of the development of capital. It is these limits which ultimately push the system into prolonged periods of stagnation and provide the historic opportunity for the proletarian revolution. According to Trotsky, the stumbling blocks to long term capitalist recovery were so formidable that there was little reason to foresee it:

If the Communist Party fails to grow; if the proletariat fails to gain experience; if the proletariat fails to resist in a more and more far-reaching and irreconcilable way; if it fails to pass over at the first opportunity from defense

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Trotsky, I, p. 210.

to offense, then the mechanics of capitalist development, supplemented by the manoeuvres of the bourgeois state, would doubtless accomplish their work in the long run. Entire countries would be hurled back economically into barbarism; tens of millions of human beings would perish from hunger, with despair in their hearts, and upon their bones some new sort of equilibrium of the capitalist world would be restored. But such a perspective is sheer abstraction. On the way toward this speculative capitalist equilibrium there are many gigantic obstacles: the chaos of the world market, the disruption of currency systems, the sway of militarism, the threat of war, the lack of confidence in the future. The elemental forces of capitalism are seeking avenues of escape amid heaps of obstacles. But these same elemental forces lash the working class and impel it forward. The development of the working class does not cease even when it retreats... It marches forward.<sup>14</sup>

It is precisely these "heaps of obstacles" and the irreversibility of the radicalization of the working class which raises to central importance the class struggle and the problem of proletarian leadership in Trotsky's view. For on the basis of this framework, Trotsky is clear that even if the external factors conducive to growth were present and sufficient, capital, through the state, would need to defeat the class strength of workers to bring about a full recovery. Since the bourgeois state was ultimately incapable of granting both the concessions and reforms sought by the working class and insuring capitalist growth at the same time, it was incapable of providing a solution to crisis. In this way, the question of working class leadership becomes pivotal to the strategies for building the vanguard party, for mobilizing mass organization, for seizing state power, and beginning the transition to socialism.

Trotsky's theoretical excursion provided a basic outline and direction for the more immediate and urgent political tasks which

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Trotsky, II, p. 84; see also Vol. I, p. 211.



confronted the proletarian movement at that time. This was expressed in his major work, "The Death Agony of Capitalism and the Tasks of the Fourth International" (the "Transitional Program"), the main programmatic document and statement of organizational principles of the Fourth International and its national sections. Since Trotsky's time, the framework has survived and developed along two main paths: First, in the American context, the Socialist Workers Party adopted Trotsky's economic analysis essentially as is, applying it directly to the current period with little more than an elaboration of the description of the particular phenomena of the present crisis. Hence we see the basic dichotomization between the inherent cyclical dynamic and external conjunctural factors for secular growth is retained. Likewise, the characterization of the business cycle as a crisis of overproduction/underconsumption necessitated by the logic of the system is also retained. The basic conclusion is shared as well: that the tendency to crisis is inherent in the system; that neither the capitalist state nor the capitalist class is capable of providing an ultimate solution to this problem. And when the state or ruling class attempts a solution, it either postpones or deepens the problem or extracts a recovery by decimating the working class.

In addition to these, Trotsky's conviction that the possibility for secular upturn following WWI was "sheer abstraction" was transposed to the analysis of the post-WWII period. In doing so, the economic analyses of the SWP have persistently ignored, theoretically, the character and processes

of secular recovery. As we shall see, Trotsky's concept of the long wave is invoked only when the phenomena indicate that a turning point in the trend of accumulation is immanent or has been reached and a period of stagnation emerges. Until then, however, the analyses of the postwar boom are drawn from cycle to cycle, and with each cyclical downturn, it appeared that "the corner" had been turned, and the long period of stagnation, which as they argue had really begun with the 1929 crash, would resume. We will argue that an important consequence of this kind of analysis was the emergence of an almost ceremonial attachment to the notion of the irreversibility of the working class radicalization, especially when it became clearer that the postwar boom was not a temporary phenomenon. In practice, the SWP's strategic turn from, and later to, the working class, reflects, in significant ways, the basic analytical problem of understanding the nature of capitalist recovery. } ?

The second path in the development of Trotsky's economic analysis has been undertaken by Ernest Mandel, widely regarded the principal theoretician of the Fourth International. Mandel's effort, especially in his Late Capitalism and subsequent works, has been to derive a Marxist theory of crisis which elaborates and integrates Trotsky's conception of the "basic curve of capitalist development" and its causes with Marx's basic law of the tendency for the rate of profit to fall. While Trotsky

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It should be noted that Mandel was one of the first Marxists to revive the modern interest in returning to the original method and categories of Marx's labor theory of value to construct a theory of capitalist crisis.

referred to the external growth factors as simply the "broad channel" through which the short cycles move and which condition "profitability", these notions remained, in Mandel's view, too general to be useful in the analysis of actual crises. Mandel's contribution has been his attempt to <sup>tie both</sup> ~~relate~~ the internal cyclical logic <sup>and</sup> ~~with~~ the external secular factors for growth to movements in the general rate of profit ~~as defined by Marx.~~ 16

In the next section we turn to the SWP's economic analysis of the post-WWII period and the emergence of the current crisis, and draw attention to the basic continuity with Trotsky's original analysis.

*Para A here*

*Writing in 1947, James Cannon said:*

THE ECONOMIC ANALYSIS OF THE SWP

U.S. imperialism which proved incapable of recovering from its crisis and stabilizing itself in the ten-year period preceding the outbreak of the Second World War is heading for an even more catastrophic explosion in the current postwar era. The cardinal factor which will light the fuse is this: the home market, after an initial and artificial revival, must contract. It cannot expand as it did in the Twenties. What is really in store is not unbounded prosperity, but a short-lived boom. In the wake of the boom must come another crisis and depression which will make the 1929-1932 conditions seem prosperous by comparison.<sup>17</sup>

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See Ernest Mandel, Late Capitalism, London, Verso, 1978, Chap. 4 (?) For the extended discussion of Mandel's analysis, see Chapter 3 above. For the purposes of the present discussion, we wish only to note Mandel's relation to the development and extension of Trotsky's analysis as separate and distinct from that which is drawn by the SWP in the U.S. For many within the SWP, Mandel's economic analysis has been for some time, highly influential and generally accepted. See Jack Barnes and Barry Sheppard, "The Real Meaning of the Proletarian Orientation Tendency", Discussion Bulletin, SWP, Vol. 29, No. 19, (July 1971) and an interview with Steve Clark, National Office, New York, Feb. 1985.

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James P. Cannon, "Theses on the American Revolution,"

Cannon's analysis of the objective situation after WWII expressed in the "American Theses", not surprisingly, echoed Trotsky's conclusions regarding the nature of the post-WWI prosperity. [James P. Cannon was an early leader in support of the Trotskyist Left Opposition through the 1920s and was Party leader and central figure both in the formation of the Socialist Workers Party in the U.S. in 1938 and for many years after. Cannon's close personal and political association with Trotsky in these years was expressed in his acceptance and advocacy of Trotsky's economic analytical framework and political perspective in the "Transitional Program." ] — Para A

*These are countervailing factors for long phase*

Cannon's economic analysis in the "American Theses" reproduces all of the basic elements of Trotsky's framework. First, he argued that the growth factors which allowed the boom of the Twenties "cannot and will not recur again." <sup>18</sup> While WWI opened vast opportunities for U.S. investment and export, while the U.S. had then only begun to tap its resources and develop its internal market, Cannon claimed that the post-WWII era saw nothing like the same opportunities for a sustained expansion of the home market.

Secondly, the great concentration of wealth and the gross disparity in income, generated by the disproportionality between the growth in industry and agriculture in the U.S., and the massive expansion of its productive capacity would accelerate the

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Pioneer Publishers, N.Y., April 1947, p. 9.

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Ibid., p. 5.

saturation of the internal market. And with the war-time destruction and disorganization of the world market, Europe and Asia had not become the limitless outlet for expansion but the "bottomless drain" for U.S. capital and a real limit to its external growth.<sup>19</sup>

Thirdly, the deficit spending and large peacetime military budget which were sustaining the postwar recovery were paid for out of the purchasing power of workers.<sup>20</sup> All of these factors aggravated the overproduction/underconsumptionist tendencies of the system and pushed it toward crisis. Rather than opening up the new "American Century" and period of unexcelled prosperity, WWII provided only a temporary respite from the 1930s Depression and no basis for a sustained period of growth thereafter. "The blind alley in which world capitalism has arrived, and the U.S. with it, excludes a new organic era of capitalist stabilization."<sup>21</sup>

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Like Trotsky before him, Cannon saw the current period as the continuation of an era of long term stagnation, marked only

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Except by recognizing the influence of Rosa Luxemburg's theory of capitalist accumulation and crisis, it is otherwise not clear why Cannon regarded either U.S. foreign private investment or public loans used for reconstruction of war-torn economies as a "drain" on national wealth and a limit to expansion rather than expansion through the export of capital. Instead, the view he presents is that the bankrupt capitalist economies of Europe and Asia were being "carried" by American workers and that these costs, coupled with carrying a huge national debt, military peacetime budget, and inflationary pressures, were building "explosive" contradictions at home, and potential competitors abroad. Ibid., p. 9.

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Ibid., p. 9.

21

Ibid., p. 3.



by temporary, short-lived upturns. And as the economic conditions continued their general decline from 1929, Cannon predicted the progressive organization and radicalization of the working class would open the historic possibility for a revolutionary socialist transformation. "The workers' struggle for power in the U.S. is not a perspective of a distant and hazy future, but the realistic program of our epoch."<sup>22</sup> This optimism, like Trotsky's, was rooted in the conviction of the irreversibility of working class radicalization and the centrality of the class struggle in determining when and if a recovery takes place. The temporary boomlets could not undo the experience of workers and act as a conservatizing agent. Again, that could only occur "under conditions of capitalist stability where the relatively high standard of living can be maintained and even improved. This is excluded for the future,"<sup>23</sup> as our whole analysis has shown."

It is not simply ~~that we benefit from~~ <sup>due to</sup> hindsight that we can look upon Cannon's 1947 assessment of the post-WWII situation as having been so far off the mark. Regardless of its early formulation, the theoretical basis of Cannon's analysis precluded the investigation of the mechanisms and processes of secular recovery that did not relate to the growth of demand and the 'problem of the market' or to the state of working class power. Given the assumptions of the framework, other factors governing capitalist "stabilization" were excluded outright from inquiry.

The overall effect of this perspective on subsequent

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22

Ibid., p. 10.

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Ibid., p. 12.

analyses during the 1950s and 1960s was crucial. In the face of changing economic conditions in the postwar system, i.e., the continuing and growing relative prosperity of the period and the obvious fact that a general crisis was not immanent, the framework used ultimately forced a narrowing of focus onto the business cycle, with booms and busts defined in the short term. From the time of Cannon's "Theses" until the early to mid-1970s, that is, for the entire period of the post-WWII secular recovery, the cycle-to-cycle analysis (and its necessity theory implications) was used to explain the phenomena of the period. With few exceptions, the secular upswing was recognized as such only when it became clear (by the late 1960s, and certainly by the 1974-75 world recession) that a real turning point in the postwar trend of accumulation had been reached. Until then, the period was generally represented as essentially an era of stagnation interrupted by a series of external, "artificial", and state-induced stimuli which tended to prop-up, postpone, and exacerbate the crisis tendencies of the system. We suggest that the SWP's adherence to this perspective reproduced the theoretical gap in the original framework and compounded the problem of developing effective political strategies for working class organization in the face of the secular boom.

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#### ECONOMIC ANALYSES DURING THE 1950S-1960S

It is clear from its analyses the SWP saw in this period changes in the conjuncture which ultimately prevented (or postponed) the relapse into depression that they anticipated

after WWII. The immediate postwar cycles of 1945-46 and 1948-49 confirmed, in their view, Cannon's view that the boom was over, that "imperialism can no longer reconstruct a unified world market" [and therefore] "a 'normalization' of the world economic situation thus appears excluded." (emphasis original) <sup>24</sup>

However, in the years which followed several factors of an "external" and "superstructural" nature <sup>were ~~also~~ seen to have</sup> combined to pull the U.S. economy out of its slump: the resumption of massive government deficit spending especially on armaments, and the effects of both the anti-labor policies of the state and McCarthyism on working class organization and militancy. But, they argued, the balance achieved was a delicate and precarious one:

The equilibrium of American capitalism at the present time, based as it is upon a breakneck race between crisis and war economy is an equilibrium of dynamic components. The unprecedented growth of production in a narrowing world and domestic market is counter-balanced by the unprecedented growth of the peacetime war budget. It is clear that the slightest relaxation conjures up the immediate spectre of depression and collapse in the sole remaining bastion of world capitalism.<sup>25</sup>

In fact, it was the Korean War and the relative prosperity which war production stimulated that <sup>was deemed to have</sup> pulled the economy out of the slump of 1948-49 and its cessation which immediately plunged it <sup>26</sup> into another recession in 1953. It was also the same prosperity

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"Report on the Turn in the World Situation and the Tasks of the Fourth International," adopted by the National Committee and included in International Information Bulletin, Sept. 1950, No. 1, pp. 1-3.

25 "Contradictions of the War Economy," Discussion Bulletin, No. 10, May 1952, p. 4.

26

"Draft Resolution on the Political Situation in America," Discussion Bulletin, A-20, Sept. 1954, p. 4.

(coupled with that generated earlier by WWII) which enabled the capitalist class to grant some concessions to workers, <sup>and thus induce</sup> ~~which led~~ ~~to~~ a "relative quiescence of the class struggle" and stabilization of class forces.

The Party In its analysis of the period, clearly argued, on the basis of each cyclical swing, the potential for major crisis existed but was effectively thwarted or postponed by conjunctural factors. During the cyclical upturn of 1954-57, for example, the Party claimed that despite the apparent surge of growth, despite the rapid expansion of productive capacity, the dominant feature of the world economic situation was that the capitalist order was "rotting" and in decline. <sup>27</sup> Indeed, precisely because of the postwar expansion, capitalist equilibrium was threatened by ever-deepening contradictions. The vast expansion of productive capacity and productivity, the growing number of colonial rebellions and revolutions, and the extension of Soviet economic forms placed limits and raised the costs of capitalist domination.

Moreover, all the former contradictions of capitalism become aggravated thereby, raising to a new level all the chronic problems such as markets, overproduction, etc. The threat of economic collapse far from being removed is brought all the closer.<sup>29</sup>

It was the state which intervened to avoid the downturn but only by squeezing workers and raising inflationary pressures through

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Ibid., p. 16. See also Discussion Bulletin, No. 10, May 1952, p. 7.

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"The World Today", Political Committee Draft Resolution, Discussion Bulletin, No. 4, Nov. 1956, p. 1.

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Ibid., p. 3.

its war economy. Neither policy, however, was a solution to the problem of crisis that served to deepen the tendencies.

Again, following the recession of 1957-58, the Party argued that despite the fact that temporary recovery has been achieved

a severe crisis of overproduction accompanied by catastrophic unemployment is in the making. Each periodic recession tends to go deeper as the booms decline in momentum, leaving more pronounced residual effects from each downturn. The 1957-58 slump was the worst of the three postwar recessions and the current economic upturn is the most sluggish of the postwar booms.<sup>30</sup>

For the SWP, this meant that a steady rise in unemployment, a steady erosion of the tenuous economic security of the period and the sharpening of class antagonisms could be expected in the years ahead. All things pointed to "prosperity on the wane."<sup>31</sup>

Contrary to expectations, however, after the cyclical downturn of 1960-61, the U.S. economy embarked on its longest and strongest sustained cyclical boom of the entire postwar period (from Feb. 1961-Nov. 1969).

What emerges is a pattern of analysis which repeats, cycle-by-cycle, the review of conjunctural factors which, at one and the same time, prevented the system's collapse and deepened the tendencies to stagnation and crisis. Thus, in 1965, the Party claimed that the general basis for postwar expansion had actually been exhausted by the mid-1950s, as the Eisenhower recession indicated. This was averted because Western Europe was still able to absorb enough U.S. investment until its expansion was

*expanded*

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"Draft Political Resolution," Discussion Bulletin, Vol. 20, No. 5, March 1959, p. 3.

31

Ibid., p. 7.



exhausted by 1964.

Thereafter, mobilization toward escalating the war in Vietnam provided both the fuel for the long boom and the basis for its demise. While war mobilization brought benefits of expanded production to many sectors of organized workers, many groups on the outside remained untouched or worse off throughout most of the period. By contrast to the relative passivity of organized workers, the growing radicalization of blacks, minorities, women, youth, the student and antiwar movements were indications of deep social tensions that would explode with the coming crisis. Despite ~~its~~ <sup>the Johnson Administration's</sup> attempts to defuse the situation, the Party argued that the ~~Johnson Administration~~ <sup>the system</sup> would ultimately be constrained by <sup>its</sup> ~~the~~ inability of ~~the system~~ to deliver both guns and butter and by the intensity of inflationary pressures <sup>which were</sup> ~~that~~ <sup>being unleashed</sup> ~~would mount~~. The only options open to the state and the bourgeoisie to avoid the downturn would be to secure a new era of imperialist expansion of world markets and to squeeze the gains

"The Coming American Socialist Revolution," Draft Resolution on Strategic Perspectives, Discussion Bulletin, Vol. 25, No. 26, 1965, p. 16. This document, as do various others, argues that another major factor which prevented the collapse of the postwar capitalist economy was Stalin's complicity in respecting the Truman Doctrine, thus enabling a relatively unfettered Western expansion. Ibid., p. 15. Similar arguments regarding the effect of Khrushchev's policy of "peaceful coexistence" are made elsewhere. While these arguments identifying Stalin's and "Stalinist" policies vis a vis the capitalist world or other Communist movements as significant political factors which contributed to the relative stability of class forces in this period, we only note here that the SWP identified these as part of the conjunctural factors which reinforced the period of "relative economic stability."

in living standards of the working class. But mounting class antagonisms, the resistance of anti-colonial movements and the growing radicalization of broad sectors of the population would, the Party believed, eventually spread to the working class and bring the turning point in the long boom. But the long boom referred to was the cyclical recovery, not the secular recovery.

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As we have seen, the SWP's economic analysis of the post-WWII period throughout the 1950s and 1960s has adhered to the original framework developed by Trotsky (adopted by Cannon) and retained its basic structure. The essential crisis tendency of the system is its inherent cyclical tendency to overproduction/underconsumption. In the absence of "external" factors which would stimulate the overall expansion of the system, the normal bias would be to move toward long term stagnation and decline. In the process, attempts to prevent this from occurring either by the capitalist class and/or the state only accomplishes an intensification of class antagonisms and contradictions of the system. Crisis is the necessary and inevitable outcome; but the relative balance of class forces and degree of militancy and organization of the working class would determine whether a revolutionary period was at hand. The notion of long term stabilization or secular recovery is virtually ignored, theoretically, even dismissed as a likely outcome, given

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Ibid., p. 19. See also "American Politics and the 1968 Presidential Campaign," Political Committee Draft Resolution, Discussion Bulletin, Vol. 26, No. 1, July 1967.

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See "American Politics and the 1968 Presidential Campaign," op. cit.; and "Antiwar Resolution," Political Committee Draft, Vol. 27, No. 2, June 1969.

the strength of the assumption of the irreversibility of working class radicalization. But the unfolding realities of the period, however, which revealed not a general tendency to contraction of the capitalist system, but its vast development, not a progressive radicalization of the working class, but its growing quiescence over the entire period, led to significant analytic and strategic shifts. Confronted by these historic realities, the Party appears to have ~~comprehended long term recovery while the~~ <sup>normalized</sup> ~~secular boom was occurring as the cumulative~~ <sup>a series of</sup> cyclical effect of external and conjunctural factors in the absence of working class militancy and organization. ~~But~~ <sup>only</sup> when it was clear that the inevitable turning point was approaching did the analysis of the SWP ~~regard~~ <sup>admit that</sup> the entire postwar period ~~until then as an era of~~ <sup>had been</sup> general recovery of capitalist accumulation. This raised to the surface explosive strategic questions implied by such an ~~admission~~ <sup>admission</sup> analysis. While trying to retain its "proletarian orientation" during the 1950s and 1960s, the Party witnessed a steady decline in working class militancy and parallel rise in the radicalization of other groups around non-class issues. For many this was a clear demonstration of the problem of maintaining the organic relation between vanguard party and its class basis. The "strategic retreat" from the working class in this period to mobilize the then radicalizing civil rights, student, and antiwar movements led many in the Party to ask the question "vanguard of what?" For us, it raises the prior question of the relation between the Party's economic analysis of crisis and the development of political strategies. } unclear } >

By 1975, Dick Roberts, ---  
Time!

## THE TURNING POINT

But it is clear now in any case that a turning point has been reached in international capitalism. The long-term, relatively crisis-free expansion of the post-WWII period is over. Increasingly frequent recessions, tending more and more to coincide in all capitalist countries and to be accompanied by accelerating inflation, are the order of the day.<sup>35</sup>

From this vantage point it was also clear to most in the SWP that Trotsky's original framework of analysis was vindicated and brought the current situation into sharp focus. Dick Roberts' analysis of the turning point, the subject of his book Capitalism in Crisis, elaborated the Party's basic consensus on the nature and causes of the downturn and expressed the continuity with Trotsky.

The two principal phenomena of the crisis, stagnation with inflation were the direct expressions of the contradiction between the internal dynamic of capital accumulation and the external conditions within which that dynamic operates. According to Roberts, the post-WWII reconstruction of the world economy grew out of the reciprocal needs of U.S. and foreign capital: Japan and Europe needed commodities and capital investment and the U.S. needed to export these. The aim of U.S. economic policy attempted to secure the power and profits this opportunity afforded. "But this mutually reinforcing expansion began to run out of steam after the war torn economies had been rebuilt."<sup>36</sup>

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Dick Roberts, Capitalism in Crisis, New York: Pathfinder Press, 1975, p. 86.

36

Ibid., p. 39.

The once defeated wartime enemies became resurgent economic enemies, competing favorably with the U.S. in international markets. The apparently limitless expansion of investment opportunities began to dwindle by the mid- to late 1960s.

August 1971 and the institution of Nixon's "New Economic Policy" marked the "turning point within the turning point" in capitalist development.

In essence, his 'New Economic Policy' signalled that U.S. imperialism would take the high road of trade and financial warfare on an international scale and, at home, use every instrument of the government to keep workers and wages in line.<sup>37</sup>

In an already stagnating world economy, U.S. capital through the state launched its counter-offensive on two fronts: internally against the living standards of workers by imposing a wage freeze, and externally by pursuing more aggressive competitive strategies for U.S. capital: dollar devaluations, manipulation of the interest rate, deficit spending, and privately, through the exercise of monopoly power by multinational corporations, especially in oil, raw materials and food production. The results were windfall profits for large capital, the selling off of inventories, and the slowing of wage increases all of which laid the groundwork for the 1972-73 cyclical upturn. These policies had the effect of boosting world demand for U.S. goods and creating cyclical shortages through monopoly control of food and energy, thus raising the rate of inflation globally.

But, Roberts argues, the consequences demonstrate the essential contradiction of the system:

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Ibid., p. 40.



The phenomenon of world inflation-- whether it results from domestic budgetary policies aimed at artificially expanding purchasing power, or from manipulations in international exchange rates, again aimed at artificial expansion of international markets-- expresses the inability of the capitalist system to thrive without continuous expansion of productive investment.<sup>38</sup>

And this was precisely what was not happening. The investment rate which continued to rise, shifted more and more to speculative ventures. As sales began to slump, corporations were forced to borrow to finance their operations, capital expansion, and the stocking of huge inventories of produced goods. The vast expansion of credit to pump the system up, created a huge demand for loan capital, thus driving up the interest rate and rate of inflation even further. With long term investment opportunities absent, by 1974-75, productive investment stagnated bringing drastic reductions in output and employment and the inevitable turning point.<sup>39</sup>

For Roberts, the central problem inherent in capitalist development is posed as the problem of how to forestall the eventual turning point in the growth of capital in two senses. The first is expressed in the inner dynamic of capitalist growth

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Ibid., p. 51.

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In a series of articles published in the SWP's newsweekly The Militant, William Gottlieb extends the analysis of the current crisis into the first years of the Reagan Administration. His analysis does not deviate from the basic framework, although its emphasis falls on the phenomena of overproduction, underconsumption, and the limits to the growth of aggregate demand in the face of massive gluts in major markets. As in all of the analyses of the Party, Gottlieb concludes that the resolution of the crisis lies not in reform but in the revolutionary transformation of society. See William Gottlieb, "Behind the Recession," The Militant, 7/16; 7/23; 7/30; 8/6; 10/22; 10/29; 11/5; 11/26, 1982.

and the necessary tendency to periodic crises of overproduction.  
A period of growth in the upturn of a cycle tends to raise both  
the organic composition of capital and the rate of exploitation.  
At some point in the boom, the "avenues for offsetting the  
effects of the rising organic composition of capital are more and  
more obstructed."<sup>41</sup> First, attempts to cheapen the costs of raw  
materials (to lower  $c/v$  in value terms) leads to disproportional  
investment and production between departments and eventually to  
relative scarcity in raw materials and a rise in their prices vis  
a vis consumption goods. Secondly, high levels of employment and  
the relative strength of workers limits the ability of the  
capitalist class to raise the rate of exploitation. Taken  
together, Roberts argues that these tendencies effectively choke  
off a boom by raising  $c/v$  faster than  $s/v$  and causing the rate of  
profit to fall, forcing a reduction in the rate of productive  
investment. A turning point is then reached in which a number of  
phenomena appear: growth in productive capacity and output  
exceeds growth in aggregate demand (overaccumulation and  
overproduction); the accumulation of capital in the boom itself  
has meant that workers' wages could not have risen sufficiently  
to match the growth in output (underconsumption and the problem  
of realization). Attempts to forestall the inevitable downturn

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cycle  
or  
long  
phase?

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Roberts presents this discussion by including the  
resolution adopted by the International Executive Committee of  
the Fourth International entitled, "The Capitalist World Economic  
Crisis", Jan. 1975, in the Appendix of his book. It is argued  
there that "the present recession is fundamentally a classical  
crisis of overproduction caused by the inner contradictions of  
the capitalist mode of production." (p. 112)

41

Ibid., p. 113.

through credit expansion only conceals the problem and deepens the eventual decline. As the growth of supply outstrips the growth in aggregate demand, investment and employment are drastically reduced and the crisis is underway. In this sense, the tendency for the rate of profit to fall is the paradoxical effect of the successful expansion of capital and the necessarily self-limiting nature of the growth in aggregate demand.

A second means to forestall the system-wide decline is the extension of the international capitalist system itself. However, this depends upon the existence of external and conjunctural factors conducive to growth. In the present period, the intensification of competition among multinationals has accomplished no significant expansion of markets for the system as a whole, merely the redistribution of existing (and shrinking) markets. As the crisis deepens, the mechanisms used by each "national capital" demonstrate this central contradiction: that ultimately, "capitalisms are national" no matter how multinational investments become.<sup>42</sup> And in the absence of an over-arching mediating force, which is impossible to design for the world system, "the basis of power of the competing ruling classes lies in their own states and in the control over 'their own' workers that the repressive governmental apparatus makes possible."<sup>43</sup>

Roberts argues that the capitalist state can intervene to

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42 Ibid., p. 55.

43 Ibid.

stem the slide into deeper levels of stagnation or to prevent the precipitous collapse of the economy. Government deficit spending and anti-labor policies have in the past propped up the system, although at the cost of rising inflation.<sup>44</sup> But the limits to the successful intervention of the state in each national economy are ultimately met in the external conditions imposed by international competition, i.e., in the contradiction between the expansion needs of capital and the limits to external expansion, as well as in the rising expectations and resistance of the working class to further exploitation.

The SWP's overall economic analysis of the postwar boom and present crisis clearly expresses a theory which is half necessity/half possibility: while the internal dynamic demonstrates the necessary tendency to crisis by the regularity of the business cycle, long term secular recovery or "stabilization" is merely an historic possibility and one which requires an all-out attack on the working class. The Party's basic political conclusion draws directly from this: that since the system is driven to crisis by its own dynamic, and since the capitalist state cannot ensure the conditions for its growth, the ultimate solution to the crisis is not through bourgeois reform but through proletarian revolution.

It was for this reason that the period of the early to mid-1970s was seen as the "turning point within the turning point":

In industry, the workers are not taking slashes in their standard of living passively. They are fighting back. It is quite clear that the days of 'relative quiescence in the

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Ibid., p. 86.

class struggle' are over...A great new stage in the class struggle is opening. We are now witnessing the harbingers of what is to come.<sup>45</sup>

The significance of the Party's strategic "turn to industry" and its revitalized commitment to Trotsky's political program and strategy in "The Transitional Program"<sup>46</sup> is implied by the economic analysis and theory of crisis embodied in Trotsky's framework. We turn to the examination of that relationship now.

#### POLITICAL STRATEGY AND PROGRAM OF THE SWP

The direct and unambiguous political conclusion drawn by Trotsky's frame of analysis points to the necessity for a revolutionary transformation of society and raises to central importance the significance of the class struggle in determining the outcome. In a period in which the external possibilities for expansion are exhausted, destroyed, or constrained, the capitalist class supported by the state, invariably turns inward to wrest a recovery by raising the rate of exploitation of its working classes. With this as its principal premise, Trotsky's "Transitional Program," written as it was in the great slump of the 1930s, presented his assessment of the objective situation and strategic program for the revolutionary period he saw

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Joseph Hansen, "The New Stage of World Revolution," International Report to the 24th National Convention of the SWP, (Aug. 8-12, 1971) in A Revolutionary Strategy for the 70s: Documents of the Socialist Workers Party, New York: Pathfinder Press, 1972, pp. 18-19.

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"The truth is that the transitional approach taught us by Trotsky is more timely today than ever before. In fact it has become of [sic] burning actuality." (Ibid., p. 35.)

emerging.

Adopted by Cannon and the Party in 1938, the "Transitional Program" has remained the central strategic document and statement of political principles for the Socialist Workers Party. The Party's adherence to the "Transitional Program" as an operating strategy, however, was relaxed in the post-1947 period until the "turn to industry" in 1978. Many factors have been identified to account for this "strategic retreat" from the working class: a decline in the objective possibilities of the period in the face of the postwar prosperity, the retreat of the labor movement itself from its former militancy, the rise of McCarthyism, the effect of factional shifts in the leadership of the Party, and so on. By mid-1970s, the objective situation had changed, and the "turn to industry" appeared to be the resumption of the continuity with Cannon and Trotsky.

Without minimizing the significance of the impact of changing objective conditions and internal organizational policies and shifts, the "strategic retreat" from and "turn" to the working class relates, in a fundamental way, to the problem posed by the confrontation between the emergence of the phenomena of the secular recovery and the Party's inability to bridge the theoretical gap in Trotsky's original framework. In this section we will discuss the political strategy of the "Transitional Program" and the significance of the Party's strategic turns in light of the underlying economic analysis.

#### THE TRANSITIONAL PROGRAM

In 1938, Trotsky took the phenomenon of general crisis as

objective fact in laying out his political strategy.

All talk to the effect that the historical conditions have not yet 'ripened' for socialism is the product of ignorance or conscious deception. The objective prerequisites for the proletarian revolution have not only 'ripened'; they have begun to get somewhat rotten. Without a socialist revolution in the next historical period, at that, a catastrophe threatens the whole culture of mankind. The turn is now to the proletariat, i.e., chiefly to its revolutionary leadership.<sup>47</sup>

The central problem confronting the leaders of the workers' movement was the gross disparity between the "maturity of the objective conditions and the immaturity of the proletariat and its vanguard."<sup>48</sup> Trotsky outlined the strategic tasks of the vanguard party as those of agitation, propaganda, and organization:

It is necessary to help the masses in the process of the daily struggle to find the bridge between present demands and the socialist program of revolution. This bridge should include a system of transitional demands stemming from today's conditions and from today's consciousness of wide layers of the working class and unalterably leading to one final conclusion: the conquest of power by the proletariat.<sup>49</sup>

In order to "bridge the gap" between present and future revolutionary consciousness, Trotsky proposed three types of demands. Immediate demands involved the defense and increase in wages and fringe benefits. While in normal times these are strictly speaking "bread and butter issues", in a crisis situation they have a potential anti-capitalist dynamic given

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"The Death Agony of Capitalism and the Tasks of the Fourth International" (Transitional Program), Bulletin 1, Trotsky Series, Labor Publications, Inc., New York: 1972, p. 8.

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Ibid., p. 10.

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Ibid., pp. 10-11.



capital's growing inability to meet them. The second type, democratic demands, center on the defense and extension of the ability of the working class to organize independently on both the economic and political levels. And again, in normal times, these rights are assumed and even extended, while in the crisis they must be curtailed to prevent the working class from defending itself. The last type, transitional demands, goes beyond defending or extending rights and benefits being attacked. Instead, transitional demands raise the possibility of workers providing for their own needs by planning the economy and insuring their political rights by establishing their own government. To counter any confusion over the "minimum" character of immediate and democratic demands, Trotsky identified their revolutionary nature and intent:

It is not the viability and competitive capacity of capitalist industry, nor the profitability of capitalist finance to which communist parties should pay regard, but the poverty which the proletariat cannot and should not endure any longer. If the demands correspond to the vital needs of broad proletarian masses and if these masses feel that they cannot exist unless these demands are met, then the struggle for these demands will become the starting point of the struggle for power.<sup>50</sup>

Two critical assumptions lie at the basis of the "Transitional Program": first, that the period in which the strategy directly applies is a period of general crisis, the highest fruition of the prerequisites for the proletarian<sup>51</sup> revolution. And second, that the radicalization of the working

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<sup>50</sup> (look up reference)

<sup>51</sup> Ibid., p. 7.

class, already in progress from the earlier decades of the century, would heighten under the conditions of crisis. This is not to say that the goals of the "Transitional Program" are not — ? supportable only in a period of a 1929-type depression, or that the radicalization or mobilization of the working class can only occur in a period of general crisis. The point, however, is that Trotsky's notion of the possibility of raising a transitional program was linked fundamentally to the recognition that the objective conditions of the crisis then offered the best opportunity for bridging the present state of working class consciousness with a developed revolutionary consciousness. The period in which Trotsky wrote the "Transitional Program", he believed was the "death agony" of capitalism and that an irreversible stage in the class struggle had been reached. Such a strategy was entirely appropriate. But the conditions of the 1950s and 1960s were qualitatively different than those of the 1930s and as the postwar recovery unfolded, the gulf between economic realities and the political strategy grew wider.

### THE STRATEGIC RETREAT

The growing prosperity and rolling-back of working class militancy challenged the two key premises of the political strategy of the "Transitional Program" and provided the context in which intense political debates and factional splits eventually shook the SWP.

As early as the early to mid-1950s, the relative passivity of the working classes of the advanced capitalist countries (contrasted by the rise of anti-colonial and revolutionary

movements of the Third World) led many within the Fourth International and the national sections to reassess fundamental relationships to the working class and its revolutionary potential.<sup>52</sup>

In the face of factional splits, its weakened links to the working class in the industrial unions, and the strength of the recovery, the SWP maintained, in its formal pronouncements, its commitment to a "proletarian orientation." However, as the first two postwar decades wore on, the Party's daily organizing efforts were actually directed elsewhere. By 1965, this was unmistakable:

We in the SWP are a Party in name. Yet we lack today the most essential characteristic of a Leninist Party: an active significant connection with the vanguard of the U.S. working class. We are, in number and relationship to the working class, a propaganda group bent on creating the party that

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The emergence of the "Pabloite faction" in the early 1950s within the Fourth International (whose tendency was reflected in a movement within the SWP in the U.S. led by J. Cochran) demonstrated, in part, the nature of the political crisis within the Party. The Pablo/Cochran faction argued that the working classes of the advanced capitalist countries were incapable in this period of assuming its role as the revolutionary vanguard; that their non-militant, complacent, and conservative character resulted from the fact that they were among the main beneficiaries of the postwar recovery. On this basis, and on the basis of the faction's position regarding the capacity to reform the "Stalinist bureaucracy", and its willingness to work within movements led by the Communist Party or social democratic organizations, the "Cochranites" were expelled from the SWP in 1953. The split was so substantial that it contributed to the shift in the Party's focus from work in the unions to recruiting new members and regroupment, especially after the 1956 "Khrushchev revelations" and the political crisis which followed in the Communist Party. By 1959, the Party realized its regroupment effort had failed to draw significant new members and that, thereafter, the Party seemed to "drift", its links to the working class weakened and lacking a central orientation. (See Internal Bulletin, Vol 14, No. 2, June 1952; Farrell Dobb 1959, 1961; also critiques by the Reorganized Minority Tendency, Vol. 24, No. 10, April 1963; [other references re Pablo/Cochran].

does not yet exist in this country.

The radicalization of broad sectors outside of the organized working class in this period became the focus of Party work. The civil rights and women's movements, the student and anti-war mobilization became the primary spheres of party work. The SWP identified the period as one of political transition and unevenness in the development of radical consciousness. The Party documents called for the recognition of "exceptional opportunities" to broaden and deepen political consciousness among different protest groups and antiwar militants and that these should be accorded "top priority" in Party work.<sup>54</sup>

But more than this. The Party saw work within these groups as the means by which to "reach out" to the working class and effect its radicalization through linking class issues to the war and social tensions emerging then.<sup>55</sup>

In part, the necessity to retreat strategically from the working class in the period of the secular upturn was due to the Party's own misjudgment of the nature of the period itself. Rather than addressing the division between class and party by raising the questions of the adequacy of the analysis of the crisis and the

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"The Coming American Socialist Revolution", Draft Resolution on Strategy Perspectives, Discussion Bulletin, Vol. 25, No. 6; for earlier discussions of this issue see also Internal Bulletin, Vol. 14, No.2, June 1952 and Vol. 15, No. 1, Feb. 1953.

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"The Next Phase of American Politics," Political Committee Draft Resolution, Discussion Bulletin, Vol. 25, No. 2, May 1965, pp. 7, 20.

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See "American Politics and the 1968 Presidential Campaign", July 1967, loc. cit.

appropriateness of the strategy, the "retreat" suggests an eschewing of both. Thus, in this period, it was the objective conditions which appeared to make the strategy irrelevant.

There seemed to be a rift between our strategy and tactics. Our strategic line of march for the working class became more and more a promise for the future, not something that seemed realistic or relevant in any immediate sense...It was less often the basis of what candidates could talk about with any hope of being listened to and understood. Less and less the basis of what we could realistically propose to any larger layer of thinking militants in the working class.<sup>56</sup>

Not until the world economy turned in 1974-75 did the analysis and strategy seem to approach a correspondance with the objective situation, that there was "the beginning of a convergence between, on the one hand, our strategic line of march, our strategy as outlined in the Transitional Program; and, on the other hand, our day-to-day tasks and the way we must look at politics to explain what's going on and what the workers can do about it. It's easier to see the one while doing the other."<sup>57</sup>

Trotsky's framework becomes relevant to the analysis of the period of secular decline after the turn in 1974-75. Until then it could not address the nature of the secular recovery and the problems of working class organization in it.

#### THE TURN TO INDUSTRY AND AFTER

The "corner" had finally been turned and the initial response of the Party was to identify the significance of the

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<sup>56</sup>

Jack Barnes, "A New Stage of Revolutionary Working-Class Politics", in Jack Barnes and Steve Clark, (eds.), The Changing Face of U.S. Politics, New York: Pathfinder Press, 1981, p. 106.

<sup>57</sup>

Ibid., p. 112.

turn to the working class:

What is definitely set in motion throughout the world is an intensifying austerity drive by the ruling class, against the working class, against all the oppressed...This is not just a tactical or short-term policy of the rulers. It is a fundamental policy that economic realities force them to carry out.<sup>58</sup>

The turn to the working class in 1978 was based on the original assumption that the class-nature of the social tensions will become transparent to workers. Because of the depth of the crisis the possibility for the state to intervene in the economic and social crisis will also be severely constrained.

The only program capable of blocking eventual radicalization of the unions would be massive social reform-- that is, large scale concessions in the form of job-creating public works programs, unemployment benefits, housing, medical care, education, protection against inflation, and similar reforms. While the ruling class is capable of making concessions and may even at some point initiate a number of highly publicized projects as part of a new 'New Deal', social reforms of the scope that could meet today's expectations are beyond their reach. That course would necessitate the stabilization of the world capitalist economy, renewal of its expansionary course, and a vast strengthening of America's dominant position.<sup>59</sup>

But the period emerging was an era of stagnation and crisis and the prospects for long term recovery, though always theoretically possible, were again highly improbable:

The United States is not heading back to the prolonged prosperity, reaction, and quiescence of the 1950s and early 1960s. The road ahead is one of increasing class consciousness, class struggle, and class polarization, leading from radicalization toward a revolutionary situation, regardless of the oscillations along the way.<sup>60</sup>

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Barnes, "The Turn to Industry and the Tasks of the Fourth International," Ibid., p. 35.

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[check the reference with Mary on her old draft, p. III]

60 "Prospects for Socialism in America" (1975) in Barnes and

Changes in the economic conditions of the period and the prospects for a new stage of the class struggle allowed the re-establishment of the continuity with Trotsky's Transitional Program. The SWP's political program for this new era was essentially an updating of the original immediate, democratic, and transitional demands, as well as a renewed commitment toward the building of a class-struggle left wing in the unions to resolve the "crisis of proletarian leadership".

Drawing on Trotsky's general framework and many of the concrete demands he raised in 1938, the SWP outlined a series of demands in its 1975 and 1979 political resolutions: <sup>61</sup>

To defend workers' living standards, the Party demands

- a decent job for all workers
- unemployment insurance
- massive public works program
- reduction in the length of the work week with no reduction in pay
- sliding scale of wages
- public health insurance
- underwriting the debt of the unemployed
- expansion of childcare facilities
- affirmative action
- opposition to protectionism, tariffs, and devaluations

To enable workers to have greater control over their workplaces, the Party calls for

- shut-downs when health/safety standards are threatened
- speed of line set by workers
- safety controls set by workers
- worker/community control over locating production sites
- re-opening closed plants by the state under workers' control

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Clark (eds.) Ibid., p. 285.

61

get references from Mary



To eliminate management secrets and prerogatives the Party calls for the opening of company records to workers' inspection and the expansion of democratic control over production, investment, and financial decisions. In addition, key sectors of the economy which are controlled by monopoly capital should be nationalized and/or expropriated and placed under workers' control to enable the social organization and planning of production.

To provide for workers' defense in the coming period of intensified class struggles, the Party includes the defense of picket lines, the right to strike, and the formation of defense guards and workers' militias.

In 1984, the SWP revised this basic strategic program to include as its purpose the establishment of a workers' and farmers' government as a first step towards the abolishment of the capitalist system and the transition to socialism.<sup>62</sup>


The significance of the strategic "turn to industry" and the adherence to the original principles of the Transitional Program goes beyond the fact that these represented the affirmation of a continuity with the Trotskyist/Leninist root.

The implications of such a program and strategic shifts go deeper. As we have tried to show here, they go to the core of the analysis of crisis itself. Trotsky's original framework, as a half possibility/half necessity theory of crisis, influenced

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"The Revolutionary Perspective and Leninist Continuity in The United States," Political Resolution, Thirty-second National Convention, Jan. 1985, in New International, Vol. 2, No. 1, (Spring 1985), pp. 7-98.



the character and application of the political strategy and program ultimately adopted by the SWP in several ways. Its conception of the inherent dynamic of the system as crisis-prone and its notion of the inability of the capitalist state to provide a solution for both capitalists and workers, leads it to the conclusion that a revolutionary strategy is required. But as half-possibility theory, the capacity for the system to recover long-term growth depends upon the presence of external factors for growth and, ultimately, on the balance of class forces. Given the centrality of the class struggle as the determining factor and the strength of the assumption that the progress of working class radicalization was non-reversible, the framework leaves unexplored the analysis of the mechanisms of secular recovery. This "theoretical retreat" lends itself as the basis for the strategic turns of the period. In its attempt to transpose the original strategy and program drawn by Trotsky in the period of the Great Depression to the post-WWII period, the gap appears as the inability of the Party to identify the character of the boom as a secular recovery and to redefine its strategy for such a period. It was, in significant ways, the strict adherence to this framework and the non-correspondence of the historical conditions to the analysis/strategy of the Party which pointed to the necessity for retreat from the original program. And then, in the "turn to industry", the Party reaffirms its original position when the conditions/analysis/strategy once again converge in the period of the secular downturn.



SWP: Kating

0  
5/2/86

## I. Major Issues

### 1. Cycle vs. long ~~term~~ phase

- (i) Internal vs. external
- ~~ii~~ (ii) Derivation Necessity vs. possible ~~assertions~~
- (iii) Derivations of their ~~results~~ theory vs. ~~statements~~

### 2. Meaning of "half possibility / half necessity"

- Our characterization
- Their ~~understanding~~ <sup>derivation</sup> vs. statement
- Implications of inner dynamic for their politics

### 3. Connections between Eco. & Politics

- How is their theory different from other theories? Is it really different?
- How are their political differences grounded in ~~this~~ economics?
- Significance of their rejection of internal limit leading to "general crises". Emphasis instead on class struggle as the decisive factor.



1. Mandel place

- Influence explained (p. 15) - But not official spokesman
- His own theoretical contribution will be under EROP theme



2. First Part

(i) Basic Analysis is from Trotsky

- Cycles as necessary but not dangerous in itself. Internal dynamic. Possible trigger
- ~~Down~~ long phases have external dynamic



[ ~~But~~ All "short" peaks & valleys should not be reduced to business cycles. (War, land booms, ...)

(ii) Thus the presentation of their actual analysis has to distinguish between

- Trotskyian notion that cycle is not important in itself: "vibrations on a string"

- Trotskyian notion that down phase is in a moment which leads them to look hopefully at every "critical" event as signalling the ~~set to~~ start of down phase

Their appropriation of Trotsky is vulgar. What is conjunctural in Trotsky, an estimate of probabilities, becomes dogma in their case.



SWP: Revisions

5/2/86

(iii) Necessity / Possibility

- Cycle is necessary. But not all ups & downs are cycles, & not all fluctuations are necessary. Hence their concrete focus ~~on~~ (Roberts) on the determination of actual events.
- Long phase is a possibility theory, because even though any given set of expansionary factors necessarily peters out, ~~there is no objection~~ it is still possible that a new set ~~more~~ expansionary factors can arrive in time to create sustain the long phase

(iv) Ups, Downs, Cycles & Crises

- We have to distinguish, & maintain distinction, between ~~the~~ medium run fluctuations, business cycles, & long phases.



SWP: Revisions

3. Eco & Politics

— Influence of Eco. theory is often an unconscious (or at least unspoken) one. Thus we are not saying that they were necessarily conscious of the links, of the ~~the~~ weight of theories

— Why is an attack on working class a way towards recovery? Why is strength of workers a block?

This has to be made part of ~~initial~~ first section of book

- wages & link to SNV, ROP
- \* — wages, invest. & effectiveness



# OUTLINE OF MANDEL'S ARGUMENT

~~SWP REVISED CHAPTER OUTLINE~~

K. KAZANAS

2/18/86

## A. INTRODUCTION

1. Begin with reference to Trotsky's Third Party Congress speech (1921)--> necessity of business cycles but virtual impossibility of secular recovery due mainly to working class radicalization, i.e., 1914 marked the beginning of the long decline of capitalist system.

Parallel this to Cannon's American Theses (1947)--> WWII was a temporary boost in the long slide since 1929, and secular recovery unlikely due to workers' strength.

Also parallel to Mandel's pessimism for the likelihood of a 1950s/1960s-type recovery in the foreseeable future. (may need to be qualified; Cf Mandel's latest articles in International Viewpoint)

2. Central question, then as now: how to understand the system's necessary tendency to crisis and the conditions under which capitalist "stabilization" can occur; significance of this to revolutionary struggle.
3. This was the framework of the historic debates among the Soviet Marxists out of which the Left Opposition and eventually the Fourth International emerged.
4. (Very briefly) SWP US relation to the Fourth International and the analytical traditions (both economic and political) of Trotsky and Mandel.

Contemporary significance of Mandel in reviving Marxist analysis on the basis of Marx's value theory.

Introduce the Americans--> Cannon; Roberts; Gottlieb; Barnes; Jenness. Assert the connections between the Americans and the Trotsky-Mandel framework and emphasize the continuity.

5. (Assert briefly, to be developed in the text) The analysis of the SWP argues a "50% necessity theory": there is an inherent tendency to crisis generated by the inner logic of accumulation, but only the possibility of a secular recovery.

(Assert) This theoretical gap derives from the Trotsky-Mandel framework and is reproduced in the SWP analyses.

(Assert) Secular recovery rests on essentially two



contingencies: defeating the working class ( $\wedge$  s/v), and on a significant extension of the market (aggregate demand).

Hence the central importance of the "crisis in proletarian leadership" and the programmatic emphasis on the building of the vanguard party. Note the view that the capitalist state is incapable of resolving the crisis or providing the means for a transition.

B. TROTSKY-MANDEL FRAMEWORK OF ANALYSIS OF GENERAL CRISIS AND THE RELATION BETWEEN THE BUSINESS CYCLE AND SECULAR TREND OF CAPITAL ACCUMULATION

1. Internal logic and external factors: the basic dichotomization; developed by Trotsky to distinguish the cycle from the trend of accumulation.

Trotsky's "basic curve of capitalist development"; no internal regulation; no specific reference to relation to movements in the general rate of profit; instead, a general reference to relation of these "basic curves" to overall conditions of profitability affected by external factors conducive to growth.

2. Mandel's contribution---> suggesting the basis for relating business cycle and secular trend (i.e., inner logic to external factors) is through the analysis of the movement of the average rate of profit and its determinants. Cf. Day's NLR article.

Mandel's analysis of the business cycle--- (as expressed in both the "Introduction" to Vol. III of Capital and The Second Slump):

- a. rejects "monocausal" explanations of cycle and offers instead a synthesized version of three major strands: disproportionality theory, over-production theory, and over-accumulation theory. Mandel attempts to relate all three to the tendency for the rate of profit to fall.

b. Description:

- i. In a boom, demand is greater than supply.
- ii. Bottlenecks develop in Dept. I (less

Is recent  
completion of  
Chen's?

elasticity of supply than in Dept. II).

iii. Investment will tend to flow faster into Dept. I than II resulting in an uneven development between Departments.

--->tendency to [disproportionality]

iv. At some point in the boom, two phenomena occur:

'--the additional means of production enter into production and vastly expand capacity in both Departments.

--But because of high rates of profit and investment, real wages and capitalist consumption could not have expanded in the same proportion as expanded capacity.

-->tendency to [overproduction] in Dept. II

"--Expansion of capacity--> ^ c/v --> falling rate of profit, since in the boom, s/v cannot rise in the same proportion as c/v.  
-->tendency to [overaccumulation]

v. Over-production spreads from Dept. II to I

vi. Sharp cuts in investment

vii. Expansion of credit may postpone the crash and even conceal it; shift from a boom to an overheated economy.

viii. Disproportionality shifts from over-extension to underdevelopment of Dept. I (paradox of growth)

ix. Investment rate falls faster than current output.

x. Crash followed by: --collapse of prices  
--decline in output & N  
--devalorization of K  
--bankruptcies

These provide the preconditions for a cyclical upturn in the rate of profit the strength of which depends upon the extent of the devalorization of capital and defeat of the working class (rising s/v).

xi. Economic intervention of the State cannot alter this logic, but merely the timing and



forms of its appearance. The State meets the "uncontrolable" character of the cycle in the necessity to provide the conjoint factors of an ever-expanding market and significant increase in the rate of profit. (LC, p. 556) In its attempts to provide these stimuli, the effect has been to push the system to chronic and permanent inflation. (debt expansion and militarization).

c. Relation of the cycle to the "long wave" in Mandel

- i. No direct and immediate regulating mechanism of the "long wave" to be found in the dynamic of the business cycle.
- ii. The external factors that trigger the "long wave" are conjunctural and provide no basis for the periodicity of the "long wave".
- iii. His conclusion: there is no reason to deny that the movement of the "long wave" is closely correlated with the movements of the rate of profit "which is by its nature a synthetic expression of all the changes to which capital is subject..." (LC p. 133)

d. Critique

- i. Mandel's representation of relation between business cycle and "long wave" --- see Figures 1-3 next page.  
Explain the demarcation line indicates the turning point in the trend (the switch from a long wave tending towards expansion to one tending toward stagnation and decline.) The turning point also marks a qualitative change in the character of the business cycle: from those with steeper peaks/shallower troughs in the expansion phase to shallower peaks/deeper troughs in the phase of stagnation and decline.
- ii. Problems:  
--Mandel conflates two levels of determination of the business cycle: the rate of profit as he argues it (value rate of profit) has secular determinants yet the overproduction aspect of his analysis (which is based on supply/demand fluctuations) is abstracted from. By basing his analysis of the determinants of the



business cycle on the value rate of profit, Mandel, in effect, assumes normal capacity utilization.

--The inadequacy of basing the analysis of the business cycle on the determinants of the value rate of profit (instead of the realized rate): also implies that unless the increase in  $s/v$  outstrips the growth of  $c/v$ , there would be no business cycle; likewise, if the value rate of profit rose slowly or stayed the same. There is no intrinsic necessity for this to occur.

--Because Mandel is so well-grounded in the phenomena of crisis, he recognizes and describes what he does not explain analytically. There is no place in his discussion of the distinction between these two analytical levels and their separate determinants. It is precisely this duality which enriches his work and yet frustrates his conclusions.

--Central problem remains unanswered: How do we understand the relation between supply and demand in the business cycle and its relation to the rate of profit, investment and credit expansion? By what mechanism is demand growth self-limiting?

--Mandel is not alone: this is the universal problem of both Marxist and orthodox analyses.

iii. Conditions for secular recovery: "Only when specific conditions permit a steep rise in the average rate of profit and a significant extension of the market will investment activity take possession of the technical discoveries capable of revolutionizing the whole of industry and thus bring about a long-term expansionary tendency in the accumulation of capital..." (LC, pp. 144-45) The likelihood that this will occur depends on the extent of devalorization of capital and the degree of militancy among workers.

iv. Raises to central importance class struggle as a key determinant of recovery or demise.



BASIC <sup>Outline</sup> ~~FRAMEWORK~~ <sup>of</sup> ~~FOR~~ SWP

2/18/86

1. Basic framework for SWP is:

→ TROTSKY ↔ debate with Kondratieff

- ① External causes of long upward trend (basic curve of capitalist development)
- ② Inevitability of drying up of external causes
- ③ Necessity of defeat of working class in order to get a recovery (↔  $s/v \uparrow$  as nec.)
- ④ Inevitability of workers class strengthening  
→ increasing likelihood that period of long decline has been entered into

→ Cannon → Trotsky's increasing likelihood of long decline of capitalism becomes impossibility of recovery, "permanent crisis" as extrapolation of 1930-1946 history

→ Barnes → imminence of revolution, non-reversing radicalization of workers based on alienation & misallocation [even though reality is a conservative U.S. working class in a ~~strong~~ long boom] [↔ shifts in political positions]



# ~~Foreign~~ Outline

2/18/86

- Roberts / Gottlieb <sup>in U.S.</sup> (see Kathy's outline, 2/18/86)  
(See attached sheets <sup>pp. 6, 7</sup>)
- [Reflected also in Europe in Mandel I - II.  
However, recent Mandel will be treated  
in section on FRDP, because he  
makes a qualitative leap when  
he makes ROP the central variable  
- even though some elements of Trotsky  
tradition <sup>remain important</sup> are retained.

*Kater Mandel*



## SWP

- v. Summing-up---> Credit Mandel with having revived the classical Marxist tradition of basing analysis on laws of motion of capital as a means by which to understand the actual historical/empirical patterns of capital accumulation.

--Incompleteness reflects more the years of neglect and theoretical isolation.

--Credit him, and others who use the Trotsky-Mandel framework with being able to anticipate the turning point in the world economy.

### C. DICK ROBERTS: CAPITALISM IN CRISIS

1. Turning point in the 1970s inevitable (C in C, p. 86)
2. Long wave of expansion had run out of steam.
3. Nixon's New Economic Policy (Aug. 1971) was the "turning point within the turning point", i.e. that as the growth factors began to peter out, the logic of accumulation required that growth be squeezed out by "taking the high road in trade and financial warfare internationally, and by keeping workers and real wages in line at home." Coupled with monopoly power, the overall effect was the cyclical upturn of 1972-73 and rising global inflation.
4. Points to central problem: cannot build a lasting recovery (even artificially) without the continuous expansion of productive investment. This did not occur, hence the 1974-75 recession and turning point to secular decline.
5. Roberts does not attempt to draw relation between business cycle and trend of accumulation; instead, focuses on those conditions which would offset the FROP: i.e., how to raise  $s/v$  faster than the rise in  $c/v$ .
6. Attention shifts to necessity to raise rate of exploitation and workers' struggles as the crux of the matter. Point to these as the conjunctural limits to accumulation and the incompleteness of this analysis as a necessity theory in the same way we argued the basic framework.
7. Incapacity of the State to intervene effectively to bring about recovery---limited by its own inflationary



effects and rising militancy and expectations of the working class. Significant point here is that the "solution" to the crisis comes not through the capitalist state, but through class struggle.

D. WILLIAM GOTTLIEB

1. Introduce Gottlieb similarly: saw the turning point, declared it a necessary outcome of the inner logic of capital--- however, bust is necessary, boom is conjunctural.
2. Focus of analysis shifts and narrows regarding the explanation of the phenomena at the time Gottlieb is writing: early 1980s, massive gluts in major markets indicates to Gottlieb the need to emphasize overproduction/underconsumption argument in the framework; problem becomes one of explaining limits to the growth of demand: rising unit costs in labor and MOP, average price level rises (implying that at some point that the rate of growth of inflation necessarily outstrips the rate of decline in unit costs that increased productivity growth in the boom affords to capital.) But this is not necessarily so; shrinking availability of credit.
3. Attempts to mediate the cycle through state intervention in the money supply or through deficit financing prove less and less effective.
4. Focus then shifts to capital's last resort: attack on the working class.

D. End by showing consistency with Trotsky-Mandel

1. Overall logic: business cycle and trend
2. necessity of bust/possibility of boom
3. defeat of the working class is key to the boom and not through state intervention.
4. Point out the consistency and continuity (including gaps) with the analytical framework coming from Trotsky and Mandel.

E. POLITICAL PROGRAM AND STRATEGIES OF THE SWP



# Socialist leader speaks on U.S., world politics

BY DOUG JENNESS

NEW YORK — The Militant Labor Forum here heard Jack Barnes, national secretary of the Socialist Workers Party, speak on December 19 on changes in world politics today and the relationship of these changes to shifts in capitalist development.

Members of the Young Socialist Alliance National Committee, who were in town for a two-day meeting, helped swell the crowd of nearly 300. The New York YSA cosponsored the forum and brought many young people. In addition, revolutionary-minded workers from the New York metropolitan area attended.

Barnes began by noting that newspaper and television coverage of international and national events — from the presidential primary races to the stock market crash to the summit meeting between Soviet leader Mikhail Gorbachev and President Ronald Reagan — is presented as if everyone in the United States had the same economic, political, and social interests.

"There is no collection of people that is the United States of America," Barnes said. "There are those who benefit from exploitation of working people in the United States, who compete on the world market, who make decisions about war, and oppress the colonial peoples. But that's *them*; not *us*."

The interests of the exploiters, Barnes explained, are diametrically opposed to those of working people. "We must avoid the trap of thinking of 'we'; rather, we should think of 'us' and 'them.' How much of humanity is going to be dragged down by a devastating social crisis and increasing dependence on our understanding of this and developing our own political alternatives."

This is the standpoint, Barnes emphasized from which to look at the difficulties and limits of the capitalist rulers, as well as the successes they've scored. And for judging what working people face and should do.

## Suited the rulers' needs

For the past seven years, the SWP leader said, Reagan's administration has suited the needs of the capitalist rulers. It has conducted a fundamentally bipartisan course

in foreign and domestic policy. Barnes reviewed the problems the U.S. ruling families faced going into the 1980s and the Reagan administration's attempts to resolve them.

On the economic plane, the results of the erosion of the de facto U.S. industrial monopoly in the capitalist world had become apparent by the early 1970s. Price competition became more dominant and has continued to intensify. This has led to a lowering of the capitalists' rate of profits relative to their massive investments. This points to their need to find new avenues of expansion and capital accumulation, he said.

Barnes noted that the crisis was expressed in the 1974-75 recession, the first that was worldwide in scope since 1937-38. This was followed by double-digit inflation, long lines at gas stations as a result of an oil crisis, and the 1981-82 recession, which was deeper in the United States than the previous one. All this clearly showed a shift in the curve of capitalist development, he said.

Internationally, Barnes said, powerful social revolutions of workers and peasants in 1979 toppled the tyrannies in Iran, Nicaragua, and Grenada, and the U.S. imperialists began efforts to try to destabilize and, if possible, overthrow the new governments.

When Reagan was a candidate in 1980, Barnes said, he promised to do three things if elected: cut taxes, increase military expenditures, and slash the federal budget.

The administration, with firm bipartisan congressional majorities, kept the first two promises: it cut taxes, although making the tax structure as a whole much more regressive, and it jacked up the military budget "more than any country has ever done in 'peacetime,'" Barnes noted.

## 'Sharp limits'

But it was unable to win a majority to take the necessary steps to slash the budget. "There were sharp limits on what the rulers could do", Barnes said. "Most working people today believe that they have the right to government-financed assistance when they are out of work — due to injury, handicap, layoff, or age — rather than being dependent on charity. This is

very different from the situation workers faced as they entered the depression of the 1930s."

This goes along with other changes in expectations, Barnes added. There are the conquests won through the Black freedom struggle, which have given Blacks more self-confidence and have won greater acceptance from whites that Blacks are due equal treatment under the law. This is also true for women, Barnes noted.

Moreover, growing hatred for nuclear weapons and nuclear power and their deadly wastes, as well as growing opposition to environmental destruction are elements that have become a powerful material force in politics today.

So, instead of cutting the budget, expenditures increased. What the capitalists did, Barnes said, to stave off skyrocketing inflation as a result of this massive government spending was to sell bonds in order to "borrow abroad like no other dominant imperialist government has ever done.

"This 'worked' to a point," he said, "at the expense of imperialist competitors. And not only did the U.S. capitalists borrow, they lent to the semicolonial countries, and the result was the growth of massive assets. But as the inability of these countries to pay their debts gets more sharply posed, this could turn into a banking crisis."

The debt of the oppressed countries to U.S. bankers is not a problem for the banks — as long as they can count on the interest. In fact, "banks are in business to create and increase debts," Barnes explained. "It's not like when you and I lend money to a coworker; we hope to end their indebtedness as soon as possible. But debts, until they go bad, are a bank's wealth."

## Antilabor offensive

The second thing the employing class did to deal with its problems, Barnes said, was to take on the trade union movement. "But this was not a direct union-busting operation by the government — it was by and large carried out by the employers. The smashing of the air traffic controllers' union by the White House was the main exception to this. It was like beating on a big kettledrum, signaling that the bosses' offensive was on and the government wouldn't stand in the way."

The employers took advantage of "the years of accumulated weaknesses of the trade union leadership," he said.

The basic response of the union officialdom was to encourage the notion that workers and bosses are a "we." They foisted the idea on the workers that each union "should look out for itself and to hell with everyone else," Barnes explained. "Their main demand has been for tariffs to protect 'our' industries. This policy left the trade unions without protection."

This was a union policy to "save our jobs" and not a social policy to fight for jobs for the working class. But even the bureaucrats' "job security" line was actually only talk, because the only way to save anyone's job is to fight for jobs for all.

The result of the officialdom's approach was a rout, in which the unions turned in on themselves and voted for big cutbacks on their members. "It was a rout — not a defeat that comes from being beaten in battles," Barnes said.

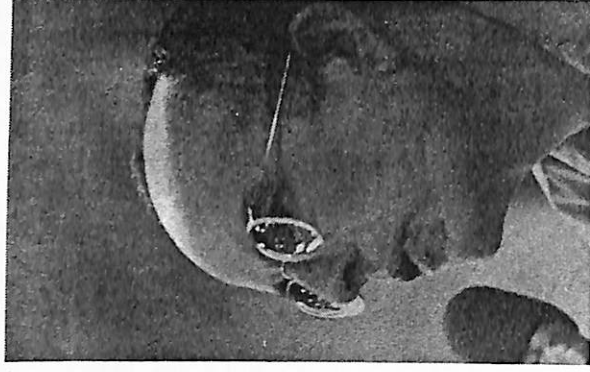
Through this offensive, the employing class reorganized the work process in manufacturing. In general, however, they didn't make massive investments in new machinery. They increased their profits, but they aren't getting the increased profit rates they had anticipated.

This period, Barnes noted, has been good for big business, professional lawyers, and better-off sections of the working class.

At the same time, he pointed out, there has been a deterioration of the entire infrastructure of the economy, including transportation, social services, and education.

Moreover, wages, working conditions, and living standards of most working people have suffered.

Barnes also pointed out that working farmers are suffering their biggest depression since the 1930's.



Miliam/Holbrook Main  
Socialist Workers Party National Secretary Jack Barnes.

In addition, capitalism keeps reproducing a pauperized layer — a section of the population that suffers the devastation of long-term unemployment and loss of land or homes.

## Not opposed by Democrats

Barnes noted that the initiatives of the Reagan administration in both foreign and domestic policy have not been opposed by the Democrats. This marks the Democratic Party contest for selecting a presidential candidate for the 1988 election.

"The problem isn't that the Democrats can't come up with a suitable candidate," he said. "Any one of those in the Democratic race are as qualified to serve as president and carry out the ruling families' bidding as anybody who has ever been in the White House."

Their problem, he said, is that "the ruling class, or any substantial wing of it, has not decided on a different course than the one carried out for the last seven years."

Barnes drew a balance sheet of these bipartisan policies. They've been successful, he said, in pouring a naval fleet into the Persian Gulf war; of getting the Arab League to put criticism of Iran at the center of its discussions, rather than aid to the Palestinians; of keeping up the brutal pressures on Vietnam, Laos, and Kampuchea; of making Nicaragua pay a huge price for not bowing to Washington's dictates; of helping the South African regime devastate Angola; and of reorganizing capitalist production, which led to a profit bonanza.

At the same time, however, Barnes said, "they have been unable to defeat Nicaragua. They haven't succeeded in their goals. And just as the Arab League was putting Palestine on the back burner, the biggest Palestinian revolt in history was breaking out in the areas occupied by Israel. And the Angolans don't stop fighting, and the Cuban troops don't leave."

Moreover, Barnes said, the restructuring of industry and the superprofits from the debt peonage of the Third World do not offer an adequate basis for qualitatively accelerating capital expansion and accumulation.

Historically, Barnes explained, there have been three sources of superprofits: direct expropriation of farmers and handicraft workers or entire backward regions; direct extraction of wealth from colonies and semicolonies; and monopoly pricing, especially following World War II, which indirectly shifted wealth to the industrially advanced countries. But there is no new source today. Collection of interest on massive debts is not a new source.

The growing difficulty of the debtor nations to pay their debts and the spectre of a banking crisis as the result of the collapse of the debt structure is evidence that this is the case.

When the rate of exchange between the Mexican peso and the U.S. dollar has gone from 26 to 2,350 in the last five years and real wages in Mexico have been devastated (US\$5.50 per day in 1980 to \$2.50 per day in 1987), it should help convince us of this," Barnes explained where the October 19 stock market crash fits into this picture. The crash occurred not in spite of the real economy, but as part of the real economy

Continued on next page



Lenin (center) with delegates to Communist International congress

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# Socialist view of world economy, politics

Continued from previous page and because of its growing contradictions. "The stock market is one significant arena where the ability of capitalist production to keep up with the accumulation of capital is expressed and social crises are often first registered," he said.

"That's always been the case, and that's what this crash signifies. It means that there's going to be more chaos, sharper convulsions, and that recessions are going to be more severe now. We've also entered a phase of even more intense price competition between the major capitalists of different countries and within each country."

Barnes said that as the crisis accelerates, the capitalist rulers can't launch new wars and pick a big fight with the labor movement at home without moving to curtail political rights and legitimizing the use of executive power.

## Unity needed

As the crisis deepens, working people need unity, Barnes said. "A step in this direction can be made by presenting a program of demands on the government to

protect working people from the ravages of unemployment, inflation, breakdowns, and shortages."

He pointed to the demands that Cuban President Fidel Castro has put forward for a new international ordering of economic and trade relations. This includes canceling the Third World's foreign debt, and eliminating protective tariffs, dumping, quotas, and other measures that maximize unequal trade between the imperialist and oppressed countries. Barnes added that working people should support border agreements that permit complete freedom of travel.

These measures, if carried out, would bring relief to tens of millions of toilers in the countries oppressed by imperialism, he said. This approach doesn't "hold alleviating the devastating effects of the debt burden hostage to the day that we establish workers' and peasants' governments that can lead the transition to socialism," he said. "We should make these demands part of the program we urge unions in this country to adopt today to protect and unite the world working class," Barnes said.

"To unify the working class," he said,

"we must demand affirmative action for Blacks and women and rights for undocumented workers. We don't demand these as 'special rights' for the oppressed, but as needs of the entire working class to unify itself in struggle."

## A winning union strategy?

A serious question-and-answer period followed Barnes' presentation.

In response to the question, "Is there a strategy unions can follow today to win strikes?" Barnes responded that no *trade union* strategy can win. In fact, the notion that it can is "one of the deepest illusions, bred by years of getting 'results' from the employers," he said. "And good tactics aren't enough. Fighting workers must look beyond their union and see their unions as part of the world and of the working class as a whole."

He cited the example of organizing industrial unions in the 1930s. "This was more than a union movement," he said. "It was a social movement."

The leaders of that movement were pros at tactics and proved this to fighting workers. But they did this as part of the world communist movement with an international view and strategy, not with a narrow union mentality.

Another participant asked what the basis is for workers identifying with the homeless, the unemployed, or what is called the underclass.

"Because they are us," Barnes replied. "If for a minute we stop looking at the 'homeless' and 'unemployed' as categories, but think about this question from the standpoint of the working class, we can see that we are all workers facing various conditions." They are fellow workers who are out of work or who have been kicked out of their homes, he said.

These categories will seem less fixed as the crisis deepens and more workers lose their jobs and homes.

Another questioner noted that the United States has a bigger debt than any of the countries in Latin America. She noted that Barnes had pointed to Fidel Castro's demand to cancel the foreign debt of Latin American countries. She asked what the



Homeless and unemployed are part of working class, Barnes said. "We are all workers facing various conditions."

difference between these debts is.

Barnes explained that debts are not a "thing" but a social relation between people. The debt of an oppressor country such as the United States has an opposite meaning to that of the debts of countries oppressed by imperialism. "The strength of the U.S. economy, the relation of its debt to its total assets, to its ability to export, and to its ability to use economic and military threats against other countries makes the U.S. debt very different."

The U.S. debt is not a vehicle, he said, for the exploitation of the United States by German and Japanese capitalists.

Barnes concluded his talk by addressing the many young people in the audience. He noted that youth have an important advantage in understanding the big economic and political developments today because they can link up with the continuity of the revolutionary workers' movement. But at the same time, they don't live in the past and aren't burdened with trying to relieve it.

He said the best way they can understand and act on these ideas is to join the Socialist Workers Party.

## Victims of FBI spies say gov't must pay suit costs

BY HARRY RING

NEW YORK — Lawyers for the Socialist Workers Party and Young Socialist Alliance filed an application for attorneys' fees and expenses incurred while representing the two organizations in their successful suit against the government for illegal victimization.

The application was based on an August 1986 decision by federal Judge Thomas Greisa finding that the FBI and other government police agencies had violated the constitutional rights of the two organizations. He awarded them \$264,000 in damages.

In August 1987 Greisa issued an injunction prohibiting the government from utilizing illegally obtained information in its files about the organizations and their members.

Illegal government methods included break-ins and burglaries of SWP and YSA headquarters, planting of informers in the organizations, and wiretapping and buggering.

The application for attorneys fees is based on statutes providing for this where a plaintiff in a suit prevails over the government and where it is established that the

government's wrongdoing was a "bad faith" violation of the law.

A brief filed with the court December 7 noted that for several years after the damage suit was undertaken in 1973, the government tried to conceal that it had burglarized SWP and YSA offices. Government officials falsely deny this had been done.

False testimony was also given about government efforts to illegally disrupt the two organizations.

Another cited example of bad faith was that on order of the U.S. attorney general, the government defied a court order to produce certain files in court.

The team of lawyers who have worked on the case is headed by the noted constitutional authority Leonard Boudin.

For the past 14 years, winning political and financial support for the suit has been conducted by the Political Rights Defense Fund, which is now preparing for the next stage of the fight, an anticipated government appeal of the verdict against it.

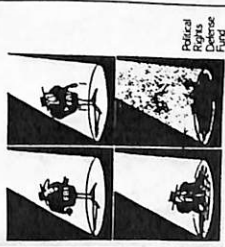
A final judgment in the case was issued by Judge Greisa November 5. The government had 60 days from that date to file its appeal.

## Join the fight for democratic rights

Help the Political Rights Defense Fund protect the Bill of Rights. Support the suit brought by the Socialist Workers Party and Young Socialist Alliance against government spying.

### A Fight for Political Rights

United States Government Spying and Oppression



### DECISION:

Government spying and disruption are unconstitutional and illegal

Complete text of Judge Thomas Greisa's August 1986 decision in Socialist Workers Party v. FBI lawsuit, plus text of his injunction barring use of FBI files.

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Send to: Political Rights Defense Fund, P.O. Box 649, Cooper Station, NY, NY 10003

## Canada union gains in safety fight

BY MONICA JONES AND LARRY JOHNSTON

TORONTO, Canada — McDonnell Douglas Canada has been forced to make concessions to union demands for improvements in health and safety at its plant here, after workers brought production to a standstill by exercising their right to refuse to work under unsafe conditions. That right is recognized under the health and safety laws of Ontario Province.

The job action followed a November 13 report by the Ontario Ministry of Labour. The report confirmed what McDonnell Douglas workers have known for years: "Safety and healthy work practices appear to take second place to production requirements as opposed to being part and parcel of any procedures."

The company was cited for more than 200 infractions of Ontario's Occupational Health and Safety Act.

The ministry had inspected the plant in September in response to a complaint by the Canadian Auto Workers (CAW).

CAW Local 1967, which organizes the 3,500 aerospace workers at the plant, responded to the report November 18 by distributing a leaflet at the plant gate summarizing its facts and conclusions. That day hundreds of workers refused to work under the unsafe conditions and by the next day production had effectively been halted.

The workers reported to their foreman each shift, but refused to perform assignments because unsafe conditions prevailed. Unionists occupied the company cafeteria and conference rooms.

The plant manufactures the wings and tail section for MD-80 aircraft.

Greg Brash, a maintenance worker since 1978, told the *Militant* that poor ventilation was a prime concern. The government report called it "a mess."

Workers breathe aluminum dust, which can cause lung fibrosis and has been associated with Alzheimer's disease. The

paint being used contains dioxin and cyanide. The main cleaning solution is trichloroethylene, suspected of causing damage to the central nervous system.

The workers began to return to their jobs at the end of November, under an agreement negotiated by the union, company, and Ontario Ministry of Labour.

Mike Gilbert, who chairs the union's Political Action Committee, told the *Militant* that each department is involved in a group interview where all the complaints are aired at once. Completion dates for resolving the problems will then be set.

Things such as faulty stands are to be repaired immediately. Workers will be using respirators until proper ventilation is in place. Plans for the ventilation system are to be presented to the union and the ministry of labour by January 10, at which time a completion date will be set.

The company also agreed to pay all workers for lost time due to the work stoppage.

The Ontario Federation of Labour, the provincewide body representing 677,000 workers, threw its support behind the action in an emergency resolution adopted at its convention. The convention was held during the second week of the stoppage.

"To all those who died because they worked at McDonnell Douglas," CAW Local 1967 leader Dan McNeill declared at the convention, "we are sorry that we didn't start this fight sooner."

Of the 2,700 workers who have retired from McDonnell Douglas Canada during the last 15 years, only 700 are still alive. The Ontario Workers Health Centre found that 25 percent of current workers have respiratory abnormalities and high aluminum levels in blood and urine.

Mike Gilbert told the *Militant*, "Now that people are going back to work, the fight will begin to make sure that the completion dates on improvements are lived up to."



# International Socialist Review

Supplement to the Militant

March 1988

## Communists discuss world politics, Cuba, perspectives in Britain

BY DOUG JENNESS

LONDON — Nearly 160 delegates and visitors participated in a conference of the Communist League of Britain here January 30–February 1. They met to discuss the growing economic crisis of capitalism and its relation to the pattern of world revolution, advances in the Cuban revolution, and the political situation in Britain and perspectives for communists in that country.

The gathering discussed a report by Mary-Alice Waters on the place of the Cuban revolution in world politics today. Waters is an editor of *New Internationalist*, a magazine of Marxist politics and theory. She is also a leader of the Socialist Workers Party in the United States.

Jack Barnes, a contributor to *New Internationalist* and the national secretary of the SWP in the United States, presented a report on what the October stock market crash reveals about the capitalist economic crisis and the political implications of this crisis for the international class struggle.

Brian Grogan presented a report on the political situation in Britain and the perspectives of the Communist League. Grogan is a leader of the Communist League who has been active in the workers' movement in Britain for two decades and the author of "The Working-Class Road to Peace," which appeared in the winter 1983–84 *New Internationalist*. His presentation was followed by a report on the proposed financial campaigns of the league and election of a central committee.

Each of these reports was adopted by the delegates following extensive discussion.

Nineteen guests from Burkina Faso, Canada, Colombia, France, Iceland, Spain, Sweden, and the United States attended. Many of these guests responded to an invitation to speak on the political questions under discussion.

Greetings were presented from representatives of the Revolutionary Workers League in Canada, Militant Socialist Organization in Iceland, and SWP and Young Socialist Alliance in the United States.

Messages were read from the Socialist Action League in New Zealand and from David Deutschmann, editor of *Che Guevara* and the *Cuban Revolution* (Pathfinder/Pacific and Asia, Sydney, 1987).

Deutschmann noted, "Many of you played a major part in the building and the successful launching in London of the new Pathfinder title *Che Guevara and the Cuban Revolution*. Your launching, one of a series held in several countries, has helped to make available the political ideas of one of the outstanding Marxists of this century, and

aided all of us in understanding the deepening process of the Cuban revolution."

### 'Turning point in Cuban revolution'

Waters opened her report by noting that "1987 represented a turning point in the Cuban revolution." The kind of advances taking place in Cuba today, she said, were appropriately symbolized by the opening of 54 new child-care centers in 1987 in the city of Havana alone. The new facilities were all built by volunteer work brigades. Everyone, from students and retired people to doctors and construction workers, is participating in the brigades. This has been the response of the Cuban people to efforts of the Cuban Communist Party to create the resources necessary to solve a number of pressing social needs.

Waters said that Cuban President Fidel Castro's description of the process currently under way in Cuba as a "revolution within the revolution" captures what is taking place there. "The masses have rediscovered what they are capable of," Castro told a gathering of economists from Latin America and the Caribbean in November. And that is the heart of what is taking place in Cuba today," Waters said.

"The Cuban leadership is correcting mistaken policies that have tended to demobilize people's creative energies and obstruct collective action to solve problems such as the housing crisis or child-care needs."

Cuban Communist Party leaders have noted that they were moving in a mistaken direction for a number of years, Waters explained. People were starting to believe that socialism would develop automatically, that it was only a matter of perfecting a mechanism for economic planning and management. "Today the Cuban leaders are emphasizing how erroneous such a concept is," Waters said. "Building socialism is above all a political task of the workers and farmers, they say, a question of developing communist consciousness and a communist leadership. And that is what they are striving to do in Cuba today in a qualitatively new way."

Along this line, the Cuban leaders are rejecting the argument that the only way to mobilize the creative energies and productive capacities of working people is through the use of capitalist market mechanisms and by accepting — even promoting — growing social and economic inequalities among working people. They are insisting and showing in practice that the opposite is not only possible, but the only road toward socialism and communism.

As Castro put it in his speech last October on the 20th



G.M. Cookson  
On London picket line during February Ford workers' strike. Nurses have also been prominent in struggle demanding more public health-care funds.

anniversary of the murder of the great Argentine-born Cuban revolutionary Che Guevara, anyone who thinks that "man is an incorrigible little animal, capable of advancing only if you feed him grass, tempt him with a carrot, or beat him with a stick" will never be a revolutionary, never be a communist.

Waters explained that many of the problems today being discussed in Cuba, and on which important steps are now being taken, are not new. Growing income differentials, falling productivity, shoddy quality, bureaucratic indifference to people's real needs — such as child care and housing — are trends that had been developing for a decade or more and that had often been addressed by party leaders in the past.

"But the source of these problems is understood more deeply and broadly today," Waters commented, "and the road to solving them through the revolutionary mobilization of the Cuban people is producing a revitalization of revolutionary determination and deepening politicization." As Castro said recently, it is a proletarian spirit that is coming to the fore Cuba today.

### Cuba as part of the world

Waters noted that she is often asked why the process of rectification was not begun earlier if Cuban leaders were aware that problems and abuses had been developing for many years. "The most important thing is to place Cuba in the world," she noted. "Without that you can't even ask the right questions. The Cuban revolution does not exist in a vacuum."

More than anything else, she explained, "it has been the impact of the revolutionary advances in Central America and the Caribbean, especially the 1979 victories in Grenada and Nicaragua, that have made possible a new deepening of the revolution in Cuba as well."

The victory of the Cuban revolution in 1959, Waters noted, gave impetus to a revolutionary upsurge throughout the Americas. From the outset, the Cuban leadership counted on and helped to advance these struggles of the workers and peasants. Beginning in the late 1960s, however, especially after the murder of Che Guevara in Bolivia in 1967, the revolutionary tide ebbed. Despite continuing courageous struggles by small groups in a number of countries, defeats and reaction held sway in Latin America throughout the 1970s. "It was a period of severe isolation for Cuba," said Waters. "As the Cuban leaders themselves have noted, it was the national liberation war in Vietnam that bought time for Cuba. The attempt to crush the Vietnamese people absorbed the resources and attention of U.S. imperialism long enough

Session of January 30–February 1 conference in London of Communist League of Britain, which discussed growing economic crisis of capitalism and its relation to world pattern of revolution.



G.M. Cookson

Continued on next page



Continued from previous page

for Cuba to catch its breath and consolidate its gains." The defeat of the American empire in Vietnam and the crumbling of the Portuguese empire in Africa in the mid-1970s altered Cuba's isolation. The participation of tens of thousands of Cuban volunteers in the successful Angolan effort to beat back the 1975 South African invasion of Angola was a highpoint of internationalism and commitment. And Cuba's role in Angola continues to be an example of proletarian internationalism for the whole world.

### Victories in 1979

But the big change for Cuba came in 1979 with the victory of the Nicaraguan and Grenada revolutions. Waters said this was graphically expressed at the July 26 rally in Cuba that year — one week after the overthrow of the Somoza tyrannical government in Nicaragua — when representatives of the new Sandinista government joined Fidel on the platform. A few months later, at a mass rally with both Sandinista leader Daniel Ortega and Grenadian Prime Minister Maurice Bishop present, Castro spoke of Nicaragua, Grenada, and Cuba as the "three giants" rising up on the doorstep of U.S. imperialism. The Cuban revolution was no longer alone.

Two months later Castro assumed the chairmanship of the Movement of Nonaligned Countries for three years. Cuba used this opportunity well, to defend the interests of the underdeveloped countries against imperialist exploitation, and further eroded the U.S. policy of trying to isolate Cuba internationally. When Castro spoke before the nonaligned movement in October 1979, he genuinely did speak on behalf of the "children of the world who don't even have a piece of bread."

Waters explained how the Cuban people responded over the past nine years to the revolutionary gains in Central America and the Caribbean. This has included the millions-strong Marches of the Fighting People and the establishment of the Territorial Troop Militia in 1980; the hundreds of thousands of teachers, doctors, and others who volunteered to take internationalist assignments in Nicaragua, Grenada, Angola, Ethiopia, Indochina, or wherever else they were needed; and now the process of rectification that grows out of these experiences and their impact on the Cuban people.

At the forefront of the rectification process, Waters said, are the volunteer work brigades that are building child-care centers, housing, clinics, schools, swimming pools, bakeries, roads, dams, and other socially needed facilities. "Nothing captures better what is happening today," she said. Conscious men and women are confidently organizing themselves to collectively solve their most pressing problems through their own free and voluntary labor — problems that bureaucratically minded planners and technocrats told them could not be solved because there were no resources."

The Cuban people have responded to the lead given by the Cuban Communist Party, Waters said. They have declared to the world, "We will create the resources necessary from our own soil, through our own labor."

Despite the fact that Cuba, like other underdeveloped countries, is feeling the effects of the world imperialist crisis, Waters noted, the Cuban people are not retreating but continue to move forward.

They are bringing to life things that Marx, Engels, Lenin, and Che Guevara explained about the place of volunteer labor in the transition to socialism and communism, Waters said. They are setting a new political example for communists around the world. The Cuban leadership is today urging everyone to read and study Che's writings on these questions. "Bringing Che to the fore today is a trumpet blast," she commented, "indicating the direction of the revolution."

Waters also noted that the new steps forward in Cuba have not been accomplished without substantial and continuing resistance. In a speech on November 29 of last year, Castro took up the reactionary views of those who oppose the new course of the revolution and noted that the Cuban CP was itself being "renovated" in the process. (The full speech is printed in the January 29 *Militant*.) The CP has been renewing itself — deepening its political understanding and strengthening its working-class character, she said.

By consciously promoting Afro-Cubans, women, and young workers through an affirmative action policy it is becoming a more proletarian leadership. Without continuing and deepening that policy the rectification process could not be carried through to the end, Waters noted. Through all of this the Cuban CP is becoming an even more conscious communist leadership and example for all of us to learn from.

### Advances for women in Cuba

During the discussion, several delegates took up the significance of Cuba's achievements in advancing the status of women. One noted that few feminists, however, point to this example.

Waters explained in her summary that this is a very common weakness, even among feminists in Latin America. "Some argue that because a larger number of women play prominent national leadership roles in Nica-

ragua, for example, that is proof that Cuba is behind Nicaragua on the fight for women's liberation." But this is not true, she explained.

Women's liberation cannot be achieved without creating the material foundations for it, and implementing social policies that progressively eliminate the domestic double burden that women bear, and fighting to change the attitudes, habits, and consciousness of women and men. That is a tall order, and history has demonstrated that it cannot be led forward by anything less than a communist leadership, a conscious working-class leadership.

The Cuban revolution has made giant strides in changing the material conditions of life for women and integrating women into the labor force, which is the precondition for women's liberation, Waters noted. She cited Cuba's record on wiping out illiteracy, the level of education attained, and advances in medical care, including contraception and abortion services available to all and infant and maternal mortality rates that are among the lowest in the world.

Massive resources have been devoted to developing child-care facilities and boarding schools and encouraging women to enter the labor force. As a result nearly 40 percent of the labor force today is female.

But as the rectification process is again demonstrating, Waters continued, even these kinds of gains are not enough without conscious leadership. As part of the rectification process, the Cuban Communist Party has been putting the public spotlight on and combatting the reactionary attitudes held by some administrators and economists who think resources should not be devoted to child-care centers, boarding schools, and laundry facilities.

He noted that the 1974-75 recession was the first worldwide one since 1937-38. It was followed by the 1981-82 recession, which was the most devastating one in the United States in 45 years. These two recessions were separated by a brief period in which inflation soared and interest rates reached their highest point in the century.

Barnes explained that the labor movement in the United States was in a rout from 1981 to 1986. "Workers not only began voting themselves wage cuts, but more and more acceded to loss of any control over working conditions," he said. "The actual value of our labor power was driven down, and most importantly, the work process in many plants was reorganized, breaking down safety standards, control over speed of work, and degree of responsibility of each worker for the product," he said.

At the same time, while union membership declined, no major unions were busted, Barnes said, nor were young workers beaten in decisive struggles. "That remains the unresolved question for the employers and one that will be more and more a combined economic and political fight."

### Racial segregation reinforced

During this period, the gap between the unemployment rates of Black and white workers widened. This was not the result of any major defeats in battle or the reversal of the gains of the civil rights movements. But winning equal rights under the law didn't put Blacks in an equal place.

The workings of the capitalist economy in the context of a society with a legacy of racial segregation has led to



The 1979 revolutions in Nicaragua and Grenada helped break isolation of Cuba and open door to rectification process. Above, Nicaraguan leader Daniel Ortega, Grenadian leader Maurice Bishop, and Fidel Castro at 1980 May Day rally in Havana.

ties. They even argue that it is better for a woman to be unemployed than a man.

The Cuban revolution has demonstrated that whatever the level of underdevelopment may be, steps can always be taken to move in the direction of women's liberation. Moreover the Cuban CP is showing the kind of working-class leadership necessary to continue to advance the fight. "The example that has been set by Cuba," Waters concluded, "is a beacon for the entire world. Because of what the Cuban revolution has done and is doing today, the odds are increased that others, including the working people of Nicaragua — and Britain too — will be able to make similar advances in the future."

### Generalized economic crisis

Following the adoption of Waters' report on Cuba and the rectification campaign, Barnes reported on the mounting economic crisis in the capitalist countries and its political implications.

Barnes noted that the crisis had become a practical question for thinking workers. The stock market crash, he said, signaled that "the generalized crisis that is coming will ravage working people throughout the capitalist world. And the devastation that has already hit the colonial world and the pauperized sections of the working-class in the imperialist countries will get even worse."

Barnes briefly reviewed the main developments in the U.S. economy between the early 1970s, when the end of the accelerating post-World War II expansion of capital accumulation became apparent, and the October 1987 stock market plunge.

reinforced segregation in the job market and housing. It has also deepened class differentiation among Blacks.

The result has been the growth of a pauperized sector of the working class that is threatened with rampant homelessness and is victimized by deteriorating health, decreasing educational opportunities, and demoralization. "The problem of being denied even the possibility of a job," Barnes noted, "is much more devastating than being forced to work too hard."

Barnes cautioned that adjectives that describe various social conditions workers face — "homeless," "unemployed," "undocumented," "temporarily employed" — should not be taken as social categories separate from the working class. Uniting the working class requires recognizing fellow workers as fellow workers, not as pariahs, regardless of the situation capitalism has placed them in, he said. This is the only way that workers can see themselves as part of a class and fight with a class-conscious outlook.

### Curve of capitalist development

In looking at the broad sweep of what is happening to capitalism, Barnes described it as a shift in the curve of capitalist development. He said this was a term used in the Communist International in the early 1920s to express the course of economic development — growth of industrial production, foreign trade, etc.

A 1923 article by Leon Trotsky, a representative of the Communist Party of the Soviet Union in the Communist International's leadership, presented an excellent description of this, Barnes said. (See "The Curve of



Capitalist Development" in *Problems of Everyday Life*, Pathfinder, New York, 1973.)

This is better than referring to oscillations, cycles, or other such terms, which to many imply shifts that have an internally lawful regularity. The periodic upturns and downturns in the capitalist business cycle, for example, are largely determined by laws inherent in capitalism.

But broader shifts in the development of capitalist society are determined by the working out of the laws of capitalism in their relation to conditions such as acquisition of new countries and continents by capitalism, the discovery of new natural resources, and such major events as wars and revolutions.

**Falling rate of profit**

In addition to squeezing more surplus value out of workers, Barnes explained, the various capitalists are driven by competition between each other to rationalize production. That is, they introduce new technology and machinery in order to reduce unit costs of their products. They hope this will improve their chances of success in the market.

In this process, however, as each capitalist pursues his own interests, the average rate of profit for the economy as a whole is lowered. Eventually the drop in the profit rate undermines the incentive to expand productive capacity and thus slows down the rate of growth of investments to expand plant and productive capacity.

As the stagnation of capital accumulation develops, Barnes said, "the partial crises of the economy, such as financial crashes and the collapse of major firms, instead of being absorbed and their negative effects bypassed, begin warping the entire mechanism, threatening to bring it down."

Recessions, for example, tend to become more protracted and severe and upturns less stable. Moreover, he said, what can start as a recession in one country can escalate into a deep international economic crisis. Speculative use of money capital under the pressures of declining profit rates further destabilizes the entire world capitalist structure.

Barnes noted that from 1851 to 1873 the curve of development rose sharply. Then from 1873 until 1894 there was a downturn and protracted stagnation, evoking the first use of the term "Great Depression."

Another rise in the curve occurred from the mid-1890s until 1914. Capitalism entered a period of acute crisis **during and immediately after World War I, followed by a temporary stabilization of less than a decade with the defeat of revolutionary openings in Europe following the October 1917 Russian revolution.**

Barnes also cited the Great Depression that began in 1929 as an example of a downward curve, which ended with the onset of World War II and the post-World War II expansion of capital.

"Now we see the same phenomenon that led up to the 1930s," he said. The "long-term rate of profit has declined to the point where accumulation of capital has slowed down, international competition has increased, and the distribution of wealth and income has shifted substantially against working people."

This shift, Barnes said, began to become apparent at the end of the 1960s, but the crisis has become increasingly more severe. "This was shown by the October stock market crash. Far from being extraneous to the basic workings of the capitalist system, the stock market's instability and explosiveness reflect where it's at."

**'No automatic way out'**

The downward curves in capitalist development, Barnes stated, are the inevitable result of the tendency of the rate of profit to fall that's inherent in capitalism. "But there is no automatic way out of it and back up," he said.

The historically wealthy families, Barnes explained, are using banking capital that can't be profitably invested for expansion of machinery and plants to instead buy out other companies or to speculate in the stock market, commodity exchange, and currency trade. They also lend money to countries in the colonial world in order to collect interest — as the bleeding of the great majority of the toilers of the world intensifies. But none of these offer a road out of the decline. They not only are an expression of the crisis, but help deepen the crisis.

Barnes said, up until now the situation can best be described as a "creeping crisis." It is devastating the peoples in the colonial world and reaching into sectors of the working people in the imperialist countries.

But it hasn't become generalized yet. "We don't know the exact forms this will take," Barnes stated. "It's like the quiet before the storm. It's hard to believe that something's actually going to happen, but it's deeply sensed."

**No imperialist replacement**

It's clear that imperialism is in decline, Barnes said. "Nothing can reverse this. And U.S. imperialism has slipped economically relative to its main competitors in Japan and Europe."

"But we can't end there," Barnes continued. "The fact new in history is that there is no capitalist power to step in and replace the declining leader this time. At one time or another since capitalism arose, the Netherlands, Por-

tugal, Spain, France, and Britain were dominant powers or the dominant power in an alliance. When their empires declined, there was always a stronger world capitalist power that could step in.

"But today, neither German nor Japanese imperialism, which are U.S. imperialism's principal competitors, are nuclear powers," Barnes pointed out. "And it is inconceivable that they can become so without a political defeat of the working class. Strategic nuclear arming of these two countries would be unacceptable to the people of the world today. It would provoke revolutions and/or war with the USSR to try to do it."

Moreover, "the European Common Market can't replace U.S. imperialism," Barnes explained. "State powers must replace state powers. And the Common Market isn't a state power. It's principally a customs union of a group of state powers. The national state remains today the basic form in which the capitalist ruling families operate and which regulates the interests of 'multinational' and 'transnational' corporations," he said. "At the same time, the internationalization of capital increases and accelerates the instability of economic and state relations."

"The reason the dollar can't be replaced as the dominant world currency," Barnes continued, "is because U.S. imperialism can't be replaced as the dominant world power." In fact, in spite of the U.S. dollar's rapid decline in the immediate aftermath of the October crash, Barnes pointed out, imperialist governments bought more dollars. They gambled on taking a financial loss rather than have the entire currency system collapse. This shows how much the dollar is chained to other currencies and vice versa.

Barnes noted that one thing that has not happened is for one or another of the most industrially developed countries in the colonial world to emerge as an imperialist power.

Iran, which some saw as a logical candidate for such a role, has not only not become a regional imperialist power, but is not even a reliable bastion of support for imperialism. Since the overture of the Shah in 1979 by the revolutionary mobilization of the toilers, Iran has become a threat to imperialist interests in the Mideast.

Other countries, such as Mexico, Argentina, and Brazil, far from developing into centers of finance capital, Barnes noted, are the biggest debtors to the imperialist banks.

**Action perspective**

Barnes said, "This unstable crisis has been creeping so far, but it's going to explode. It's this that gives the development of an action perspective for working people and the labor movement a sense of immediacy." He indicated several major elements to such a program.

First, Barnes said, is the fight for jobs. "The biggest division among workers under capitalism," he said, "is between employed and unemployed. This is a sharper division even than between young and old, male and female, Black and white, or skilled and unskilled workers."

Barnes noted that the program drawn up by Karl Marx for the delegates to the first congress of the International Workingmen's Association in 1866 stated, "A preliminary condition without which all further attempts at improvement and emancipation [of the working class] must prove abortive, is the *limitation of the working day*."

"This remains true today," Barnes said. "And with the coming of a generalized crisis, this will be seen more and more not just as a good idea, but as essential to protecting our class and creating conditions to organize and fight." The demand for shortening the workweek is a proposal to spread the available work to more workers.

Barnes added that Marx's document explained that without an internationalist approach unionists can't advance.

Unlike the demand of many employers for tariffs or other measures to protect their industries, a demand most union officials support, the demand for a shorter workweek doesn't pit workers from different countries against each other. Rather, Barnes said, "it offers workers a common proposal that can help unify us."

No concrete slogan has arisen yet internationally, he said, such as the demand for an eight-hour day, which the international labor movement rallied around for decades. But in Germany, he pointed out, a struggle by the labor movement for a 35-hour workweek has been going on for several years. And in Japan, implementation of a 40-hour workweek law is stalled in parliament while the legal workweek remains 48 hours. Whatever the specific situation in a given country, he said, the key is getting across the need for the unions to lead a nationwide political fight to reduce the workweek.

The second point, Barnes indicated, is affirmative or positive action with respect to hiring and upgrading women, Blacks, and other especially oppressed sectors of the working class. "We not only champion these as rights for the oppressed," he said, "but as needs of the entire working class to unify itself in struggle."

Key to working people uniting as a class to defend our- selves and move forward against "their" — the capitalists' — interests and for "our" — the workers' — in-

terests, Barnes said, is for workers in the imperialist countries to advance demands that can forge unity with working people in the colonial world.

The labor movement needs to present immediate proposals that can provide the basis for struggling to protect tens of millions of working people from the devastation in the oppressed countries. This devastation has been exacerbated by the debt burden and will get substantially worse with the coming of a generalized international crisis.

What is needed, Barnes said, are action proposals that don't hold dealing with the present devastation hostage to the day when revolutions will establish more workers' and farmers' governments.

A key proposal that the labor movements in the imperialist countries should be fighting for, Barnes said, is canceling the massive debts owed by Third World countries to imperialist bankers in the United States, Britain, France, and other imperialist countries.

This, he said, should be connected to the fight to end all forms of protectionism by the imperialist countries, to eliminate the practice of dumping low-priced goods on the world market, and to get rid of quotas. All of these practices are used by the imperialist monopolies to impose unequal trade relations on the colonial world.

Barnes added that workers in the imperialist countries should champion trade union rights for workers in the oppressed countries. And the right of workers to travel freely from one country to another in order to work or to meet with workers is essential, he said.

Barnes noted that Cuban President Fidel Castro has been urging a campaign around basically the same set of proposals.

The international connections that this set of proposals aims to establish between workers have the same goal as the demand for a shorter workweek, Barnes said — to unify workers as a class.

**Based in working class**

Barnes said that it's clear that the working-class vanguard can't prepare for the generalized crisis that's coming without being based in basic industry and the industrial unions. "There would be no way that we could resist the mounting pressures that affect the petty-bourgeois radicals — pressures that lead to seeing 'our' interests as workers to be the same as 'their' interests as capitalists. Being part of the working class and discussing political developments as they unfold with fellow workers is the only way we can even begin to see the world from the standpoint of the interests of the working class as a whole."

Moreover, he said, it's necessary to integrate our understanding of politics in our own countries into world politics. "We are part of a world struggle," he said. "There is no such thing as British workers or American workers or Australian workers. These are sections of the international working class who live and work in Britain, the United States, Australia, and all imperialist countries. There are no separate national strategies for the working class of each country."

Barnes emphasized that it's going to be new, young forces that will come forward and meet the coming political challenges. He cited the young fighters from Palestine. "They are like people who have come from nowhere," he said. "And that's the way it's going to be in every country. New forces, whose names people don't know, are going to come forward and radically change

Continued on next page



G.M. Cookson  
Mac Warren, a leader of the U.S. Socialist Workers Party, spoke on labor struggles in United States during discussion at London conference.



Continued from previous page  
the character of the labor movement and its organizations."

Barnes said that the coming economic crisis and its political implications presents a challenge to all communist forces in the world and those whose revolutionary activity is drawing them toward communism. "This has opened many opportunities, which will increase," he said, for communists in Britain, the United States, Sweden, and other imperialist countries to collaborate with each other. It will also offer more possibilities to have political discussions and engage in joint activity with political leaders and activists from the Caribbean, Central America, Africa, the Philippines, the Pacific Islands, and other countries and regions.

### Participants elaborate many points

Participants in the conference discussion elaborated on many of the points, most of them from their experiences as communist activists in the industrial unions in Britain.

Several of the guests from other countries also contributed to the discussion. The representative from Iceland noted the relevance of the discussion for her country. She said that for the first time immigrant labor was beginning to be used in Iceland, which posed new challenges for the labor movement there.

One of the guests from Sweden noted the different ways that the paths of communists in her country continually cross those of Cuban Communists, Nicaraguan Sandinistas, leaders of the African National Congress of South Africa, and others.

Mac Warren from the SWP in the United States reviewed some of the lessons of the ruling-class offensive against workers in the United States, particularly citing examples from the struggles of meat-packers.

Michel Prairie from the RWL in Canada and editor of *Nouvelle Internationale* discussed a recent trip he made to New Zealand, Australia, and New Caledonia, and trips other leaders of his organization have recently made to Haiti, Trinidad, and Burkina Faso. He said this was part of the RWL's efforts to learn about struggles in other countries and hold discussions with other revolutionaries.

### Protectionism

One question raised in the discussion by several speakers was protectionism, and the echo it gets in the labor movement in Britain.

Kathy Mickells, a coal miner from the United States, spoke on this question and related some of the discussions she participated in at the International Miners' Organisation conference in Sydney, Australia, late last year.

Mickells noted that the National Union of Mineworkers of South Africa has asked miners in other countries to back a boycott of South African coal. "This is pretty clear," she said. "Supporting this boycott, in the context of the current rise of the freedom struggle in South Africa, is an act of political solidarity with the struggle of fellow workers."

But some other proposals, she said, "are protectionist and divide workers internationally."

Mickells cited the proposal that workers urge a boycott of coal from Colombia and other countries that employ child labor. "This," she said, "is a rationalization for a protectionist stance, which means blocking with the ruling class and capitalist state."

"Miners throughout the world," she urged, "should fight against child labor in Colombia or wherever it exists. But the way to stop that isn't by urging a boycott of coal from those countries, but to join with miners and other workers around the world to urge a fight against this barbaric practice."

In his summary, Barnes added that only when unions make the strategy of the entire working class their business and see themselves *within* the class can they move

forward and succeed. "The fight for jobs through a shorter workweek, affirmative action, and cancellation of the debt hanging over the underdeveloped world," he said, "are not simply demands for especially exploited sections of the working class. They are preconditions to the kind of political unification necessary for any effective fight-back."

Barnes explained, "There's no union strategy that will accomplish this. Intelligent tactics and solidarity can advance struggles a great deal. And the most combative workers can't keep moving forward without fighting. But each new gain, each new stage in the struggle poses new questions that must be answered."

### Ruling-class offensive in Britain

Brian Grogan reported on the political situation in Britain and the perspectives of the Communist League. In an interview with the *Militant* following the conference, he elaborated more fully on recent developments in Britain.

Grogan said that the ruling-class offensive against working people in Britain began before Conservative Party leader Margaret Thatcher became prime minister in 1979. "It began during the last Labour Party administration," he said, "and has intensified under Thatcher."

As a result of these attacks, Grogan said, living conditions of working people have worsened. "The gap between rich and poor has widened," he pointed out, "and the division between conditions in the North — including South Wales — and the Southeast has deepened.

"Union membership has declined," Grogan noted. But in spite of this, "the employers haven't been able to drive down real wages," he said.

The biggest fightback against the employers' offensive during the past decade, Grogan said, was the 1984-85 coal miners' strike. Even though the National Union of Mineworkers lost the strike, which was a big blow, the miners' union and its leadership have continued to struggle and have become a pole for forces in the working class that are looking for a road forward.

Grogan noted that neither the employers nor the government have driven through "a decisive defeat of the working class."

He said that there has been a recent spurt of strikes that illustrate the character of the battles that are taking place and some of their limits. Employers are moving toward trying "to reorganize the work process in order to squeeze more profits out of workers like they've been successful in doing in the United States," Grogan said. "This is the key issue in the struggle at the Ford plants. And the workers there are sharply resisting."

Some 32,500 auto workers at Ford in Britain struck February 7. After 10 days on the picket line, they forced the bosses to concede a two-year instead of a three-year contract and to marginally increase their wage offer. In addition they prevented management from immediately imposing draconian changes in work practices and massive speedup.

The weakness of the struggle, however, like most in Britain, Grogan said, is that it was not based on an industrial or social view. So despite the militancy of the strikers, the employers were successful in getting the majority of workers to settle the work rules issue on a plant-by-plant basis. "Now," he said, "the fight around the work rules will begin, but it will be from a weaker standpoint."

Two days after the Communist League conference, a one-day protest was conducted by health workers throughout the country's public hospital system. Nurses were prominent in this action in an unprecedented way. This protest was part of a struggle that has broken out, Grogan explained, demanding more resources for the National Health Service (NHS).

In the past decade, services by the NHS have been allowed to continually erode, he said. Moreover, the proposed allocation of funds can't keep up with the growing demands on the system. Even a Tory-dominated parliamentary committee has acknowledged, Grogan said, that



Ford strike picket line in London. Ten-day walkout forced workers in a weaker position in this fight.

the NHS has suffered a cumulative underfunding of £1.8 billion (US\$3.1 billion) since 1980.

Grogan said that in the last two or three years, the rate of economic growth has increased somewhat as a result of the economic upturn. But it's only just last year that manufacturing output got above the 1979 level, he noted.

Although the unemployment level has dropped to 9.4 percent, Grogan explained, "the official government figures, as in the United States, give the wrong impression. They don't take into account involuntary part-time work, youth, or various sorts of bogus job training schemes, and discouraged workers who have been jobless so long they don't appear in the figures." Although the official unemployment rate in Britain is quite a bit higher than in the United States, it is one of the lowest in Europe, he noted.

### Number of homeless grows

Grogan said that under the current conditions, the legacy of lower wages and poorer working conditions in Scotland, Wales, and the northern parts of England have resulted in a disproportionately higher number of unemployed in those areas. Many jobless young workers move to London seeking work.

"But many of them can't find places to live, and the number of workers who are homeless is growing. There are at least 50,000 officially reported in London," he said.

There are also mounting attacks on low-rent council (public) housing, Grogan added, and there are moves to undermine rent regulation of private housing. "The construction of new council housing has virtually ceased," he said. "And the government has been forcing the sale of council housing, including to private speculators."

Grogan pointed out that one of the Thatcher administration's major efforts to convince workers that they had a stake in the capitalist system was substantially increasing the number of British workers who own their own homes — partly through the sale of council houses to the tenants. But the irony of this, Grogan said, is that it has not led to greater security in housing as the big increase of the homeless shows.

"Private home ownership as a solution to the housing problem is an illusion," Grogan said, "just as Frederick Engels pointed out more than 100 years ago." (The "Housing Question" is printed in *Marx and Engels Selected Works*, Vol. 2.)

In order to sell council housing to private speculators, evictions are increasing. Grogan cited the example of 200 Bangladeshi families that were evicted from a block of flats in the London borough of Tower Hamlets last year. The aim was to sell the block to speculators who would refurbish it and let the flats at jacked-up rents.

While virtually no council funds are going to construction of council housing, Grogan said, in many cases the borough councils in London are paying astronomical rents to owners of slum dwellings to put up the homeless. "The conditions in these 'hotels' are really wretched," he said.

Grogan also described the deterioration of education. One of the most serious attacks is the reorganization of the education system. The proposed dissolution of the Inner London Education Authority will mean a further



Presenting reports at conference were Mary-Alice Waters, a leader of U.S. SWP; and Brian Grogan, a leader of Communist League of Britain. Waters is also an editor of *New Internationalist*. Barnes and Grogan are contributors to the journal.

Militant/Holbrook Mahn

G.M. Cookson

G.M. Cookson





forced bosses to concede on some issues, but work-rule changes will be settled on a plant-by-plant basis. This puts G.M.Cookson

deterioration of education in the poorer, mainly inner London boroughs, where unemployment is highest. Consequently, the class-biased chasm in the quality of education will increase, he said.

**Farm foreclosures mount**

In Britain, the percentage of the work force in agriculture is only slightly smaller than in the United States. Grogan said working farmers in Britain, as in the United States, have come under fire. "The biggest wave of foreclosures since the 1930s has been taking place in the UK."

"Cuts in farm support programs by the European Economic Community (EEC) [Common Market] have accelerated the number of farmers going bankrupt. Thousands of farmers have gone under, and especially over the last couple of years, dairy farmers."

Grogan said that some very drastic proposals are currently under discussion in ruling circles. One would open up 80 percent of British farmland to real estate developers.

This proposal is also connected to the recent agreements reached at the EEC emergency summit meeting. It decided that one of the ways to get farmers to produce less was to pay them to set aside land to lay fallow for a few years, Grogan explained.

The other major decision was to cut price supports for agricultural products. A sharp fight broke out over the EEC ceiling for grain production, above which subsidies would be cut. Thatcher had held out for a lower ceiling, but finally conceded. She was in favor of more cuts because the bigger farmers in Britain will benefit. Labor productivity on British farms is higher than in other parts of Europe.

The Labour Party leadership attacked Thatcher for not adequately defending the interests of British farmers by conceding the higher limit.

Grogan said that there were protests by farmers during the last round of cuts aimed at dairy production. The more severe cuts just made against grain producers may very well spark broader protests, he said.

There was also a very important expression of solidarity by dairy farmers in Wales with striking miners during the coal strike, he said.

**Attack on democratic rights**

Grogan went on to explain that the British rulers have been chipping away at democratic rights and strengthening the executive authority of the government.

Two draconian pieces of antiunion legislation have been imposed. One outlaws secondary pickets. During the miners' strike, for example, the National Union of Mineworkers organized flying pickets at steel plants and power plants where coal was being delivered. The law against secondary pickets was invoked, and union funds were sequestered.

Another new law is that workers have to hold a secret ballot to call a strike. Strikes can't be called through mass meetings. "This law was also used against the miners," Grogan said, "and it is currently being used against the striking seafarers who work on the ferries between Britain and the continental Europe and between Britain and Ireland. The court ordered an injunction and the sequestering of union funds and forced the union nationally to call

permission to petition for a final appeal to the Law Lords."

Grogan said that historically the structure and activity of the secret police has been particularly aimed at the Irish freedom struggle. This has been used as an excuse for the general increase in the use of the secret police and restriction of rights.

"And most recently," Grogan said, "the government has announced that it intends to make the Prevention of Terrorism Act a permanent part of British law." This noxious piece of legislation, he said, was introduced by a Labour government in the hysteria following the Birmingham bombings.

Among other things, this act allows police to hold suspects without charge for up to a week and gives them unlimited powers of stop and search. In 1986, a total of 59,481 people were stopped and searched at British ports. Since the law was enacted, more than 10,500 people have been detained under its provisions. In the six counties of Northern Ireland only one-third were charged and in Britain only 8 percent. Only a small percentage of these are then actually found guilty.

"The democratic rights of gays are also coming up for attack," Grogan said. "This is partly being fostered around the AIDS issue as in other imperialist countries. But in addition there is a particularly dangerous piece of legislation being promoted by the Tories under an innocuous-sounding law concerned with local council financing." This bill proposes to remove financial support from anything that allegedly "promotes homosexuality," he said.

"Not only is this bill a frontal assault on homosexuals," Grogan said, "but its provisions could be used to limit the books libraries can stock, the plays subsidized theaters can stage, and so on. As a result a wide protest movement is developing."

"Attacks on democratic rights don't stop there," Grogan continued. "Special attention is given to repressing Blacks, particularly those communities which have put up some resistance — like Broadwater Farm [the name of a housing district] in London and the St. Paul's District in Bristol."

"After years of police harassment in Broadwater Farm," Grogan said, "the community residents conducted a mass revolt as they attempted to defend themselves against police assaults. One policeman was killed. As a result 63 people were charged with riot and affray and three given life sentences for allegedly murdering the policeman."

Amnesty International has backed claims by the community that people had been forced into making confessions and that some of those jailed were "political prisoners." Grogan said. This sort of attack on the Black community, he said, "is combined with attempts to terrorize foreign-born workers who come to Britain for work, particularly through the use of immigration controls."

The basic aim, he said, is not to stop workers coming into Britain but to create a pool of superexploited workers to divide the working class and help drive down the value of labor power as a whole.

"The Labour Party opposition has opposed the government on some of these gross attacks on democratic rights," Grogan noted. "But the Labour leadership has been hostile to mobilizing any protests."

Indeed, he noted that "while some Labour Party MPs [Members of Parliament] have spoken out against the government's actions in the Wright affair, the top leadership, headed by Neil Kinnock, has backed the government on this."

During the discussion at the conference several participants referred to recent attacks on abortion rights in Britain. David Alton MP has introduced a bill that aims to fix at 18 weeks the upper limit by which a woman can get a legal abortion.

The bill is scheduled to be taken up in Parliament March 19. A massive demonstration has been scheduled for that date. Grogan said that members of the Communist League are joining many other organizations to help organize support for that action.

**Promoting Pathfinder literature**

Grogan outlined a series of proposals aimed at deepening the Communist League's base in the industrial working class and increasing its discussions and collaboration with other revolutionists and communists internationally.

He proposed that the organization step up promotion and distribution of Pathfinder books and pamphlets throughout the British Isles.

During the discussion, delegates explained that the success of the London meeting in December to launch the book of writings by Che Guevara had shown the possibilities that exist in promoting Pathfinder books. This meeting of more than 300 had a broad range of speakers, including Oscar Fernández Mell, Cuban ambassador to Britain; Bience Gawanas, South West Africa People's Organisation (SWAPO) of Namibia; Jorge López Suazo, Sandinista National Liberation Front of Nicaragua; and George Johannes, African National Congress of South Africa.

"Through this activity we can meet and discuss with a

Continued on next page



Continued from previous page  
lot of revolutionists, we can get the ideas of revolutionary leaders such as Fidel Castro, Che Guevara, Malcolm X, and Nelson Mandela into the hands of many people," Grogan said.

Grogan also described the perspectives for selling the *Militant* newspaper and the Spanish-language monthly *Perspectiva Mundial*, published in the United States, and *New Internationalist*. He explained that the Communist League is not publishing a paper of its own at this time and will go through a series of experiences in the next months before launching one around a convention at the end of the year.

Meanwhile, "We are integrating sales of the *Militant* into our political work here," he said. "Having a weekly publication to sell is essential to the weekly rhythm of the work of a workers' party."

Most of the participants at the conference had already had more experience in selling the *Militant* and recounted their achievements and some of the problems they have encountered.

Grogan reported that last September there were 75 *Militant* subscribers in Britain and 70 to 80 single copies were sold every week. As a result of sales efforts, he said, by December the number of subscribers had been increased by 118 and weekly sales were some 120 copies.

Grogan also reported that during the same period, 300 to 400 copies of the latest issue of *New Internationalist* were sold.  
One of the weaknesses of the sales effort in the fall, he said, "was not making sales of *New Internationalist* and *PM* more of a central part of our sales."

Delegates expressed enthusiasm for a proposed three-phase campaign for sales of the publications. From January to March a drive was projected to increase weekly single-copy sales of the *Militant* to 300, of *PM* to 25, and to sell 50 copies of *New Internationalist*.

A written report adopted by the conference stated, "We must now take the sales of the *Militant* beyond primarily sales to contacts and at special events to be our weekly press, at the heart of everything that we are doing — sold at the center of our literature tables, at workplaces, key public events, and in the labor movement."

The second phase will be a two-week effort in early March to get *Militant* subscribers to renew their subscriptions. The goal is to visit all 118 readers who bought subscriptions in the fall.

The third phase will be a combined subscriptions and

sales campaign of all three publications from March 20 to mid-June. Goals will be adopted by the end of February.

An indication of the good prospects for sales was shown two days after the conference at a demonstration of 300 against U.S. contra aid at the U.S. embassy. Sixty-four copies of the *Militant* and 20 copies of *PM* were sold. Twenty pamphlets on the Palestinian struggle and the Nicaraguan revolution were sold as well.

Several participants at the conference reported they had found that the *Militant* was attractive to many workers and students because it was a working-class paper with an internationalist perspective. Moreover, the fact that it is put out in the United States by communists active in the labor movement is an added attraction to workers in Britain who want to learn more about the class struggle in the United States.

Grogan also explained that steps were being taken to organize more systematic coverage of politics in Britain for the *Militant*.

Grogan proposed that the membership, previously organized in 19 branches, consolidate its forces into five. As part of this projection, he indicated that branches would be encouraged to support and help build twice-monthly *New Internationalist* public forums.

Grogan especially stressed the importance of consolidating "all our forces in London into a single branch." London, he said, has often been seen by most people in the left as a problem, not as an asset, in building a party in Britain.

"But London has by far the largest concentration of workers in Britain, and it's the political center of the country. It is also an important international center," he noted.

Grogan added that London also has the largest concentration of immigrant workers in Britain.

He said most of the estimated 30,000 Colombians and 25,000 Filipinos in Britain live in London. Moreover, there are tens of thousands of Indian, Bengali, Pakistani, West Indian, and African workers. "To go deeper into the working class, we must orient more to these especially oppressed and discriminated sectors of the class," he said.

In the interview following the conference, Grogan stated that the government is tightening the screws against immigrant workers, particularly undocumented workers. He said that at one time, all education had been free in Britain for students coming from Commonwealth countries. But 10 years ago they began eliminating this.

Just recently, he said, police swooped down on a bus-

ness school in London with many students from the semi-colonial countries and charged the officials with violating the immigration laws.

"Our members in engineering plants in North London," Grogan said, "reported two instances in the past couple of months where management called a passport check of the workers. And in rail, just before Christmas, a worker who has been in this country for at least a decade was unceremoniously hauled off by the cops, put in prison, and deportation proceedings started against him."

Grogan also cited the case of several thousand political refugees from Sri Lanka who were prevented entry into the country last year. Instead of admitting them, the government rented a car ferry and used it as a floating prison in the Thames River. "Some of the exiles have been deported," he said. "But others are still incarcerated on this ferry."

Grogan indicated that the Communist League is focusing on being part of four industrial unions — coal miners, engineering (machinists), rail, and telecommunications. He said one of the challenges ahead was to take steps to get work in these unions better organized nationally.

He noted the importance of the Rail Against Apartheid group inside the rail union as a national arena of activity.

Grogan reported that in the past few months participants at the conference had gone to Burkina Faso for an anti-apartheid conference just before President Thomas Sankara's government was overthrown, and to Tanzania for a conference of the African National Congress. He said, "We want to increase these kinds of trips. We also want to encourage members and supporters to go on brigades to Cuba and Nicaragua," he said.

Grogan said that the promotion and sales of Pathfinder literature and the *Militant*, and the attracting of new people, will get a boost with the setting up of a Pathfinder Bookshop in London in the next few months. "This shop will carry all the Pathfinder titles as well as literature of interest to revolutionary-minded people." The shop will also carry titles in Spanish, he said.

A £20,000 (US\$35,000) drive has been launched to help raise funds to set up the bookshop. Grogan said they were also hoping to get volunteers from other countries to come help construct the bookshop.

## "Can't you sell a British paper?"

LONDON — The newspapers and televisions here are filled with the appeal: protect British industry and agriculture, that's the way to save jobs and help farmers. It's the same chorus one hears in New York, Paris, and Tokyo. And in all cases it's the interests of big industrialists and capitalist farmers that are to be protected.

Working people are urged to view themselves as part of an "us" with the employers — an "us" with mutual interests that need protection from people in other countries. These alleged common interests are wrapped in the British, American, French, Japanese, or other imperialist flags, or under the banner of the European Common Market (EEC).

The labor officialdom in Britain, like its counterpart in the United States, promotes to one degree or another this protection of "national" industry. Unfortunately this gets an echo among many workers.

Workers who accept this outlook are blocked from seeing themselves as part of a common class with workers in other countries. They aren't able to recognize that our common exploitation by the capitalists is far more decisive for defining who we are, what we are capable of, and what we must do to protect our interests as workers than the piece of geography where we live and work.

It was good news then to learn that a banner exclaiming, "We're 'Brits' not 'Nips'" put up by a few workers at Ford's Dagenham plant during the strike this month was soon taken down on the demand of a large number of workers.

This repudiation of anti-Japanese attitudes points toward the kind of international solidarity among workers that is necessary.

Not so heartening, however, was the report from a February meeting in solidarity with the nurses and other health workers fighting attacks against the National Health Service.

As several people sold the *Militant*, which is published in New York, a handful of people selling another paper taunted, "Why are you selling an American paper?" and "Can't you sell a British paper?" It was even more disappointing to learn that they were longtime activists in the far-left in Britain.

As one of the *Militant* salespeople told me later, "They didn't get that the *Militant* isn't an American paper, it's a working-class weekly with an internationalist perspective. And that, in fact, one of its main attractions to workers in Britain is that they can learn about the struggle of fellow workers in the United States."

He said that on that same day nearly 100 *Militants* had been sold to striking hospital workers and protesters against U.S. aid to the Nicaraguan contras. —D.J.

### New Internationalist

A Magazine of Marxist Politics and Theory

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1930

Trotsky / Kondratieff Debate

Mary 1/24/85

Trotsky - International Program → James Connolly - Thesis on the American Revolution

1938

1946

- (1) Bourgeois has no solution to economic crisis
- ↓
- (2) pre-revolutionary situation
- ↓
- (3) party + program
- ↓
- (4) revolution

Link to long wave debates of 1920's?

(1) There will be no sustained recovery; war only interrupted depression years, did not mitigate basic cause (lack of demand)

Tie into general prospects of stagnation

p. 8 Every single factor underlying the current "peacetime" prosperity is ephemeral p. 8 Coming crisis, based on contraction of market will make 1929-32 look like prosperity p. 9

(2) This analysis is the fundamental basis from which we proceed. Tactical questions + even questions of great strategic importance depend on general perspective p. 11

(3) "workers' struggle for power in US is not a perspective of a distant + hazy future but the realistic program of our epoch p. 10

(4) "the crisis is inherent, it may not be escaped or avoided, it will be far deeper + far more devastating than was the crisis of the 30's. As a consequence it will open up the most grandiose revolutionary possibilities in the US.

1946

1946 was one of the most militant years in terms of working class struggles. Yet it was in retrospect, on the way of a long vigorous economic boom. Plus strikes the objective importance of the revolutionary program.

# SWP: Political Section

What is link between eco. & politics here?

1. Trotsky's <sup>meritability of crisis and</sup> possibility theory of recovery → Connolly's impossibility of recovery, "permanent crisis" as extrapolation of 1930-1946 history, imminence of revolution → Barnes imminence of revolution, non-reversing radicalization, in face of reality of boom, based on alienation & misallocation of resources → revenge of reality and shifts in theoretical formulations

Jack Barnes - Towards an American Socialist Revolution 1971

Speech in 1969

(1) Barnes reaffirms [no attempt to explain long post WWII boom] perspective laid out in 1946 - General Crisis ⇒ Working class radicalization

(2) Yet, documents repeat two main elements of Connolly's argument

(a) Whereas Connolly saw General Crisis as necessary for working class radicalization, Barnes et al see current radicalization developing apart from <sup>new</sup> conditions: that existed in the 1930s. Reverses Connolly's starting point, Analysis ⇒ Strategy, Barnes Strategy ⇒ Analysis

see p. 7 of Mary's SWP

(b) Whereas Connolly sees the main revolutionary agents coming from the working class, Barnes et al see "crisis of leadership" being solved by youth, oppressed minorities + women.

"Solutions turn into their opposites"

(c) While these documents see main cause of crisis in costs of military (but it also caused long boom) the crisis is really a social, almost philosophical one - radicalization is based on "alienation".

(d) What remains from 1946 is idea of "non-reversing radicalization" once "crisis" cuts in revolutionary situation is created "There will be no reversal of this radicalization before the working masses of this country have had a chance to take power" p. 108



Heads very well. We must establish that the critique is based on their existence but their theories are necessary. complete of context (see p 11), though not necessarily SWP I

SWP I  
E

SWP ECONOMIC ANALYSIS

KATHERINE KAZANAS

MAY 6, 1985

is there?

Variations in the political and strategic analyses among the groups within the Fourth International are as characteristic today as they have been historically. But whatever political differences there may be within and among the national sections of the organization, there appears to be a strong convergence in the economic analyses regarding the conception of capitalist crisis in general and the perception of the nature of the current crisis specifically. [1] In the U.S., the economic analysis found both in the Socialist Workers Party's official documents and publications, such as its newsweekly, The Militant, has drawn principally from the work of Dick Roberts and William Gottlieb. Roberts' contribution has been largely through his role in the drafting of various Party resolutions and campaign documents as well as his book, Capitalism in Crisis (1975). Gottlieb has been a regular contributor to The Militant, and in the summer/fall of 1982, published a series of articles on the nature of the current economic crisis.

understand

However, we can better understand the contributions of Roberts and Gottlieb, as well as other analyses of the national sections of the Fourth International, by examining the prodigious theoretical and empirical work of Ernest Mandel. His Marxist Economic Theory (1962), Late Capitalism (1975), The Second Slump (1978), the Introduction to the Penguin Edition of Vol. III of Capital (1981), as well as numerous articles and papers have provided the over-arching theoretical framework for the economic analyses of the Fourth International and the SWP US.

understand books

For over two decades Mandel has clearly been more comprehensive, more systematic and consistent in his efforts to extend Marx's analysis into the discussions of modern economic theory than any other contemporary writing within the organization. Despite his European roots, his influence theoretically and politically, has indeed been international. For these reasons we feel justified to begin the examination of the economic analysis of the SWP in the U.S. with Mandel. As we shall see, Roberts and Gottlieb express variations on the analysis offered by Mandel: Roberts emphasizing the long wave and the role of monopoly capital in postwar accumulation; Gottlieb stressing the cyclical nature of demand fluctuations, dropping altogether the discussion of long historical epochs and the role of monopoly capital as significant to account for accumulation and crisis in this period. These variations in themselves express a fundamental difficulty in the general framework of analysis which allows such shifts of focus, due mainly to its basis in empirical observation and not in theoretical derivation.

Nice

Mandel's crisis theory is developed in two dimensions in order to deal with two distinct sets of phenomena of capitalist crisis. Crisis as the outcome of cyclical factors is distinguished from crisis as a secular phenomenon. The causes and underlying dynamic are viewed as distinct yet the movements are



understood as concurrent, linked by and expressed through the movement in the average rate of profit. As observed, business cycles are regular and periodic in their movements; the secular tendencies appear to be recurrent but not-so-strictly regular. Mandel, drawing on both Marx and Trotsky (and the latter's debates with Soviet economist Nicolai Kondratiev in the 1920s) attempts to differentiate and reconcile the two perspectives. He accepts Trotsky's position in challenging Kondratiev's claim that these "major cycles" are subject to the same "rigidly lawful rhythm" observed in the minor cycles. Thus Mandel agrees as Trotsky wrote:

From Marx: ROP  
as key  
From Trotsky:  
origin of  
determination  
of accum  
up turn

"The periodic recurrence of minor cycles is conditioned by the internal dynamics of capitalist forces, and manifests itself always and everywhere, once the market comes into existence. As regards the large segments of the capitalist curve of development (50 years) which Professor Kondratieff incautiously proposes to designate also as cycles, their character and duration is determined not by the internal interplay of capitalist forces but by those external conditions through whose channel capitalist development flows. The acquisition by capitalism of new countries and continents, the discovery of new natural resources, and in the wake of these, such major facts of a 'superstructural' order as wars and revolutions, determine the character and replacement of ascending, stagnating, or declining epochs of capitalist development." [2]

The theoretical task for Mandel, since he proceeds on the basis of Marx's theory of the tendency of the rate of profit to fall, is twofold: first, he must explain why and how the internal logic of the system necessarily generates the tendency to cyclical crisis. And secondly, what are the specific links between the cyclical tendencies and the long swings of growth and decline observed in capitalist accumulation?

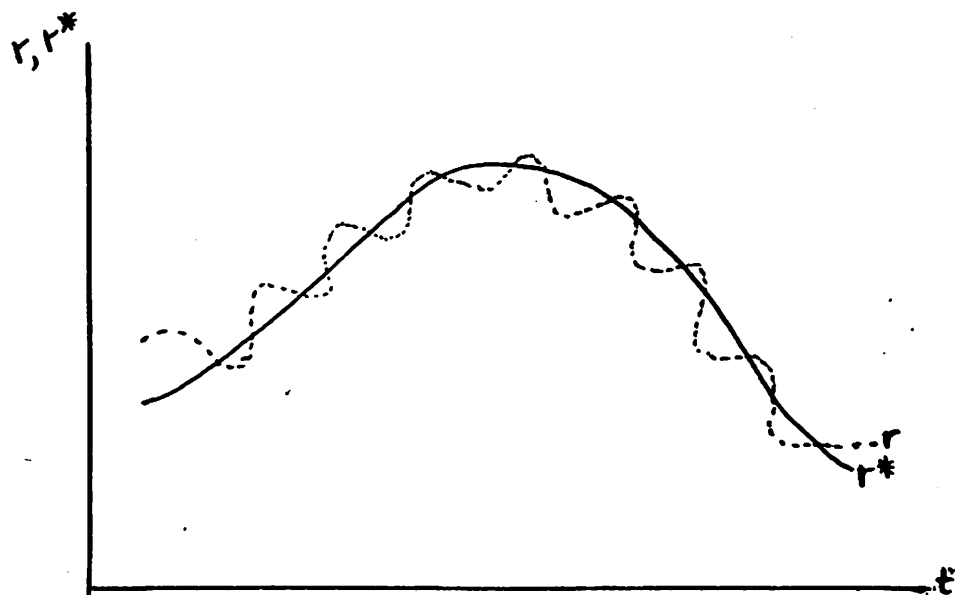
Trotsky's characterization of the dichotomy between the internal and external dynamic of capital accumulation (which is developed earlier by Rosa Luxemburg) becomes a major analytical orientation in Mandel and subsequent analyses in the SWP. The distinction generates three central arguments:

1/ To explain the emergence of crisis in general, the analysis of the industrial cycle provides the basis for understanding why and how the capitalist mode of production generates, by its own internal logic, the "natural necessity" to periodic decline and periodic recovery indicated by the movement of the general rate of profit;

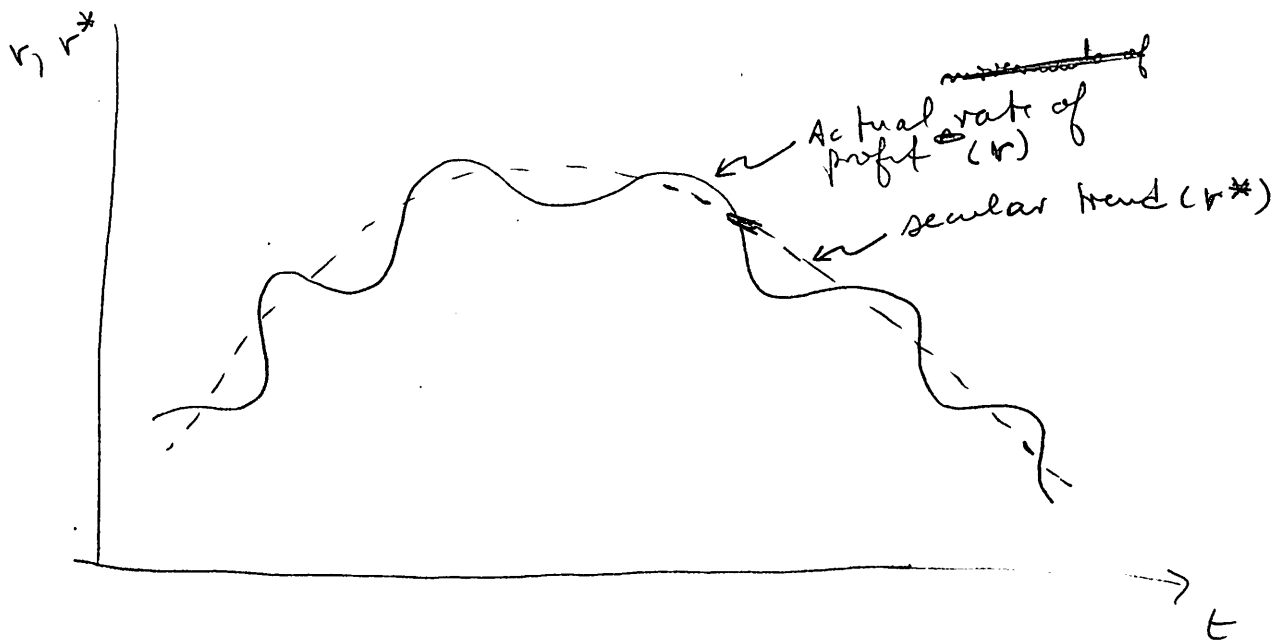
2/ As distinct from this, however, and in actual historical circumstances, these periodic cycles flow within broader channels of capitalist growth which are only generally reflective and relatively autonomous of the internal dynamic of capital accumulation. [See Figure 1] Mandel argues that "if we have defined the 'long waves' of accelerated and decelerated



FIGURE 1.



$r$  = cyclical movement of the general rate of profit  
 $r^*$  = secular movement of the general rate of profit  
 $t$  = time



accumulation determined by long waves in the rise and decline of the rate of profit, then it is plain that this ascent and decline is not determined by one single factor but must be explained by a series of social changes in which the factors listed by Trotsky play a major role." [3] These external conditions, either by stimulating or constraining accumulation, form a principal basis on which to construct an explanation of the pattern and periodicity of the long curves of development;

3/ Mandel argues that because the external factors are conjunctural, there is nothing in the secular movements of capital accumulation that regulates the pattern of the long wave. Neither can we look to any intrinsically regulating mechanisms of the business cycle to account for the secular movement. But Mandel does say that if these movements are "determined by the criss-crossing of very different factors, and it is emphasized that these 'long waves' do not possess the same periodicity as the classical cycles in the capitalist mode of production, then there is no reason to deny their close connection with the central mechanism, which is by its very nature a synthetic expression of all the changes to which capital is subject: the fluctuations in the rate of profit." [4] But the close connection Mandel suggests between the average rate of profit and the secular growth of capital is tenuous and appears to be established on the basis of observation alone. In fact, on closer examination, his analysis of the cycle itself does not establish its logical necessity and is more described than it is derived. [5]

#### ANALYSIS OF THE BUSINESS CYCLE

Mandel takes the rate of profit as the central variable in his analysis. Following Marx, he defines it in its simplest form as

$$r = \frac{S}{C + V}, \quad \text{where the rate of profit (r) is expressed}$$

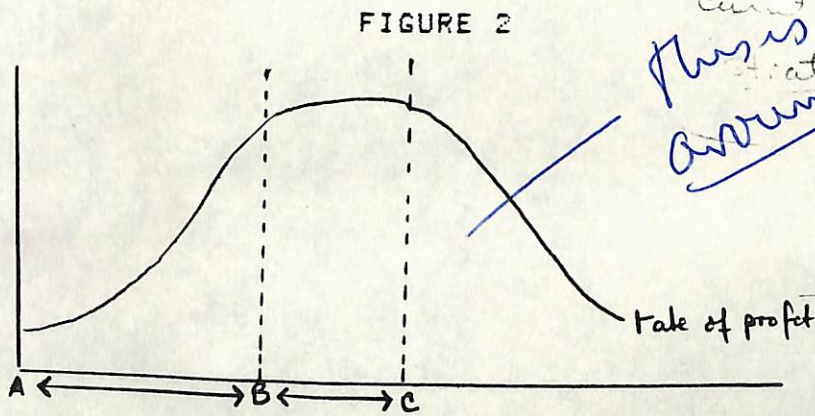
as the relation between the value of the mass of surplus value (S) produced by living labor to the sum of the values of constant capital (C) and variable capital (V), or productive workers' wages, advanced to production. The rate of profit can be re-expressed as the relation of each of these components to the value of variable capital, so that it can be rewritten as

$$r = \frac{S/V}{C/V + 1}$$

As does Marx, Mandel argues that the central law of



development of the capitalist mode of production is the tendency for the average rate of profit to fall due to the increase in the organic composition of capital (C/V), i.e., the growth in the mass of dead labor as compared to living labor. [6] Mandel identifies a cyclical relation between the organic composition of capital and the rate of surplus value (S/V) on the basis of this law of development. In the upswing of a cycle, rising expectations of profits draw capitalists to invest in expanded productive capacity embodying the most productive techniques accessible to them. This inevitably raises the organic composition of capital. By the same token, however, the rise in (C/V) is also accompanied by an increase in the productivity of labor as well as an increase in the rate of surplus value. A generalized expansion in productivity has the effect of lowering the unit values of inputs to production (C) and the components of workers' subsistence (V). Mandel argues that, if sufficiently strong, both these influences would have a significant effect in counteracting the tendency for the rate of profit to fall. In fact, they can overcome the downward pull on the rate of profit exerted by the increased capitalization of production and rising (C/V). Segment A (----) B in Figure 2 depicts this movement of the cycle.



*abstract cycle*  
*This is ~~not~~ a*  
*crisis*  
*around*  
*trans*  
*program*  
*with a class*  
*front*  
*to be a*  
*fund*  
*the*

This "honeymoon phase" in the upswing is momentary, however, and gives way to the pressures which are generated by the very successes of expansion. The rate at which capitalists can raise the rate of surplus value meets both relative and absolute limits. It finds its relative limit in the ability of workers to bid up their wages as the industrial reserve army shrinks and growth in productivity rises, and, through struggle, to redefine for themselves what their level of subsistence is that is to be met by their wage. It should be noted here that Mandel does not argue that the tendency for the rate of profit to fall is generated by a rise in real wages which overtakes the rate of growth in productivity. In this way it cannot be said that Mandel offers a wage squeeze theory of crisis.

*and*  
*absolute*  
*limits?*

Beyond this, however, Mandel argues that "we must further mention that the increase in the rate of surplus value comes up against absolute limits (the impossibility of reducing necessary



SV  
C/V

labour to zero), whereas there is no limit to the increase in the organic composition of capital. [7] It is precisely this limit which determines the system's ultimate incapacity to overcome the tendency for the rate of profit to fall in the long run." [8]

Taken together, these limits to the increase in the rate of surplus value identify factors which point to the necessity for the decline in the rate of profit. But to establish the intrinsic necessity of the cycle itself, and for the upturn to occur at all, Mandel would have to show why the increase in the rate of surplus value necessarily outstrips the rate of growth in the organic composition of capital at the beginning of a boom. And this he does not do. And because he does not establish this logical necessity, he is then forced to develop the rest of the analysis on the basis of a description of the observed phenomena of the cycle: The upturn is characterized as the period in which the rate of surplus value rises faster than (C/V), and the rate of growth of demand outstrips the rate of growth of productive capacity and supply. Profit expectations of capitalists soar and an investment boom is triggered. Demand for Department I goods (capital goods) presses the limit of their existing capacity. Investment will flow into these sectors in greater proportion than Department II (consumer goods) because of the relative inflexibility of adjusting supply to fluctuations in demand for capital goods. The result of this kind of investment flow is an uneven development and growing disproportionality between the different sectors of production. [9]

"At a certain point in the boom, two parallel phenomena occur more or less simultaneously. On the one hand, the additional means of production produced come into the production process only after a certain time-lag. But when they enter into that process, they increase the productive capacity in both departments by leaps and bounds. But precisely the relatively high rates of profit and investment imply that real wages and consumer goods demand from capitalists and their hangers-on could not have developed in the same proportion as this sudden increase in productive capacity in both departments...Hence a tendency to increasing overproduction (or overcapacity), in the first place in Department II." [10]

time lag  
no causal

Mandel  
B/S cycle (analytical)

At the same time, Mandel goes on, the boom generates the tendency for investment to raise the organic composition of capital while the increase in the rate of surplus value is less and less able to overtake it. The rate of profit will then begin to fall. "Hence, a tendency to over-accumulation: part of newly accumulated capital can no longer be invested at the average rate of profit, or is even not invested at all, pushed toward speculation, etc." [11]

~~longer cycle business cycle~~

At this turning point in the cycle, Mandel shifts his analysis to a description of the central phenomena: disproportionate growth, excess capacity, excess supply, underconsumption, and a rolling back of investment. [In Figure 2 this would be represented as segment B(---)C] This transition in



the cycle then precipitates the downturn where output and employment will fall off, bankruptcies and the devaluation of capital will result as competition for existing markets intensifies. Even the expansion of credit, in the attempt to forestall the downturn, only adds its burden of cost when the crash comes. Efforts by the state to prop-up demand, particularly through deficit spending (notably for arms production) injects additional demand while it adds nothing to consumable commodities. Together, the debt burden and massive government deficit have given rise to yet another phenomenon: chronic and permanent inflation. [12] For the system as a whole, the destruction of weaker units of capital means that "an identical mass of surplus value can now valorize a smaller total amount of capital. Hence the decline in the rate of profit can be stopped and even reversed." [13] And this is accomplished by the cheapening of means of production, the reduction of supply below existing levels of aggregate demand, and the defeat of working class power, allowing the rate of surplus value to rise again faster than the rate at which (C/V) rises. A new period of expansion is thereby ushered in.

not solution  
(1)  
S/v  
C/v  
+ C/v  
deval?

the question of business cycle.

But in all of this, Mandel has not come to terms with, analytically, the central questions posed by capitalist growth and investment. How do we understand the nature of investment and its relation to the cyclical movements of supply and effective demand? Mandel focuses on the transition point, where growth in supply exceeds growth in demand, to allow him to identify the phenomena of crisis: excess capacity/excess supply. His problem is similar to that of the growth models constructed out of the reaction to the insufficiencies of Keynes's static, short-period analysis. In fact, Mandel refers us to Harrod, Domar, and Hicks, rather than to Marx's discussion of expanded reproduction, to understand this process. [14] The problem in doing this is that the Harrodian growth models (as well as the balanced growth models of the neoclassical synthesis) do not move us any closer to understanding the intrinsic mechanisms which regulate investment in the upswing and transition of the cycle, i.e., the relation between the rate of growth of investment and the matching-up of effective demand and supply. The analytical puzzle is further confounded when credit expansion is considered in its effect on the cycle. By loosening the bounds to aggregate demand, a growing debt, both public and private, absorbs a rising proportion of surplus value produced and alters the matching up process of supply and demand. Mandel (as well as Sweezy and others) identify the phenomenon of a rising debt burden but they fail to connect it to the constraints on effective demand and the rate of accumulation.

have not been able to

good

Therefore, despite their ability to describe the inherent instability of the system, growth theorists fail to identify how growth in demand becomes self-limiting and why the paradox of over-accumulation are the result of the actual rate of growth not rising fast enough. The same questions remain in Mandel's analysis. They remain for Mandel because he, too, focuses on the



Can't simply understand  
 cause 5/11 now 8/40 These innovations can  
 be introduced

point of transition in the cycle as the point at which the crisis phenomena appear. But the real phenomenon to be grasped is the process by which growth in supply first chases and then overtakes growth in demand. It is these connections that Marx sought to explain and the mechanisms by which supply and demand tend to equalize in the cycle by the pace and pattern of investment and capacity utilization. Rather than taking up this aspect of Marx's analysis and elaborating the intrinsic dynamic that would account for the necessity of the cycle, Mandel eschews this task and offers instead an elaboration of the phenomena.

} done

A parallel problem arises in Mandel's attempt to draw out and incorporate the conception of the 'long wave' as the secular dimension of his crisis analysis. As noted earlier, Mandel links the internal dynamic of accumulation expressed in the cycle to the secular development path through the movement in the rate of profit and the myriad of factors which influence it. This he sees as the specific contribution of the analysis. [15] Over a period of successive cycles money capital is saved, awaiting the appropriate moment to be thrown into productive investment in sufficient amounts to produce a sustained boom.

LONG WAVE  
 (essentially external factors)

"Only when specific conditions permit a steep rise in the average rate of profit and a significant extension of the market will investment activity take possession of the technical discoveries capable of revolutionizing the whole of industry and thus bring about a long-term expansionary tendency in the accumulation of capital and the demand for money capital (at a relatively high rate of interest)." [16] These specific factors noted earlier have the effect of either cheapening the inputs to production or raising the rate of surplus value or both. Their effects, in many instances, have to do with the degree to which imperialism and the direct assault on the living standards of workers can provide a solution, however temporary, to the internal contradictions of capital. But because Mandel has not established the necessity of the cycle, he has not enabled us to understand the necessity of secular swings in capitalist development. For, as he says, "obviously, these 'long waves' do not assert themselves in a metaphysical fashion, but function through the articulation of the 'classical cycles'... The 'long wave' is conceivable only as the result of these cyclical fluctuations and never as some kind of metaphysical superimposition upon them." [17] What Mandel has not explained is the mechanism which generates the long wave. He suggests, without exploring it analytically, that we comprehend the trend as a changing pattern of the cycles themselves, i.e., that in the expansionary phase, cyclical recessions are shorter and less severe, while cyclical booms are longer and stronger. The phase of stagnation and decline is comprised of longer and deeper recessions and shorter and weaker recoveries. [18] An upturn in the cycle or the trend depends upon whether the preconditions for growth are in place. Secular crisis is then the necessary outcome of the absence of these conditions.

BOOM is conjunctural (external)

BUST is necessary given boom

(state cannot get out of this)

(like Sweezy)

Hence view of system as tending to stagnate crisis

working class leadership

is main question

On this basis, Mandel's analysis must rely on considering

1) cause of long-term decline

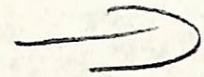
2) solution to 'my dear Marx's theme'

← failure (crisis) of working class leadership

& boom is a



Mandel's solution here is  
it linked to his theory -



why  
omit?

the specific historical phenomena to determine whether and how crisis will manifest itself, and whether and how a recovery will follow. In a recent discussion, Mandel argues that the secular recovery (requiring an increase in both the mass and the rate of surplus value) will require a fundamental reorganization of the labor process, as in the use of CAD/CAM systems of design and production and robots. In the present period, the extent to which that restructuring has been undertaken has been limited and so have the benefits to capital. Even when these techniques become generalized the mass of surplus value produced will fall (due to the relative decline in living labor used in production) and will tend to neutralize the gains in the rate of surplus. With rising worker militancy, the range over which capital can induce a greater mass of surplus value becomes more and more constrained. Mandel concludes that "in order for capital to be able to get out of the long depression that is underway, it would have to succeed in breaking the resistance of the workers to a major reduction in their standard of living, as well as the resistance of the peoples of the third world to increased superexploitation." [19]

While Mandel offers by far one of the most elaborated discussions, its theoretical incompleteness and reliance on description of the phenomena allow others who use the framework to focus on particular aspects of cyclical or secular crisis to develop their own analyses of the specific phenomena they observe. As we shall see, the shifting emphasis reveals not only the fundamental theoretical inconsistency of this framework, but a basic disjuncture between the development of the SWP's economic analysis and its political program.

}Tone

#### DICK ROBERTS: CAPITALISM IN CRISIS

"But it is clear now in any case that a turning point has been reached in international capitalism. The long-term, relatively crisis-free expansion of the post-World War II period is over. Increasingly frequent recessions, tending more and more to coincide in all capitalist countries and to be accompanied by accelerating inflation, are the order of the day. [20]

} secular

Roberts' analysis of the current crisis characterizes it by two principal phenomena, inflation and recession occurring simultaneously. The explanation offered for their appearance draws on the conception discussed earlier of the contradiction between the internal dynamic of capital accumulation and the external conditions within which that dynamic works itself out.

According to Roberts', the post-WWII reconstruction of the world economy grew out of the reciprocal needs of U.S. and foreign capital: Japan and Europe needed desperately to import what they could not produce and the U.S. needed desperately to



export what it could not consume or invest at home. The aim of U.S. postwar economic policy attempted to secure for itself the power and profits which this opportunity afforded. "But this mutually reinforcing expansion began to run out of steam after the war torn economies had been rebuilt." [21] The once defeated wartime enemies became resurgent economic enemies, competing favorably with the U.S. in international markets. The apparently limitless expansion of investment opportunities began to dwindle by the mid- to late 1960s. For Roberts, and as we shall see time and again, in the analyses of the Left to be reviewed here, the scenarios drawn of the current crisis consistently refer to the "running out of steam" or "petering out" of opportunities for economic expansion. It is precisely this aspect of these analyses which each has in common with the other, i.e., that there is no explanation for why the growth of aggregate demand in capitalist economies is necessarily self-limiting. For this reason, arguments like Roberts' do not explain why and how there is a necessary tendency for the system to move to secular crisis. Instead, he simply states that we observe the long upswing of accumulation peaking at this time and this coincides with the slowing of economic expansion.

In fact, August 1971 and the institution of Nixon's "New Economic Policy" marked the "turning point within the turning point" in capitalist development. "In essence, his 'New Economic Policy' signalled that U.S. imperialism would take the high road of trade and financial warfare on an international scale and, at home, use every instrument of the government to keep workers and wages in line." [22] In an already stagnating world economy, U.S. capital through the state launched its counter-offensive on two fronts: internally against the living standards of workers by imposing a wage freeze, and externally by pursuing more aggressive competitive strategies for U.S. capital: dollar devaluations, manipulation of the interest rate, deficit spending, and privately, through the exercise of monopoly power by multinational corporations, especially in oil, raw materials, and food production. The results were windfall profits for large capital, the selling off of inventories, and the slowing of wage increases all of which laid the groundwork for the 1972-73 cyclical upturn. These policies had the effect of boosting world demand for U.S. goods and creating critical shortages through monopoly control of food and energy, thus raising the rate of inflation globally.

But, Roberts argues, the consequences demonstrate the essential contradiction of the system:

"The phenomenon of world inflation--whether it results from domestic budgetary policies aimed at artificially expanding purchasing power, or from manipulations in international exchange rates, again aimed at artificial expansion of international markets--expresses the inability of the capitalist system to thrive without continuous expansion of productive investment."

[23]



And this was precisely what was not happening. U.S. capital was not fooled into thinking that the 1972-73 upturn was anything but short-lived. Investments, which continued to rise in this period, shifted more and more to speculative ventures. As sales began to slump, corporations were forced to borrow to finance their operations, capital expansion, and the stocking of huge inventories of produced goods. The vast expansion of credit, both private and public, to pump the system up, created a huge demand for loan capital, driving up the interest rates and inflation rate even further. With long-term investment opportunities absent, by 1974-75 productive investments stagnated bringing drastic reductions in output and employment.

We confront the same analytical problems in Roberts that we did in Mandel in the explanation of the inherent cyclical tendencies to crisis and their relation to secular development and the external factors which account for it. The focus once again is on the "turning point" in the cycle and its location in the longer period of analysis. The years of Nixon's NEP marked the transition in the cycle and exhibited in full array the major phenomena of the crisis: they marked the point at which aggregate supply and productive capacity exceeded aggregate demand (overproduction/overaccumulation); inflation and unemployment rose sharply, growth in real wages slowed, and productive investment stagnated. These years happened within the context of a longer period of stagnation in the global expansion of capital. As long as Roberts focuses on the (turning points) and is content merely to identify the phenomena as they have emerged in this period, we are no closer to understanding what it is within the dynamic which necessarily and periodically brings the system to the turning point. Furthermore, Roberts makes even less explicit the connection between the cycle and the long historical epochs. The latter are understood independently as the result of external, often accidental, shocks to the system which provide bursts of extra demand for surplus capital and commodities capable of triggering and sustaining long-term investment. This is somewhat different from Mandel where the secular movement is presumed at least to express the changes in the cyclical pattern of capitalist growth. In Roberts, no such relation between the cycle and the trend is described.

*Secular*

The theoretical connection between the cyclical and secular movements of capital appear to be less significant to Roberts' argument than the relation between the internal dynamic and so-called external conditions. As in Mandel's analysis, the central problem inherent in capitalist development is posed as the problem of how to forestall the eventual "turning point" in the growth of capital. In other words, capitalists seek to postpone or even overcome the negative effects of their successes, i.e., the tendency for the rate of profit to fall. As in Mandel's cycle analysis, Roberts suggests that this can occur within the dynamic of the cycle itself only by raising the rate of exploitation of workers faster than the increase in the organic composition of capital. As depicted in his scenario, the frontal assault on workers' standard of living by the instituting of the wage



freeze, inflationary policies, and intensification of labor attempted just this.

A second mechanism used to forestall the decline is the extension of the international capitalist system itself. However, as discussed earlier, Roberts notes that in the present period, the intensification of competition among multinationals has accomplished no significant expansion of markets for the system as a whole, merely the redistribution of existing (and shrinking) markets. As the crisis in the international system deepens, the mechanisms used by each "national capital" demonstrate this central contradiction: that ultimately, "capitalisms are national" no matter how multinational investments become. [24] And in the absence of an over-arching mediating force, which is impossible to design for the world system, "the basis of power of the competing ruling classes lies in their own states and in the control over 'their own' workers that the repressive governmental apparatus makes possible." [25]

Roberts suggests that the capitalist state can intervene to stem the slide into deeper levels of stagnation or to prevent the collapse of the economy. Government deficit spending and anti-labor policies have in the past propped up the system, although at the cost of rising inflation. [26] But the limits to the successful intervention of the state in each national economy are met in the external conditions imposed by international competition, i.e., in the contradiction between the expansion needs of capital and the external limits to that expansion. The limits to state intervention are also met in the rising expectations and resistance of the working class to further exploitation.

But these limits are conjunctural; they either happen or they don't depending upon specific historical circumstances among competing capitals and in the developing consciousness of workers. In order to argue a necessity theory of crisis, which is what Roberts (as well as Mandel and others) purports to do, then the limits to the economic intervention of the state must be derived on the basis of how state actions relate to present and future accumulation. In other words, Roberts must demonstrate why the capitalist state, no matter how democratic, cannot by its actions, overcome the tendency to stagnation. Moreover, to put forward a convincing revolutionary strategy, he must also demonstrate how the very actions of the capitalist state contribute to the deepening crisis of capital accumulation. As we shall see, this deficiency in the analysis adds its share to the disjuncture between the political program of the SWP and its economic analysis.

\*  
This must be established at beginning

WILLIAM GOTTLIEB

By 1980-83, the U.S. economy had entered its deepest slump since the Great Depression. Reagan's Economic Recovery Tax Act of



1981 did not produce the benefits of an investment boom that were to have trickled down to the rest of us. Major reductions in social welfare spending and a dramatic rise in the number of "inflation fighters" were the remedies for spiralling inflation and intransigent wage demands. But these conditions did not produce the strong and immediate recovery predicted. Neither did the largest peace-time military budget in U.S. history lift the economy out of its slump. Even multinational monopoly corporations, once presumed omnipotent in their ability to command prices and profits, seemed powerless to withstand the pressures of intensified international competition and to control prices and profits. The inflation rate was still rising but at a slower annual rate (4-5%). The artificial shortages by which monopolies engineered their profits were no longer evident. Now the word was glut: oil glut, grain and dairy surpluses, gluts of steel and other manufactured products.

The phenomena of the crisis had shifted and along with them, the analysis of the SWP underwent subtle shifts of emphasis and a narrowing of focus. Where seven years earlier, Roberts focused considerable attention on the inflationary effects of monopoly capital in the current crisis, Gottlieb, by 1982, drops this aspect of the earlier analysis in his own. Where Roberts had attempted to link the long-term stagnation of capitalist growth to the discussion of the long wave and external factors which could provide sustained recovery, Gottlieb narrows the analysis to the cycle, and, specifically, to the conditions which could generate profitability which the state seeks to secure through budget deficits, monetarist policies, and attacks on the working class.

What we see in Gottlieb's discussion is a "stripped down" version of the analyses of Roberts and Mandel. "The real cause of the economic crisis is not the inability of the productive power of industry to keep up with demand, but rather the inability of 'effective demand' to keep up with the productive power of industry." [27] The narrowing of the scope of analysis identifies the phenomenon of overproduction or the existence of supply in excess of aggregate demand as the central feature of capitalist crisis.

But here again, as in Mandel's framework and Roberts' analysis, Gottlieb does not explain how the system periodically generates the tendency to stagnation and decline. Instead the familiar description is offered: The phase of stagnating growth is defined as the period in which the market shows an excess of product. Capitalists cut back on production and investment, causing rising rates of unemployment and an increase in bankruptcy among smaller capital and farmers. Demand for loan capital falls along with the interest rate, while excess financial capital grows. Eventually, enough weaker capital is destroyed and enough of stockpiled inventories is sold to allow aggregate supply to fall below aggregate demand. This will trigger a recovery and investment boom as demand continues to grow. [28]

Gottlieb suggests that there are limits to the extent to which demand can exceed supply in the upturn. First, the boom will shrink the available labor market, bidding up wages and raising production costs for capitalists. Secondly, continuous demand in excess of supply will tend to raise the average price level for capital goods and consumption goods. [29] While Gottlieb does not go on to explain, what is implied is that the limit is effectively set if the rate of price inflation outstrips the reduction in unit costs which increased productivity affords capital. But this is by no means necessarily the case.

Thirdly, Gottlieb argues that the extent to which demand growth is limited is also determined by the availability of credit. In fact, the first signal of the downturn is a sudden rise in the interest rates. [30] Those industries which require heavy lending to finance expansion or sales, find that a tight money supply leads to a drop in demand and the emergence of excess supply and excess capacity. We find ourselves, once again, at the familiar "turning point" of the cycle. And yet we are still puzzled as to how we arrived at that point. In Marx's analysis, the inherent dynamic governing the growth of capital is derived first by abstracting from the influence of credit and the supply of money. Credit extends the limits and boundaries of production but does not fundamentally alter the basic tendencies of the system to crisis. In order to provide an explanation of why the system periodically experiences declining growth in demand, as a demonstration of its inherent nature, the analysis should do so first by abstracting from the effects of credit. Then, the condition of "tight" credit can be understood properly as an exacerbating influence on a fundamental systemic tendency.

*good*

As demand in the domestic economy shrinks and as international markets become the subject of intensified competition, there will be fewer and fewer options for saving capital from crises of overproduction. Gottlieb directs his attention to the attempts to mediate the transition of the cycle by the Federal Reserve Board's manipulation of the money supply and the interest rate and by federal deficit spending (especially on arms production). The Federal Reserve Board, while it can control the amount of paper money issued, cannot control how much money banks actually loan. And, in the last analysis, neither can the "Fed" or the state control the demand for credit. Beyond this, the state's attempt to prop-up sagging demand through increased military expenditure succeeds only in expanding demand without a corresponding increase in the supply of consumer goods. In addition, the one-shot expansion of demand for capital goods from defense industries does not generate sufficient stimulus to sustain growth. The overall effect is to raise the rate of inflation substantially.

Gottlieb's lead article in the series published in the summer/fall of 1982, suggests that capitalists' attempts to find a solution to the current crisis have more and more concentrated on attacking workers' and farmers' living standards. Worker

concessions and give-backs, bank foreclosures on farm mortgages, and wage cuts (apart from the high levels of unemployment generated by the crisis) have cut deep into the lives of working people in order to restore capitalist profitability. "American workers have not experienced anything like this since before the rise of the Congress of Industrial Organizations (CIO) in the mid-1930s. To find a parallel it is necessary to go back to the wage cuts enforced by the bosses in the early 1930s, when corporations forced wage cuts on unorganized or weakly organized workers." [32]

Summary

overall logic

Discuss concluding paragraph(s) as the lead into Mary's section.

- (1) Lack even economic theory
- (2) economic theory seen through lens of political movement

cycle  
 trend  
 necessity of  
 bust, possibilities  
 of boom  
 key to boom is  
 defeat of  
 working class  
 (not state  
 eco. intervention)  
 ↓  
 back to  
 Trotsky  
 (consistency  
 of general  
 approach)  
 + gaps &  
 contradictions  
 of specific  
 arguments



## FOOTNOTES

1. This understanding was confirmed in an interview with Steve Clark of the SWP National Office in New York, February 18, 1985. Clark indicated that a number of the Party's members present their economic analyses regularly in the organization's publications. While there may be differences in "nuance" among <sup>them,</sup> as well as among other views expressed within the Fourth International, he feels that the organization is essentially "of one mind" regarding its economic analysis of the current crisis and crisis theory in general.
2. Leon Trotsky, "The Curve of Capitalist Development," first published in 1923, English translation in Fourth International, May 1941, p. 112 as quoted in Ernest Mandel, Late Capitalism, London: Verso, 1978, pp. 128-129.
3. Mandel, p. 129.
4. Ibid., p. 133.
5. Other critiques of the relation between the cycle and the long wave and also of the insufficiency of establishing the logical necessity for the cycle in Mandel's analysis exist elsewhere: c.f. Makoto Itoh, "Review of Late Capitalism" in Science and Society, Vol. XLIII, No. 1, Spring, 1979; Joseph D. Phillips, "Review of the Second Slump" in Science and Society, Vol. XLVI, No. 3, Fall, 1982; and Richard B. Day, "The Theory of the Long Cycle: Kondratiev, Trotsky, Mandel," New Left Review, (get the rest of this citation from someone).
6. Mandel, Marxist Economic Theory, Vol. I, New York: Monthly Review Press, 1962, p. 166.
7. Ibid., pp. 167-168.
8. Ibid.
9. Mandel, "Introduction," in Capital, Vol. III, London: Penguin Books, 1981, p. 49.
10. Ibid.
11. Ibid., p. 53.
12. Mandel, The Second Slump, London: Verso, 1980, pp. 211-213.
13. Mandel, "Introduction" to Capital, Vol. III, p. 51.
14. Ibid., p. 49. See footnote #71.
15. Mandel, Late Capitalism, p. 145.
16. Ibid., pp. 144-145.

17. Ibid., p. 122.
18. Mandel, The Second Slump, p. 182.
19. Mandel, "An Economic Upturn Coupled With A Financial Crisis," International Viewpoint, 1984. [check citation with Mary]
20. Dick Roberts, Capitalism in Crisis, New York: Pathfinder Press, 1975, p. 36.
21. Ibid., p. 37.
22. Ibid., p. 40.
23. Ibid., p. 51.
24. Ibid., p. 55.
25. Ibid.
26. Ibid., p. 85.
27. William Gottlieb, "Reagan-Congress Austerity Programs Aimed at Workers and Family Farmers," The Militant, July 16, 1982, p. 15.
28. Gottlieb, "What is a Crisis of Overproduction?" The Militant, July 23, 1982, p. 11.
29. Ibid.
30. Ibid.
31. Gottlieb, "Why Capitalism Can't Avoid Crisis," The Militant, August 6, 1982, (no page #)
32. Gottlieb, The Militant, July 16, 1982, p. 15.

6/17/85

Crisis Book

3. logistics ← Kathy leaves June 28, returns on Aug 23.  
Howard leaves Aug 3, but can return in August

4. ~~Revisions~~ Subject Matter of Meetings

(1) MR-SWP — final revisions  
Discussion of scope of my section — ch 2, 3

II SWP

1. ECONOMICS

— crucial to emphasize that Mandel, et al, are within necessary theory camp, by their own intention. This is important for politics, though it does not imply that they are complete or correct in their necessity.

From this point of view, the question of incompleteness or error in the theory itself is still crucial, & can be ~~de~~ even decisive, in informing the question of politics & strategy (vide Luxemburg --).

~~too~~  
— Necessity of downturn is not same as necessity of recovery



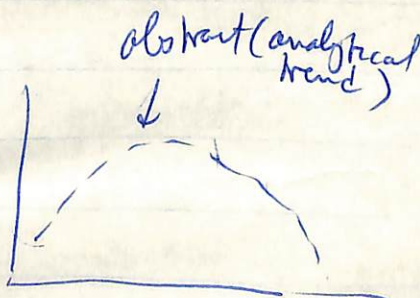
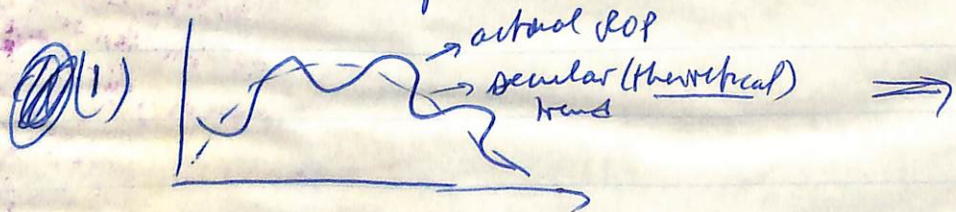
— p. 11 Question of limits to State intervention  
 Roberts, et al, must demonstrate how & why State intervention cannot simply solve the crisis.

— First level  $\Rightarrow$  limits & costs to State intervention

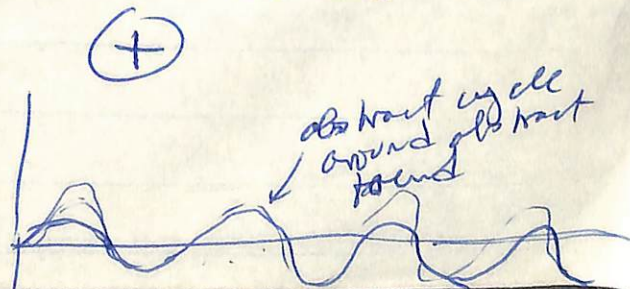
— But secret is to show how & why ~~necessity~~ of laws of accumulation necessarily ~~puts~~ ~~requires~~ makes the "limits" ~~into~~ <sup>binding</sup> constraints ~~limits~~. Thus it is not sufficient to say that limits are "political"

— Question of Business Cycle vs. Trend

⊙ Mandel's Implicit Scenario



The trend here is, implicitly the analytical trend, so cycle is not even around trend.





6/17/0

~~137.~~ (ii) Mandel treats both short-cycle and long wave as determined by the value rate of profit — hence ~~the~~  
~~with~~ by  $SS = DD$  balanced movements of value rate of profit (no real treatment of capacity utilization)  
 Note that in Marx secular trend is ~~the~~ in value rate, but business cycle is characteristically a movement of supply & effective demand.

To put it another way, if value R.O.P (potential R.O.P) does not rise and fall, Mandel has <sup>analytical</sup> no explanation of bus. cycle.

Indeed, Mandel verbally recognizes precisely this phenomenon

Hence cap. is always facing threat of permanent crisis. →



5  
6/17/85

## SWP

1. Begin with ~~emphasizing~~ importance of Trotsky's work to SWP
2. Summarize Trotsky's tradition as brought  
mandel

Strength

Weakness - gap between abstract formula  
& concrete mechanisms of accumulation

⇒ hence inability to understand  
eco. recovery forces & stability  
of system to undermine <sup>& divert</sup> radicality  
of working class

⇒ hence inevitable tendency  
to explain all developments  
in terms of <sup>quality</sup> leadership of  
working class

3. Go to their first phase (explanation  
of 1940-1950's, tactics & strategy...)  
→ Boom phase → show their politics  
fit our theoretical presentation...



~~Beginning of Crisis~~  
~~Second phase 1969~~

4. Recognition of Beginnings of Crisis (1969 -



EG 308

~~SWP~~ SWP

4/6/83

Becke, Nestor

# 1. Early History (Becke)

(1) Jan 1938 - James Cannon, left Opposition within CPUSA, expelled in 1928 but remained as Left Opposition. merged with American Worker Party in 1936 and then with Socialist Party to form Socialist Workers Party, part of Fourth Int'l in 1938

## (2) Transitional Program (1938), American Resolution.

After upturn of 1933-1937, the economy has entered a period of general decay. U.S. eco. has exhausted its potential for <sup>return to</sup> sustained accumulation. Transitional program was based on transition to socialism.



## 2 - <sup>General</sup> Characterization of the Crisis [Cyclical PROP] "LONG BOOM, LONG [AS EXHAUSTION] FACTOR"

(1) Classical Crisis of Overproduction

(2) Cyclical Tendency of rate of profit to fall - the longer the period of growth and the faster its rate, the more rapid the  $S/V \uparrow$ , hence faster the PROP.

THUS OVERPRODUCTION - "LONG MOVEMENTS"  
← PROP — MEDIUM TERM (CYCLICAL) MOVEMENTS

b) Offsetting Tendencies and increased strength of labor

(1) High Employment, ~~protests~~ rise in  $S/V$  neco to recover

(2) Attempts to cheapen raw materials ~~leads~~ leads to prices of raw materials diverging from the <sup>average</sup> trend of prices. This leads to a "disproportion in investment in the two dept's", which increases

scarcity of raw materials & drives their prices up.

(i.e.  $P_m/\bar{p} \downarrow \Rightarrow$  Invest in materials slows down, but cheaper raw materials also increase  $DD_m \rightarrow P_m \uparrow$ )



c)

(11) Crisis of 1970's is the first generalized crisis of overproduction, since the cycles of different countries <sup>have</sup> coincided. This precludes exports as a solution to overproduction. But stagflation and even "slump - flatline" exists now.

(14) Current Recession could turn into a Depression if govt. fails to adopt anti-cyclical policies (jobs programs,  $\uparrow$  etc.) ~~etc.~~ Alternatively, the govt. might deliberately adopt deflationary policies & precipitate a Depression. But this is unlikely because of the social & political danger this poses to the govt. & the system itself.

(15) Likely solution to this is ~~defeat~~ attacks on workers,  $\downarrow$  wages, rise in rate of profit, international aggression & war, armed repression of the working class.

SWP

4/11/83

3. Dick Roberts: "Capitalism & Crisis", 1978 (originally as an internal bulletin)

(1) Business cycles are inherent in capitalism.

Eco. growth  $\rightarrow$  employment level  $\uparrow \Rightarrow w \uparrow$ , military increases  $\Rightarrow r \downarrow \Rightarrow$  employment  $= \downarrow \Rightarrow W = wL \downarrow \Rightarrow C_D \downarrow \Rightarrow$  ~~underconsumption~~  $DD_{II} \downarrow \Rightarrow$  excess capacity in Dept II  $\Rightarrow$  cut back in  $DD_I$  (producer goods)  $\Rightarrow$  etc

So here cyclical PROP due to wage squeeze

(2) But also long epochs of capitalist (Trotsky), which are determined by conditions external to accumulation, which channel the ~~spot~~ accumulation process. These include new countries, markets, resources, products, inventions. This is different from business cycle which is internal to dynamic of ACCUM.

(3) Monopolies restrict production in domestic market in order to get higher prices, which means that the extra profits have to be invested "abroad" [Lenn]

This leads to rapacious struggle for foreign markets, in both DEC's and UDC's.

(4) As the long epochal factors become exhausted (WWII reconstruction exhausted) this leads to intensified competition for narrower (slower growing) markets  $\rightarrow$  ~~stagnation~~



## SWP



- ~~international competitive~~ Stagnation from exhaustion of external factor
- inflation from monopolies responding to stagnation [ but they did not

(v) Normally, a crisis <sup>of this sort</sup> in one country can be transferred to others by ~~exports~~ increasing exports to them.

But synchronization of these crises across countries means that there is no ~~way~~ where to go.

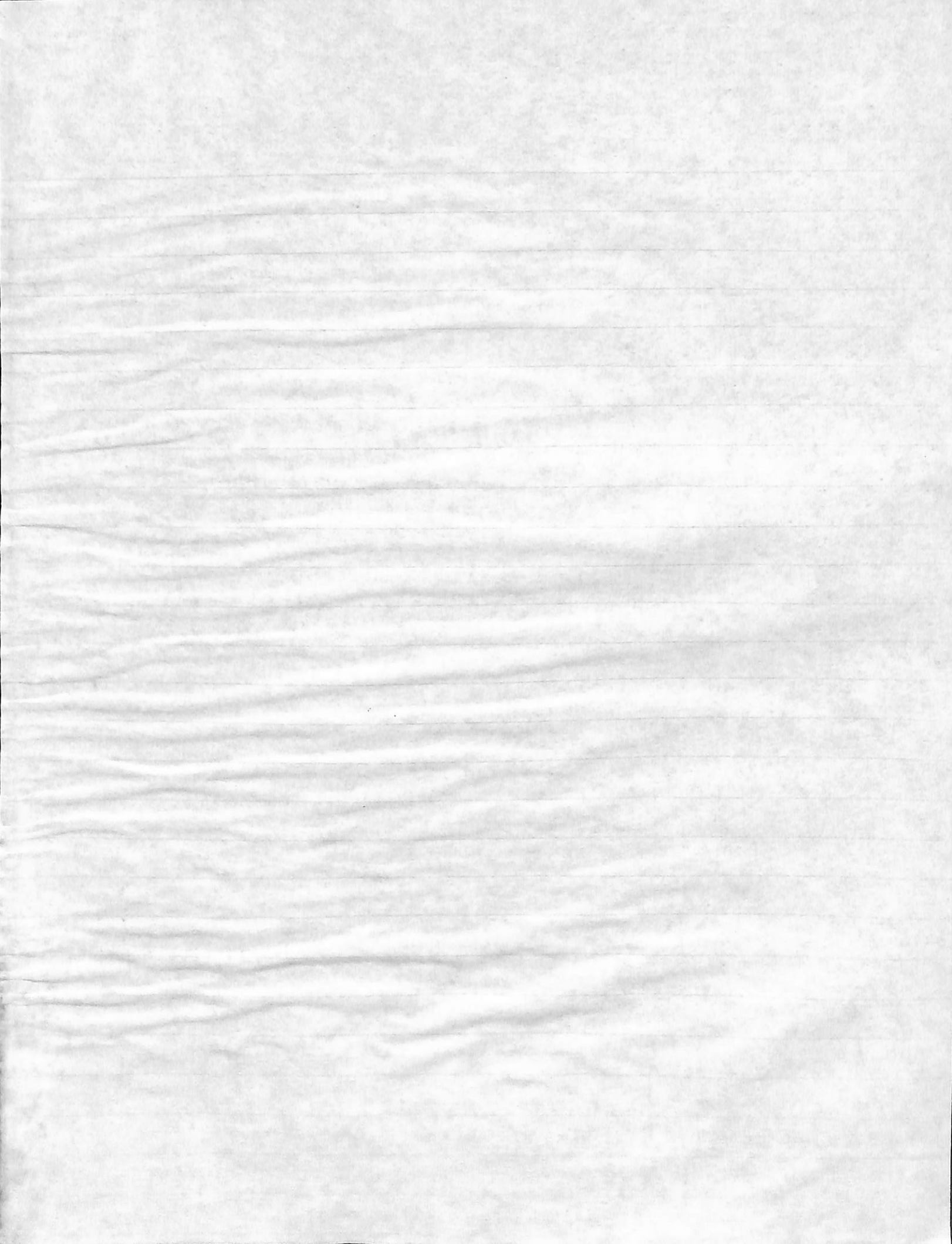
(vi) Keynesian policies of increased deficit spending & increased money supply do not work in a generalized depression (!?)

[ But why? External factors generate high & growing DD → high growth & relatively low ~~price~~ inflation, as response by monopolies. But then exhaustion of factors → DD ↓ and enhanced inflation by monopolies. But therefore State expansion of DD ↑ should lead to boom & moderate inflation! ]

5

SWP





EW 3095 : SWP

4/20/83

Becke : Bill Gottlieb, SWP : "Behind The Recession"

1. Recession = Eco. Crisis. Real Cause is inability of effective demand to keep up with the crisis, & DD itself has been restricted because of layoffs, credit crunch, ... . But these may not be the fundamental cause.

2. "Essence of Current Crisis" = Overproduction, as a business cycle

3. Expansion of money & credit is the real cause of inflation, and this is the government induced alternative to a Great Depression since it prevents a bank collapse.

4. Focus on phenomena of cycle  
on U.S., not world  
on Supply & demand, not condition of  
"Profits", not profit rate ... prod. and/or profit  
anarchy of circulation (Becke)  
leaves out } long waves  
} FRDP / Profit Squeeze  
} profit rate as basis of accumulation  
" " as basis of interest rate.

5. Essentially a possibility theory at eco. level, since anarchy of production could be significantly reduced by a proper planning BUT LIMIT IS POLITICAL, since State is not capitalist state



Ec. 3095 : SWP

2

4/21/83

Notes: Revolution by Jack Barnes "25 lessons From the 70's and  
The Perspectives for the 80's"  
(30<sup>th</sup> Convention, Aug 1979)

1. Vietnam War marks growing ability of U.S. rulers to get workers to support their war + growing strength of anti-imperialist struggle. Since U.S. capitalism is the military ruling elite ~~is~~ of capitalist system, its inability to get ~~to~~ workers to support war is crucial.
2. Current period is of stagnation & inflation.
3. There is ~~not~~ ~~no~~ possibility of a recovery without fascism or socialism, because ~~the~~ class character of state prevents necessary intervention.
4. Revolutionary socialists must get into industry, into order to be prepared for <sup>and part of</sup> mass upsurge of workers.
5. Emphasis of education of cadre would be on political works of Marx, not on eco. works ("too much" emphasis in past on Marx's eco. works!)
6. Transitional program must fill the gap between objective revol. ~~fact~~ factors and the current backwardness of the workers. The decay of capitalism itself is the objective factor bridging this gap.

Crisis Group

4/9/85

SWP

SWP Eco. Analysis (Kathy)

(i) Mandel's work provides ~~the~~ <sup>a</sup> general framework within which the others can be fitted

- Does not imply they <sup>necessarily</sup> follow Mandel. Roberts does refer to Mandel, but Gottlieb does not explicitly. Mandel is ~~simply~~ more comprehensive, and also the ~~author~~ real author of many position papers

- we are even so not giving ~~up~~ Mandel due weight because our focus is on U.S. left ...

- Mandel's late Capitalism (1969) & Second Shump (1974) pre-date Roberts (1975) & Gottlieb (1982)

(SWP is currently in transition ... But our analysis is focused on its history, ...)

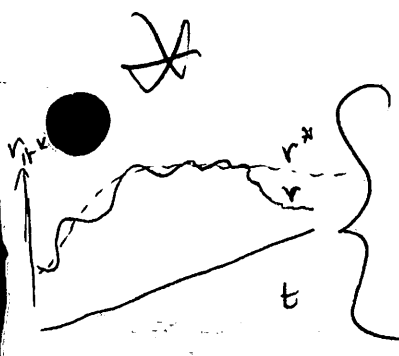
(ii) Within Mandel

- Does he present cycle as necessary? His cycle is a rise-and-fall of ROP.

- His secular ~~boom~~ pattern is also a (long) rise-and-fall of ROP

But here, even though ~~a~~ a secular boom ~~must~~ is not necessary,

if it takes place then a bust must surely follow. I.E. <sup>not a</sup> boom is conjunctural, a bust is necessary. ~~(This is not a necessary theory, since boom is not necessary)~~





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116 University Place

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April 1947

Cover by J. Thal

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# Theses on the American Revolution

*Adopted by the Twelfth National Convention  
of the Socialist Workers Party*

I

The United States, the most powerful capitalist country in history, is a component part of the world capitalist system and is subject to the same general laws. It suffers from the same incurable diseases and is destined to share the same fate. The overwhelming preponderance of American imperialism does not exempt it from the decay of world capitalism, but, on the contrary, acts to involve it ever more deeply, inextricably and hopelessly. U. S. capitalism can no more escape from the revolutionary consequences of world capitalist decay than the older European capitalist powers. The blind alley in which world capitalism has arrived, and the U. S. with it, excludes a new organic era of capitalist stabilization. The dominant world position of American imperialism now accentuates and aggravates the death agony of capitalism as a whole.

II

American imperialism emerged victorious from the Second World War not merely over its German and Japanese rivals but also over its "democratic" Allies, especially Great Britain. Today Wall Street unquestionably is the dominant world imperialist center. Precisely because it has issued from the war vastly strengthened in relation to all its capitalist rivals, U. S. imperialism seems indomitable. So overpowering in all fields—diplomatic, military, commercial, financial and industrial—is Wall Street's preponderance that consolidation of its world hegemony seems to be within easy reach. Wall Street hopes to inaugurate the so-called "American Century."

In reality, the American ruling class faces more insurmountable obstacles in "organizing the world" than confronted the German bourgeoisie in its repeated and abortive attempts to attain a much more modest goal, namely: "organizing Europe."

The meteoric rise of U. S. imperialism to world supremacy comes too late. Moreover, American imperialism rests increas-



ingly on the foundations of world economy, in sharp contrast to the situation prevailing before the First World War, when it rested primarily on the internal market—the source of its previous successes and equilibrium. But the world foundation is today shot through with insoluble contradictions; it suffers from chronic dislocations and is mined with revolutionary powder kegs.

American capitalism, hitherto only partially involved in the death agony of capitalism as a world system, is henceforth subject to the full and direct impact of all the forces and contradictions that have debilitated the old capitalist countries of Europe.

The economic prerequisites for the Socialist revolution are fully matured in the U. S. The political premises are likewise far more advanced than might appear on the surface.

### III

The U. S. emerged from the Second World War, just as it did in 1918—as the strongest part of the capitalist world. But here ends the resemblance in the impact and consequences of the two wars upon the country's economic life. For in other major aspects the situation has in the meantime drastically altered.

In 1914-18 continental Europe was the main theater of war; the rest of the world, especially the colonial countries, was left virtually untouched by the hostilities. Thus, not only sections of continental Europe and England but the main framework of the world market itself remained intact. With all its European competitors embroiled in the war, the way was left clear for American capitalism to capture markets.

More than this, during the First World War capitalist Europe itself became a vast market for American industry and agriculture. The American bourgeoisie drained Europe of her accumulated wealth of centuries and supplanted their Old World rivals in the world market. This enabled the ruling class to convert the U. S. from a debtor into the world's banker and creditor, and simultaneously to expand both the heavy (capital goods) and the light (consumer goods) industries. Subsequently this wartime expansion permitted the fullest possible development of this country's domestic market. Finally, not merely did the American bourgeoisie make vast profits from the war but the country as a whole emerged much richer. The relatively cheap price of imperialist participation in World War I (only a few score billion dollars) was covered many times over by the accruing economic gains.

Profoundly different in its effects is the Second World War.

This time only the Western hemisphere has been left untouched militarily. The Far East, the main prize of the war, has been subjected to a devastation second only to that suffered by Germany and Eastern Europe. Continental Europe as well as England have been bankrupted by the war. The world market has been completely disrupted. Thus culminated the process of shrinking, splintering and undermining that went on in the interval between the two wars (the withdrawal of one-sixth of the world—the USSR—from the capitalist orbit, the debasement of currency systems, the barter methods of Hitlerite Germany, Japan's inroads on Asiatic and Latin American markets, England's Empire Preference System, etc., etc.).

Europe, which defaulted on all its prior war and post-war debts to the U. S., this time served not as an inexhaustible and highly profitable market, but as a gigantic drain upon the wealth and resources of this country, in the shape of Lend-Lease, over-all conversion of American economy for wartime production, huge mobilization of manpower, large-scale casualties, and so on.

With regard to the internal market, the latter, instead of expanding organically as in 1914-18, experienced in the course of the Second World War only an artificial revival based on war expenditures.

While the bourgeoisie has been fabulously enriched, the country as a whole has become much poorer: the astronomic costs of the war will never be recouped.

In sum, the major factors that once served to foster and fortify American capitalism either no longer exist or are turning into their opposites.

### IV

The prosperity that followed the First World War, which was hailed as a new capitalist era refuting all Marxist prognostications, ended in an economic catastrophe. But even this short-lived prosperity of the Twenties was based on a combination of circumstances which cannot and will not recur again. In addition to the factors already listed, it is necessary to stress: (1) that American capitalism had a virgin continent to exploit; (2) that up to a point it had been able to maintain a certain balance between industry and agriculture; and (3) that the main base of capitalist expansion had been its internal market. So long as these three conditions existed—although they were already being undermined—it was possible for U. S. capitalism to maintain a relative stability.

The boom in the Twenties nourished the myth of the permanent stability of American capitalism, giving rise to pompous



and hollow theories of a "new capitalism," "American exceptionalism," the "American dream," and so forth and so on.

The illusions about the possibilities and future of American capitalism were spread by the reformists and all other apologists for the ruling class not only at home but abroad. "Americanism" was the gospel of all the misleaders of the European and American working class.

What actually happened in the course of the fabulous prosperity of the Twenties was that under these most favorable conditions, all the premises for an unparalleled economic catastrophe were prepared. Out of it came a chronic crisis of American agriculture. Out of it came a monstrous concentration of wealth in fewer and fewer hands. Correspondingly, the rest of the population became relatively poorer. Thus, while in the decade of 1920-30, industrial productivity increased by 50 per cent, wages rose only 30 per cent. The workers were able to buy—in prosperity—proportionately less than before.

The relative impoverishment of the American people is likewise mirrored in national wealth statistics. By 1928 the workers' share of the national wealth had dropped to 4.7 per cent; while the farmers retained only 15.4 per cent. At the same time, the bourgeoisie's share of the national wealth had risen to 79.9 per cent, with most of it falling into the hands of Sixty Families and their retainers.

The distribution of national income likewise expressed this monstrous disproportion. In 1929, at the peak of prosperity, *36,000 families had the same income as 11 million "lower-bracket" families.*

This concentration of wealth was a cardinal factor in limiting the absorbing capacity of the internal market.

Compensating external outlets for agriculture and industry could not be found in a constricting world market.

Moreover, the need to export raw materials and agricultural products tended to further unbalance American foreign trade. This inescapably led to a further dislocation of the world market, whose participants were debtor countries, themselves in need of selling more than they bought in order to cover payments on their debts, largely owed to the U. S.

While appearing and functioning in the role of stabilizers of capitalism, the American imperialists were thus its greatest disrupters both at home and abroad. The U. S. turned out to be the main source of world instability, the prime aggravator of imperialist contradictions.

In the interim between the two wars this manifested itself most graphically in the fact that all economic convulsions began in the Republic of the Dollar, the home of "rugged indiv-

idualism." This was the case with the first post-war crisis of 1920-21; this was repeated eight years later when the disproportion between agriculture and industry reached the breaking point and when the internal market had become saturated owing to the impoverishment of the people at one pole and the aggrandizement of the monopolists at the other. The Great American Boom exploded in a crisis which shattered the economic foundations of all capitalist countries.

## V

The economic crisis of 1929 was not a cyclical crisis such as periodically accompanied organic capitalist development in the past, leading to new and higher productive levels. It was a major historical crisis of capitalism in decay, which could not be overcome through the "normal" channels; that is to say, through the blind interplay of the laws governing the market.

Production virtually came to a standstill. National income was cut into less than half, plummeting from 81 billion dollars in 1929 to 40 billion dollars in 1932. Industry and agriculture sagged. The army of unemployed swelled tenfold "normal," reaching the dizzy figure of 20 million. According to official estimates, based on 1929 averages, the losses in the years 1930-38 amounted to 43 million man-years of labor, and 133 billion dollars of national income.

By 1939 the national debt soared to 40 billion dollars, or 14 billion more than the highest point at the end of the First World War. The number of unemployed kept hovering at 10 million. Industry and agriculture stagnated. The foreign trade of the U.S. in a reduced world market fell to less than half of its "normal" peacetime share.

What all these figures really express is the fearsome degradation of living standards of the workers and the middle class, and the outright pauperization of the "underprivileged one-third" of the population. The wafer-thin layer of monopolists, naturally, did not suffer at all, but on the contrary utilized the crisis in order to gobble up even a larger share of the country's wealth and resources.

The bourgeoisie saw no way out of the crisis. They had no way out. They and their regime remained the main obstacle in the way not only of domestic but of world recovery. In its downward plunge, the American bourgeoisie dragged the rest of the capitalist world with it, and kept it down.

Decisive is the fact that despite all the "pump-priming," "brain-trusting," and emergency "reforms," American capitalism was incapable of solving the crisis. The partial upswing of 1934-37 proved to be temporary and passing in character.



The precipitous drop that occurred in 1937 revealed the abyss facing American capitalism. The threatening new downward plunge was cut off only by the huge expenditures made in preparation for the Second World War.

Only the war temporarily resolved the economic crisis which had lasted in both hemispheres for ten years. The grim reality, however, is that this "solution" has solved exactly nothing. Least of all did it remove or even mitigate a single one of the basic causes for the crisis of 1929.

## VI

The basis of the current American post-war prosperity is the artificial expansion of industry and agriculture through unprecedented government spending which is swelling constantly the enormous national debt. In its fictitious character the war and post-war boom of the early Forties far exceeds the orgy engaged in by European capitalism during 1914-18 and the immediate post-war years.

The diversion of production into war industry on an unheard-of scale resulted in temporary shortages of consumer goods. The home and foreign markets seemed to acquire a new absorbing capacity. Universal scarcities and war havoc are acting as temporary spurs to production, especially in the consumers' goods field.

Over-all there is, however, the universal impoverishment, the disrupted economic, fiscal and governmental systems—coupled with the chronic diseases and contradictions of capitalism, not softened but aggravated by the war.

If we multiply the condition in which European capitalism, with England at its head, emerged from the First World War by ten times and in some instances a hundred times—because of the vaster scale of the consequences of World War II—then we will arrive at an approximation of the actual state of American capitalism.

Every single factor underlying the current "peacetime" prosperity is ephemeral. This country has emerged not richer from the Second World War as was the case in the Twenties, but poorer—in a far more impoverished world. The disproportion between agriculture and industry has likewise increased tremendously, despite the hot-house expansion of agriculture. The concentration of wealth and the polarization of the American population into rich and poor has continued at a forced pace.

The basic conditions that precipitated the 1929 crisis when American capitalism enjoyed its fullest health, not only persist but have grown more malignant. Once the internal market is again saturated, no adequate outlet can be hoped for in the

unbalanced world market. The enormously augmented productive capacity of the U.S. collides against the limits of the world market and its shrinking capacity. Ruined Europe herself needs to export. So does the ruined Orient, whose equilibrium has been ruptured by the shattering of Japan, its most advanced sector.

Europe is in dire need of billions in loans. In addition to Lend-Lease, Wall Street has already pumped almost 5 billion dollars in loans into England; almost 2 billions into France; and smaller sums into the other satellite countries of Western Europe—without, however, achieving any semblance of stabilization there. Bankrupt capitalist Europe remains both a competitor on the world market and a bottomless drain. The Orient, too, needs loans, especially China, which, while in the throes of civil war, has already swallowed up as many American dollars as did Germany in the early Twenties.

At home, the explosive materials are accumulating at a truly American tempo. Carrying charges on the huge national debt; the astronomic military "peacetime" budget (18.5 billion dollars for this year); the inflation, the "overhead expenditures" of Wall Street's program of world domination, etc., etc.—all this can come from one source and one only: national income. In plain words, from the purchasing power of the masses. Degradation of workers' living conditions and the pauperization of the farmers and the urban middle class—that is the meaning of Wall Street's program.

## VII

The following conclusion flows from the objective situation: U.S. imperialism which proved incapable of recovering from its crisis and stabilizing itself in the ten-year period preceding the outbreak of the Second World War is heading for an even more catastrophic explosion in the current post-war era. The cardinal factor which will light the fuse is this: The home market, after an initial and artificial revival, must contract. It cannot expand as it did in the Twenties. What is really in store is not unbounded prosperity but a short-lived boom. In the wake of the boom must come another crisis and depression which will make the 1929-32 conditions look prosperous by comparison.

## VIII

The impending economic paroxysms must, under the existing conditions, pass inexorably into the social and political crisis of American capitalism, posing in its course pointblank the



ant strength on the world arena, the victorious proletarian revolution in the U.S., once it has consolidated its power, will be almost automatically secured against capitalist restoration either by internal counter-revolution or by foreign intervention and imperialist blockade.

As for the danger of bureaucratic degeneration after the revolutionary victory—this can only arise from privileges which are in turn based on backwardness, poverty and universal scarcities. Such a danger could have no material foundation within the U.S. Here the triumphant Workers' and Farmers' Government would from the very beginning be able to organize socialist production on far higher levels than under capitalism, and virtually overnight assure such a high standard of living for the masses as would strip privileges in the material sense of any serious meaning whatever. Mawkish speculations concerning the danger of bureaucratic degeneration after the victorious revolution serve no purpose except to introduce skepticism and pessimism into the ranks of the workers' vanguard, and paralyze their will to struggle, while providing fainthearts and snivelers with a convenient pretext for running away from the struggle. The problem in the U.S. is almost exclusively the problem of the workers' conquest of political power.

## XII

In the coming struggle for power the main advantages will be on the side of the workers; with adequate mobilization of their forces and proper direction the workers will win. If one wishes to deal with stern realities and not with superficial appearances, that is the only way to pose the question. The American capitalist class is strong, but the American working class is stronger.

The numerical strength and social weight of the American working class, greatly increased by the war, is overwhelming in the country's life. Nothing can stand up against it. The productivity of American labor, likewise greatly increased in wartime, is the highest in the world. This means skill, and skill means power.

The American workers are accustomed to the highest living and working standards. The widely-held view that high wages are a conservatizing factor tending to make workers immune to revolutionary ideas and actions, is one-sided and false. This holds true only under conditions of capitalist stability where the relatively high standard of living can be maintained and even improved. This is excluded for the future, as our whole analysis has shown. On the other hand, the workers react most

sensitively and violently to any infringement upon their living standards. This has already been demonstrated by the strike waves in which great masses of "conservative" workers have resorted to the most militant and radical course of action. In the given situation, therefore, the relatively high living standard of the American workers is a revolutionary and not, as is commonly believed, a conservatizing factor.

The revolutionary potential of the class is further strengthened by their traditional militancy coupled with the ability to react almost spontaneously in defense of their vital interests, and their singular resourcefulness and ingenuity (the sitdown strikes!).

Another highly important factor in raising the revolutionary potential of the American working class is its greatly increased cohesiveness and homogeneity—a transformation accomplished in the last quarter of a century.

Previously, large and decisive sections of the proletariat in the basic industries were recruited by immigration. These foreign-born workers were handicapped and divided by language barriers, treated as social pariahs and deprived of citizenship and the most elementary civil rights. All these circumstances appeared to be insuperable barriers in the way of their organization and functioning as a united labor force. In the intervening years, however, these foreign-born workers have been assimilated and "Americanized." They and their sons today constitute a powerful, militant and articulate detachment of the organized labor movement.

An equally significant and profound development is represented by the transformation that has taken place in the position occupied by the Negroes. Formerly barred and deprived of the rights and benefits of organization by the dominant reactionary craft unions and, on the other hand, regarded and sometimes utilized by the employers as a reserve for strikebreaking purposes, masses of Negroes have since the twenties penetrated into the basic industries and into the unions. Not less than two million Negroes are members of the CIO, AFL and independent unions. They have demonstrated in the great strike struggles that they stand in the front lines of progressiveness and militancy.

The American workers have the advantage of being comparatively free, especially among the younger and most militant layers, from reformist prejudices. The class as a whole has not been infected with the debilitating poison of reformism, either of the classic "Socialist" variety or the latter-day Stalinist brand. As a consequence, once they proceed to action, they more readily accept the most radical solutions. No important section of the class, let alone the class as a whole, has been demoralized

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same



by defeats. Finally, this young and mighty power is being drawn into the decisive phases of the class struggle at a tempo that creates unparalleled premises for mass radicalization.

### XIII

Much has been said about the "backwardness" of the American working class as a justification for a pessimistic outlook, the postponement of the socialist revolution to a remote future and withdrawal from the struggle. This is a very superficial view of the American workers and their prospects.

It is true that this class, in many respects the most advanced and progressive in the world, has not yet taken the road of independent political action on a mass scale. But this weakness can be swiftly overcome. Under the compulsion of objective necessity not only backward peoples but backward classes in advanced countries find themselves driven to clear great distances in single leaps. As a matter of fact, the American working class has already made one such leap which has advanced it far ahead of its old positions.

The workers entered the 1929 crisis as an unorganized, atomized mass imbued with illusions concerning "rugged individualism," "private initiative," "free enterprise," "the American Way," etc., etc. Less than 10 per cent of the class as a whole was organized on the trade union field (fewer than 3 million out of 33 million in 1929). Moreover, this thin layer embraced primarily the highly skilled and privileged workers, organized in antiquated craft unions. The main and most decisive section of the workers knew unionism only as "company unionism," remaining without the benefit, the experience and even the understanding of the most elementary form of workers' organization—the trade union. They were regarded and treated as mere raw material for capitalist exploitation, without rights or protection or any security of employment.

As a consequence, the 1929 crisis found the working class helpless and impotent. For three years the masses remained stunned and disoriented by the disaster. Their resistance was extremely limited and sporadic. But their anger and resentment accumulated. The next five years (1933-37), coincident with a partial revival of industry, witnessed a series of gigantic clashes, street fights and sit-down strikes—an embryonic civil war—the end result of which was a leap, a giant leap, for millions of workers from non-existence as an organized force to trade union consciousness and organization. Once fairly started, the movement for unionism snow-balled, embracing today almost 15 million in all the basic industries.

In one leap—in a brief decade—the American workers attained trade-union consciousness on a higher plane and with mightier organizations than in any other advanced country. In the study and analysis of this great transformation, rather than in rapid ruminations over the "backwardness" of the American workers, one can find the key to prospective future developments. Under the impact of great events and pressing necessities the American workers will advance beyond the limits of trade unionism and acquire political class consciousness and organization in a similar sweeping movement.

### XIV

The decisive instrument of the proletarian revolution is the party of the class conscious vanguard. Failing the leadership of such a party, the most favorable revolutionary situations, which arise from the objective circumstances, cannot be carried through to the final victory of the proletariat and the beginnings of planned reorganization of society on socialist foundations. This was demonstrated most conclusively—and positively—in the 1917 Russian Revolution. This same principled lesson derives no less irrefutably—even though negatively—from the entire world experience of the epoch of wars, revolutions and colonial uprisings that began with the outbreak of the First World War in 1914.

However, this basic conclusion from the vast and tragic experience of the last third of a century, can be and has been given a reactionary interpretation by a school of neo-revisionism, represented by the ideologues, philosophers and preachers of prostration, capitulation and defeat. They say in effect: "Since the revolutionary party is small and weak it is idle to speak of revolutionary possibilities. The weakness of the party repudiates Marxism, embracing in its place the subjective school of sociology. They isolate the factor of the revolutionary party's relative numerical weakness at a particular moment from the totality of objective economic and political developments which creates all the necessary and sufficient conditions for the swift growth of the revolutionary vanguard party.

Given an objectively revolutionary situation, a proletarian party—even a small one—equipped with a precisely worked out Marxist program and firm cadres can expand its forces and come to the head of the revolutionary mass movement in a comparatively brief span of time. This too was proved conclusively—and positively—by the experiences of the Russian Revolution in 1917. There the Bolshevik Party, headed by Lenin and Trotsky, bounded forward from a tiny minority, just emerging



from underground isolation in February to the conquest of power in October—a period of nine months.

Numerical weakness, to be sure, is not a virtue for a revolutionary party but a weakness to be overcome by persistent work and resolute struggle. In the U.S. all the conditions are in the process of unfolding for the rapid transformation of the organized vanguard from a propaganda group to a mass party strong enough to lead the revolutionary struggle for power.

## XV

The hopeless contradictions of American capitalism, inextricably tied up with the death agony of world capitalism, are bound to lead to a social crisis of such catastrophic proportions as will place the proletarian revolution on the order of the day.

In this crisis, it is realistic to expect that the American workers, who attained trade-union consciousness and organization within a single decade, will pass through another great transformation in their mentality, attaining political consciousness and organization. If in the course of this dynamic development a mass labor party based on the trade unions is formed, it will not represent a detour into reformist stagnation and futility, as happened in England and elsewhere in the period of capitalist ascent. From all indications, it will rather represent a preliminary stage in the political radicalization of the American workers, preparing them for the direct leadership of the revolutionary party.

The revolutionary vanguard party, destined to lead this tumultuous revolutionary movement in the U.S., does not have to be created. It already exists, and its name is the SOCIALIST WORKERS PARTY. It is the sole legitimate heir and continuator of pioneer American Communism and the revolutionary movements of the American workers from which it sprang. Its nucleus has already taken shape in three decades of unremitting work and struggle against the stream. Its program has been hammered out in ideological battles and successfully defended against every kind of revisionist assault upon it. The fundamental core of a professional leadership has been assembled and trained in the irreconcilable spirit of the combat party of the revolution.

The task of the SOCIALIST WORKERS PARTY consists simply in this: To remain true to its program and banner; to render it more precise with each new development and apply it correctly in the class struggle; and to expand and grow with the growth of the revolutionary mass movement, always aspiring to lead it to victory in the struggle for political power.

# The Coming American Revolution

By James P. Cannon

We have undertaken as our central task at this 12th Convention of the Socialist Workers Party to analyze the present stage in the development of United States imperialism as it emerged from the Second World War—and its further perspectives—and to draw the necessary conclusions from this analysis.

In our main thesis we deal exclusively with the perspectives of the American Revolution. Secondary questions of tactics, and even of strategy, are left for consideration under another point on the agenda after we have discussed and decided the main question of perspective.

## Why Are the Theses on Perspectives Needed Now?

The question might be asked: Why are the theses on perspectives needed now? In order for the party to see clearly on the road ahead it is necessary to have a main orientation and a long-range view of future developments. The theses we have presented are needed at the present moment for a number of reasons.

First, the whole Trotskyist concept of our epoch as the epoch of revolutions, has been challenged by a new school of revisionists of Marxism. What answer do we give to this challenge, with specific reference to the United States of America?

What conclusions do we draw from the war and its consequences; from the new power of American imperialism; from the postwar prosperity; and from the retardation of the European revolution? What conclusions do we draw from these great events for the conduct of our own work and for our own future outlook in the United States?

Secondly, what shall we say to our co-thinkers in other lands about revolutionary prospects in the United States? They are surely waiting to hear from our convention on this question, for it is of the most vital and decisive importance for them. This applies to the workers of Europe, but not only to them.



It applies to the workers of Russia, of South and Central America, of China, Japan, Asia as a whole, India—in fact, to the workers of the whole world which lies today under the shadow of American imperialism.

And finally, what shall the party teach the new members who today are streaming into our ranks by hundreds and who will come to us tomorrow in thousands? What shall we tell them concretely about the prospects of the revolution in the United States? That is what they want to know above everything else.

Our document undertakes to give straight answers to all these questions.

Another question may well be asked: What is new in the "Theses on the American Revolution" presented by the National Committee?

In one sense it can be said that nothing is new; for all our work has been inspired by, and all our struggles with opportunist tendencies have been derived from, a firm confidence on our part in the coming victory of the American workers.

In another sense it can be said that everything is new; for in the theses of the National Committee on the American Revolution we are now stating, explicitly and concretely, what has always been implied in our fights with opportunist organizations, groups and tendencies over questions which were derivative from this main outlook of ours.

That has been the underlying significance of our long struggle to build a homogeneous combat party. That has been the meaning of our stubborn and irreconcilable fight for a single program uniting the party as a whole; for a democratic and centralized and disciplined party with a professional leadership; for principled politics; for the proletarianization of the party composition; for the concentration of the party on trade union work ("trade-unionization of the party"); and, if I may say so without being misunderstood, for its "Americanization." All of this derived from our concept of the realism of revolutionary prospects in America, and of the necessity to create a party with that perspective in mind.

In short, we have worked and struggled to build a party fit to lead a revolution in the United States. At the bottom of all our conceptions was the basic conception that the proletarian revolution is a realistic proposition in this country, and not merely a far-off "ultimate goal," to be referred to on ceremonial occasions.

I say that is not new. In fact, it has often been expressed by many of us, including Trotsky, in personal articles and speeches. But only now, for the first time, has it been incorporated in a

programmatic document of the party. That's what is new in our "Theses on the American Revolution." We are now stating explicitly what before was implied.

For the first time, the party as a party is posing concretely the fundamental question of the perspectives of the American Revolution.

You will note in your reading of the theses that secondary questions of tactics and even of strategy, with all their importance, are left out. And this is not by accident or negligence, but by design. The theses deal only with analysis and perspectives—and these only in the broadest sense—because that is the fundamental basis from which we proceed.

Tactical questions and even questions of great strategical importance—such as the alliance of the labor movement and the Negro people, the role of the returned war veterans, the relations between the workers and the poor farmers and the urban petty-bourgeoisie, the questions of fascism and of the labor party—these questions with all their great subordinate importance are left out of the main theses for separate consideration in other documents. They will be considered at another time in the convention, because the correct answer to all of them depends in reality on a correct answer to the main question of general perspective posed in the theses of the National Committee.

Of course, a general line, a general perspective, does not guarantee that one will always find the right answer to derivative questions, the secondary issues. But without such a general orientation, without this broad over-all ruling conception, it is quite hopeless to expect to find one's way in tactical and strategical questions.

The theses have been criticized already by people who deal exclusively in "the small coin of concrete events." We have been criticized because we "do not mention concrete tasks" and "pose no concrete problems."

That is true. But what is wrong with that procedure?

We are Marxists; and therefore we do not begin with the small questions, with the tactics, or even with the strategy. We first lay down the governing line from which the answers to the secondary questions derive.

Those who preoccupy themselves primarily with tactics reproach us for our procedure, and allege that it reveals the difference between their political *method* and ours. That is quite correct. We proceed from the fundamental to the secondary; they proceed by nibbling at the secondary questions in order to undermine the fundamental concepts. There is indeed a difference in method.



Our theses specifically outline the revolutionary perspectives in America and require the party to conduct and regulate all its daily activity in the light of these perspectives.

## Internationalism

Our preoccupation at this convention with American affairs and American perspectives does not signify a departure on our part from the time-honored internationalism which has always distinguished our tendency. Rather, we are taking a step forward in the application of our internationalist concepts to American affairs. That means to bring them down from the realm of abstraction and give them flesh and blood.

We began in 1928 with a struggle for internationalism against the dogma of "socialism in one country" which had been imposed upon the Comintern and all its sections by the Stalinist revisionists. That was the most fundamental of all the principled questions which have shaped and guided the development of our movement in America for the past 18 years.

We said then, and we still believe, that the modern world is an economic unit; and that not a single important social problem—and certainly not the most important problem, the socialist reorganization of society—can be definitively solved on national grounds.

With the presentation of the theses of the National Committee on the perspectives of the American Revolution, we are adding a correlative idea to the following effect: It is no longer possible to speak seriously about the world socialist revolution without specifically including America in the program. Today that would be almost as utopian as was the theory of "socialism in one country" when it was first promulgated by Stalin for Russia in 1924.

This was always true, but it is truer now than ever in the light of the Second World War and its outcome. The United States has emerged from the war as the strongest power in the world, both economically and militarily. Our theses assert that the role of the United States in further world developments will be decisive in all respects.

If the workers in another country, or even in a series of other countries, take power before the revolutionary victory in the United States, they will have to defend themselves against the American colossus, armed to the teeth and counter-revolutionary to the core.

On the other hand, a revolutionary victory in the United States, signaling the downfall of the strongest bastion of capitalism, would seal its doom on an international scale.

Or, in a third variant, if the socialist revolution should be

defeated in other countries or even on other continents, and pushed back and retarded, we can still fight and win in the United States. And that would again revive the revolution everywhere else in the world.

The world situation makes it quite clear that platonic internationalism is decidedly out of date in this country. Internationalism, as the Trotskyists have conceived it, means first of all, international collaboration. But in our view this international collaboration must signify not only the discussion of the problems and tasks of co-thinkers in other countries—this is where platonic internationalism begins and ends—but also the solution of these problems, above all our own specific problems, *in action*. That is our conception of internationalism as we mean to apply it and as we have expressed it in the theses.

One-sided internationalism—preoccupation with far-off questions to the exclusion and neglect of the burning problems on one's own doorstep—is a form of escapism from the realities at home, a caricature of internationalism. This simple truth has not always been understood, and there are some people who do not understand it yet. But our party can justify its existence only if, beginning with an international program, it succeeds in applying this program to the conditions of American life and confirming it in action.

This presupposes first of all an attentive study of America and a firm confidence in its revolutionary perspectives. Those who are content with the role of commentators on foreign affairs—and it is surprising how many there are—or that of a Red Cross society to aid other revolutions in other countries, will never lead a revolution in their own country; and in the long run they will not be of much help to other countries either. What the other countries need from us, above everything else, is one small but good revolution in the United States.

Trotskyism—which is only another name for Bolshevism—is a world doctrine and concerns itself with all questions of world import. But let us not forget—or rather, let some of us begin to recognize for the first time—that America, the United States, is part of the world; in fact, its strongest and most decisive part, whose further development will be most fateful for the whole.

It is from this point of view that we deem it necessary now to outline more concretely and more precisely than before our estimation of American perspectives, and to concentrate on the preparation for them. When we speak of the "Americanization" of the party in this sense we are not speaking as vulgar nationalists—far from it—but as genuine internationalists of the deed as well as of the word.



## The Objective Factors for the American Revolution

Our theses on the perspectives of the American Revolution proceed in accord with the Marxist method and the Marxist tradition by analyzing and emphasizing first of all the objective factors that are making for the revolution. *These are primary. These are fundamental.* Any other approach than that which begins with the objective factors is unrealistic, mere wish-thinking utopianism, no matter how revolutionary-minded its proponents may be.

This characterization of unrealism applies also to the new revelation of those who have exalted the subjective factor—meaning thereby the party and its strength or weakness at the given moment—to first place.

It would be incorrect, however, to add the supplementary qualification that these latter-day experts of the subjective factor, these latter-day revisionists, are "revolutionary-minded." They are unrealistic, but not revolutionary-minded, for they employ their new "theory" exclusively for the explanation of past defeats and anticipation and prediction of new ones. I don't see anything revolutionary about that.

Our theses pay due acknowledgement to the great strength of United States imperialism. Let no one accuse us of failing to give the American imperialist power its due. We paid due acknowledgement to it. This is correct and proper in a document which aims at scientific objectivity; for the might and resources of the Yankee colossus are so imposing in relation to all other countries, and in relation to anything that has ever been seen in the world before in the realm of material power—and have been so well advertised in the bargain—that no one could possibly overlook them.

But our theses—and here we demarcate ourselves from all those who are hypnotized by the superficial appearance of things—point out not only the strength of American imperialism but also its inherent weaknesses; the contradictions from which it cannot escape; and the new, even greater, power which it has created and which is destined to be its grave-digger—the American working class. That is also part of the American picture which has to be observed and noted if one wants to have a completely true and objectively formulated document.

A one-sided view of the American capitalist system—over-estimation of its power and awe-stricken prostration before it—is the source of many illusions. And these illusions, in turn, are the chief source of American labor opportunism in general; of the capitulation and treachery of the radical intellectuals

*en masse*; of Stalinism; and of all varieties of reformism and Menshevism.

In considering the perspectives of the American capitalist system in general and of the present postwar prosperity in particular, we observe a peculiar and rather interesting anomaly. The capitalist masters of society, and their ideologues and economic experts, enter the new period with doubts and fears which they do not conceal; while the greatest confidence in the long life and good health of the present order of society in America is either openly expressed or tacitly implied by those who set themselves up as representatives of the workers—namely, the official leadership of the labor movements and the Mensheviks of all grades.

The American bourgeoisie entered the great boom of the Twenties with the exuberant confidence and enthusiasm of alchemists who had finally discovered the philosopher's stone which turns everything into gold. In that golden age of American capitalism a new school of bourgeois economists came from the colleges to proclaim the glad tidings that Marx had been refuted by Henry Ford; that American business genius had discovered the secret of full employment and permanent prosperity without interfering with the private ownership of the means of production, but on the contrary, strengthening it and aiding its concentration.

They continued to beat the drums on this theme up to the year, the month and even to the day when the stupendous myth of the Twenties was exploded in the stockmarket crash of 1929. The very week in which the whole structure came tumbling down, the most learned articles were published in the name of the most eminent college professors explaining that this prosperity was going to go higher and would continue endlessly.

It is true that the labor leaders and the Social Democrats in this country and throughout the world were captivated by the myth of permanent prosperity in the Twenties and were enlisted in the great parade. But they only followed; they did not lead. The capitalists were in the lead, full of confidence and optimism in those days. The capitalists and their economists were fortified in their faith by their ignorance, and that is a wonderful fortification for some kinds of faith.

They simply observed that profits rolled in and productivity increased at a rate and on a scale never known before, and that this continued year after year. Hypnotized by the marvelous empirical phenomenon, they mistook a passing phase for a permanent condition.

This misunderstanding was widely shared. The myth of the Twenties penetrated deeply into all social strata in the United



States and imbued even the great mass of the workers with future hopes of prosperity and security under capitalism. Those were the conditions under which the pioneer communists had to lay the foundation for a party aiming at the revolution. The confidence and illusion in the permanence of the prosperity of capitalism penetrated down into the depths of the working class itself.

The great boom of the Twenties developed under the most favorable conditions. The American sector of capitalist economy was still in its healthy prime, relying on a vast internal market of its own which extended from coast to coast and from Canada to the Gulf, and on an expanding foreign trade. All other conditions were most favorable then.

But in spite of that, it is now a matter of historical record that this great boom ended with the stockmarket crash of 1929. It is a matter of record that the crisis lasted, with some fluctuations, for ten years.

The salient facts and figures about the crisis of the Thirties are recited in our theses. They show the depth and intensity of the crisis, its horrible effects in terms of human misery, and the irreparable blows it dealt to the American capitalist system. National income was cut in half, and with it the living standards of the workers were cut in half. Unemployment reached the figure of 20 million out of a working-class population of no more than 40 million at the time.

The partial recovery, brought about in large measure by huge government expenditures, only led to a second sharp drop in 1937, a crisis within the crisis. The crisis as a whole lasted for ten solid years. And even then, a way out to the revival and increase of production and the absorption of the unemployed, was found only in the war and the colossal expenditures connected with it.

And this artificially induced recovery, which greatly expanded the productive plant of the country and the numerical force of the working class, has only deepened the contradictions and has prepared all the conditions for the explosion of another crisis, far worse than the Thirties and fraught with far more serious social implications.

So, in surveying the future prospects of American capitalism, we simply heed the counsel of realism by putting the question: If American capitalism was shaken to its foundations by the crisis of the Thirties, at a time when the world system of capitalism—and America along with it, and America especially—was younger, richer and healthier than it is now; if this crisis lasted for ten years, and even then could not be overcome by the normal operation of economic laws; if all the basic causes

and contradictions which brought about the crisis of the Thirties have been carried over and lodged in the new artificial war and postwar prosperity, with new ones added and old ones multiplied many times; if all this is true—and nobody but a fool can deny it, for the facts are clearly to be seen—then what chance has the capitalist boom of the Forties, that we are living under now, to have a different ending than the boom of the Twenties?

Marxist realism tells us that it can be different only insofar as the crisis must go far deeper, must be far more devastating in its consequences, and must come sooner than it came in the boom of the Twenties.

The specious theory expounded by the foolishly optimistic bourgeois economists in the heyday of the capitalist boom of the Twenties, to the effect that Marx had been outwitted by American business genius, was refuted by the ten-year crisis of the Thirties—and that crushing refutation remains in the memory of all.

How inexcusable, then, how absurd, how downright reactionary is the cultivation of this myth under the new conditions today!

In justice to the bourgeoisie and their ideologists it must be admitted that they, instructed by the experiences of the past, now take a far more sober and cautious position in their prognostications of the future. The burnt child fears the fire—that is, if he is a bourgeois economist, a businessman, and not a theoretical trifier.

The bourgeois economists and businessmen talk today far more of “boom and bust” than of boom without end. Any businessmen’s economic review you may pick up at random expresses dark forebodings for the economic future. They speak quite casually—as though it is a matter of course, to be taken for granted—of an impending “shake-out” which will slow down the wheels of production and bankrupt the smaller firms which have flourished on the fringes of the boom.

At first, they referred to this process as a “shakedown,” but that expressed their thoughts too truthfully. And since bourgeois economists cannot live without lying and dissimulating, they stopped talking about the “shake-down” and finally hit on the euphemistic substitute of a “shake-out.”

That sounds better but it will not be one cent cheaper.

The sole chorus of optimism, where the economic prospects of American capitalism are concerned, is that raised by the American variety of Mensheviks. And that is a thin, piping chorus of trebles and tremolos, without a bass voice in it, or a baritone, or even a first-class tenor. It is a eunuch’s chorus.



Our fundamental theses on the American Revolution do not tie themselves to the economic prospects of the next month or the next year. They deal exclusively with the long-range inevitable outcome of the present artificial prosperity. From the point of view of our theses it makes no difference whether the deep-going crisis begins in the early spring of 1947, as many bourgeois economists are predicting; or six months later, as many others think; or even a year or two later, as is quite possible in my opinion. Our theses do not consider immediate time-schedules, but the *general perspective*. That is what we have to get in mind first.

We take the position that the crisis is *inherent* in the situation; that it may not be escaped or avoided; and that this crisis, when it strikes in full force, will be far deeper and far more devastating than was the crisis of the Thirties. As a consequence it will open up the most grandiose revolutionary possibilities in the United States. That conception must be at the base of the policy and perspectives of our party from now on.

## The Transformation of the American Working Class

I proceed from the discussion of the objective factors in the broadest sense, as our theses do, to go over to another of the most fundamental factors making for the coming American Revolution and its victory.

The American working class which confronts the next crisis will not be the disorganized and helpless mass which met the crisis of the Thirties in bewilderment and fear, and even with an element of despair. Great changes have taken place in the meantime, and all these changes redound to the advantage of the revolution.

The proletariat greatly increased in numbers with the expansion of industry during the war. Millions of Negroes, of women, and of the new generation of youth have been snatched up out of their former existence and assimilated into the processes of modern industry. Thereby, they have been transformed from a multitude of dispersed individuals into a coherent body imbued with a new sense of usefulness and power.

Most remarkable of all, the most pregnant with consequences for the future, is the truly gigantic leap which the American workers made from disorganized individual helplessness to militant trade union consciousness and organization in one brief decade. The trade union movement in the early Thirties embraced barely more than three million mem-

bers. Today the figure stands at *15 million members of organized labor in the United States*.

One can point to this fact and say that this represents a remarkable growth. But these bare figures, eloquent as they are, not in themselves tell the whole story, the true story. For the three million-odd members of the trade unions in the early Thirties, the great majority were composed of the thin stratum of the most skilled and privileged workers who are the most conservative in their social thinking. The great bulk of workers in the mass production industries—the most decisive portion of the proletariat—were entirely without benefit of organization and had never even known the experience of it.

In spite of that—or more correctly, because of that—when these mass production workers took the road of trade union organization, with the partial revival of industry in the middle Thirties, they were not impeded by the old baggage and deadening routine of the conservative craft unions. They started from scratch with the modern form of organization—the industrial union form—and with the most militant methods of mass struggle, which reached their apex in the great wave of sit-down strikes in 1937.

The benefits these mass production workers derived from trade unionism were wrested from the employers in open struggle, and therefore were all the more firmly secured. The stability and cohesiveness of the trade union organizations created in these struggles were put to the test in the strike wave of the past year. Here we saw a clear demonstration of the great difference in the relationship of forces between the workers and the capitalists at the end of World War II from that which prevailed at the end of the First World War, a difference entirely in favor of the workers.

After the successful termination of the First World War to "make the world safe for democracy," the ruling class of America embarked on a furious reactionary campaign to break up the unions, to establish the open shop and to suppress all forms of labor radicalism. In the "Palmer Red Raids" of 1919 hundreds of political meetings were broken up and thousands of political workers were arrested, hundreds were sent to prison, whole ship-loads of foreign-born workers were deported. The newly-founded Communist Party was savagely persecuted, its leaders arrested and indicted and the party driven underground.

Simultaneously, the steel strike was broken, in part by ruthless violence and in part by the wholesale importation of strike-breakers; unions newly-formed during the war were broken up and scattered right and left; the railway shopmen's strike was defeated in 1922. American capitalism, smashing all opposition



before it, marched confidently into the strike-less, open-shop paradise of the great boom of the Twenties.

The same thing was attempted, or at least contemplated, for the period immediately following World War II, but the result was a miserable fiasco. This time it was the organized workers who were victorious on every front.

The great industrial unions of the steel, auto, oil, packing-house, electrical and maritime workers demonstrated their capacity to bring production to a complete stop until the employers came to terms. So great was the new-found solidarity and militancy of the workers that neither violence nor the importation of strike-breakers—the decisive factors in the defeat of the strikes following World War I—could even be attempted by the bosses.

Millions and tens of millions of workers in other industries, profiting by the example of the auto, steel, packinghouse, electrical and other strikes, and riding on the wave created by them, gained wage increases by "collective bargaining," while keeping their unions intact and even strengthening them.

Where did this marvelous labor movement come from? Who created it?

Here we must pay due acknowledgement to American capitalism. By the blind operation of its internal laws and method of operation, it has created the greatest power in the world—the American working class. Here is where Marx takes revenge on Henry Ford. Capitalism produces many things at a rapid rate and in great quantities. But its richest contribution to the further and higher development of human civilization is the production of its own grave-digger—the organized working class.

American capitalism, as we know, could not work the miracle of boom-without-crisis. But in the period of the Twenties and Thirties, working blindly and unbeknownst to itself, it wrought some other wonders which border on the miraculous.

American capitalism took millions of bare-footed country boys from the bankrupted farms of the country; put shoes on them and marched them into the regimented ranks of socially-operated modern industry; wet them in the rain of the man-killing speed-up exploitation of the Twenties; dried them in the sun of the frightful crisis of the Thirties; overworked them on the assembly line, starved them on the bread-line, mistreated and abused them; and finally succeeded in pounding them into a coherent body which emerged as a section of the most powerful and militant trade union movement the world has ever known.

American capitalism took hundreds of thousands of Negroes from the South, and exploiting their ignorance, and their poverty, and their fears, and their individual helplessness, herded

them into the steel mills as strike-breakers in the steel strike of 1919. And in the brief space of one generation, by its mistreatment, abuse and exploitation of these innocent and ignorant Negro strike-breakers, this same capitalism succeeded in transforming them and their sons into one of the most militant and reliable detachments of the great victorious steel strike of 1946.

This same capitalism took tens of thousands and hundreds of thousands of prejudiced hill-billies from the South, many of them members and sympathizers of the Ku Klux Klan; and thinking to use them, with their ignorance and their prejudices, as a barrier against unionism, sucked them into the auto and rubber factories of Detroit, Akron and other industrial centers. There it sweated them, humiliated them and drove and exploited them until it finally changed them and made new men out of them. In that harsh school the imported southerners learned to exchange the insignia of the K.K.K. for the union button of the C.I.O., and to turn the Klansman's fiery cross into a bonfire to warm pickets at the factory gate.

You won't find Ku Kluxers or Black Legionnaires in the auto and rubber factories today—or at any rate, not many of them. But there is a mighty sight of first-class shop stewards and picket captains who originally came down out of the hills and up from the bayous of the backward South at the summons of American capitalism.

The American working class covered the great distance from atomization, from non-existence as an organized force, to trade union consciousness and organization, in one gigantic leap, in one brief decade.

What grandiose perspectives this achievement opens up for the future! What are the limits to the future possibilities and powers of this remarkable class? There are no limits. All things are possible; and all things that are necessary will be achieved.

If someone had predicted in 1932, at the depths of the crisis, that in ten-years' time 10 million new workers who had never known unionism would organize themselves into industrial unions of the most modern type and demonstrate their ability to force the absentee owners of the steel and auto and rubber and other mass production industries to come to terms and not even to dare to attempt to break the strikes—the skeptics would have said: "This is fantasy. This is ultra-left radicalism."

But it happened just the same.

The American workers do not always move when impatient revolutionists call them, as many of us have learned to our sorrow. But they do move when they are ready, and then they move massively.



Industrial unionism is not a new idea. It was projected long before it found its realization on a mass scale in America, and the pioneers of industrial unionism in America suffered many disappointments. In 1930 the IWW dolefully observed its 25th Anniversary. At the end of a quarter of a century, the organization which had proclaimed the program of industrial unionism 25 years earlier was completely defeated, a hollow shell comprising far less members than it had started with in the bright year of promise, 1905, under a great galaxy of leaders. Industrial unionism seemed to be a defeated program in 1930. But only ten years later the majority of the most important basic industries were completely organized in industrial unions under a new name.

The workers did not move when the IWW called them in 1905. They didn't move when many of us called them later than that. But they moved when they were ready and when conditions were mature for it, and then they moved on a scale and at a speed scarcely dreamed of by the pioneers of industrial unionism.

The scale of the difference is remarkable. Bill Haywood, the great captain of the IWW—I love to mention his name—used to dream and speak in his intimate circle of the goal of a "million members" in the IWW. As a matter of fact, the organization never had more than 100,000 at any one time in all its history, and most of the time only a fraction of that number. The great strikes of the IWW which took place in its heyday, those great pioneer battles which heralded and blazed the way for the CIO—Lawrence, Akron, Paterson, McKees Rocks, the lumber strikes in the Northwest—they never involved more than 10 to 20 thousand workers at any one time.

But in 1946 nearly two million workers of the CIO, with only a few years of trade union experience behind them, were on strike at one time!

These comparative figures show not growth, not simply progress, but a veritable transformation of the class. And what has been seen up to now are only the preliminary movements, the promise and the assurance of far greater movements to come. Next in order—and not far away—comes the political awakening of the American workers. That will be at the same pace and on the same scale, if not greater. The American workers will learn politics as they learned trade unionism—"from an abridged dictionary." They will take the road of independent political action with hurricane speed and power.

That will be a great day for the future of humanity, for the American workers will not stop half way. The American

workers will not stop at reformism, except perhaps to tip their hats to it. Once fairly started, they will go the whole way.

He who doubts the socialist revolution in America does not believe in the survival of human civilization, for there is no other way to save it. And there is no other power that can save it but this all-mighty working class of the United States.

The young generation entering the revolutionary movement today, with the goal of socialism shining bright in their far-reaching vision, come at a good time. A lot of pioneer work has been done. Many obstacles have been cleared out of the road. Many conditions for success have matured.

The young generation coming to us today comes to a party that foresees the future and prepares for it. They come to a great party with a glorious record and a stainless banner, a party that has already been prepared for them and awaits their enlistment. They come to a strong party, firmly built on the granite rock of Marxism. This party will serve them well, and is worthy of their undivided allegiance.

This 12th Convention coincides with the 18th Anniversary of the party. The experience and tradition of the party are the capital of the new generation. The work of many people for two decades has not been done in vain. And, besides that, the new recruits can find in a realistic examination of the objective facts many assurances that the course of development is working mightily in favor of the realization of their ideal.

Our economic analysis has shown that the present boom of American capitalism is heading directly at a rapid pace toward a crisis; and this will be a profound social crisis which can lead, in its further development, to an objectively revolutionary situation.

Our analysis of the labor movement has shown that the workers have already demonstrated the capacity to move massively and rapidly forward in the field of trade unionism; and we have every right to confidence that they will move even more massively and with even greater speed on the political field in the days to come.

The objective prerequisites for the social revolution in America will not be lacking. Capitalism itself will provide them. The manpower of the revolution will not be lacking either. The many-millioned masses of the organized workers of America will provide this manpower. It is already partly assembled and partly ready.

The rest is our part. Our part is to build up this party which believes in the unlimited power and resources of the American workers; and believes no less in its own capacity to organize and lead them to storm and victory.



Too much weight on worker/farmer's govt.  
Emphasis should be on old positions

A Very Rough Evaluation--Critique of the Socialist Workers Party's Political Program

Mandel's secular theory  
cycle / since attacking  
Does imply class raises S/D  
on working class raises S/D  
But bottleneck has an  
underclass system  
Theory.

I. What sets them apart from the other groups we have examined?

A. Party sees necessity of capital's attack on working class to solve the crisis, although their crisis theory does not logically lead to this necessity. (More on this point later)

B. Workers' solution to the crisis i.e. workers' government and later workers' and farmers' government can not be achieved incrementally. It requires an anticapitalist movement that replaces capitalist state with new governmental form. Key issue here is to what extent w/f government makes the move towards socialism more incremental.

II. Problems that arise from the absence of logical links between economic theory and political program.

A. Problem is not a problem for SWP. One crisis theory as good as another as long as it does not blatantly contradict political conclusions. Roberts and Gottlieb pick theory from Mandel's crisis <sup>Theory</sup> grab bag <sup>and</sup> attach it to political outlook.

But is that  
same of  
bottleneck  
underclass?

B. This tendency of primarily <sup>focusing</sup> on political theory and the political determinants of the pre-revolutionary period have their roots in Trotsky's belief that the major obstacle to the development of a successful anticapitalist movement is the "crisis of proletarian leadership." The view that the economic conditions are ripe or "somewhat rotten" may have led to the attitude that the economic datum is given, that crisis will come, and the main role of the party is to solve the "subjective factor", not spend time theorizing about the character of capitalist state and crisis

*did*

1. Since the projected radicalization of the working class <sup>for</sup> not materialize in the U.S. the party searched and found the solution to the "crisis of leadership" in the models of revolution found in Latin America and the Caribbean. From "Revolutionary Perspective", p36-37:

The victories in Central America and the Caribbean in 1979 have shown that the Cuban revolution was not unique, but rather the first successful conquest of power by the workers and farmers in the Americas. So too they have shown that the leadership forged by the Cuban revolution was not a historical exception, but a vanguard component of a new leadership of the working class, fighting to apply in practice the principles of communism, converging historically with all those who have attempted to continue along the road charted by the Comintern under Lenin's leadership.

Not only should American left look to Cuba and Nicaragua for leadership models, the party also sees the overall prerevolutionary conditions <sup>here</sup> developing as they had in Cuba, Nicaragua and Grenada:

The conditions under which it will be possible for our class and its exploited allies to take power in the United States will be more similar to those that led to revolutionary uprisings in Cuba, Nicaragua, and Grenada than those that exist in this country today. In this sense, these revolutions offer not only instructive models of what can be accomplished when workers and farmers conquer power, but also the closest approximation we yet have of the kind of revolutionary upheavals that will precede a victory.

2. The party's new governmental slogan: for a worker's and farmers' government. A turn away from the task of theorizing about the state and the economy? or a formulation that captures the realities of U.S. political economy?

]

III. Theoretical justification of W/F formulation.

A. It works in Latin America

*are*  
B. Farmers exploited by monopoly capital



C. Small farmers seen as key to increasing agricultural output

after revolution:

The working class has a direct stake in the resistance of exploited farmers against this ruinous proletarianization. The larger the number of working farmers who succeed in this struggle, the stronger will be the worker-farmer alliance, which is essential to the advance toward a socialist revolution in this country. The more solid this alliance, the easier it will be to feed and clothe the population in a socialist United States. And the farmer will be the foundation on which to increase farm output to meet the needs of working people worldwide.

#### IV Problems with W/F formulation

A. Party is not clear who these exploited farmers are. In some places they define them as wage earners or farmers who do not hire wage labor. But the farm movements they look to <sup>as</sup> proof of growing radicalization include not only exploited farmers but small and medium capitalist farmers as well.

B. Party argues that "a careful look at the facts underlines the continuing strategic importance for the working class of an alliance with working farmers. Independent family farmers continue to account for the greatest portion of labor expended in agricultural production. In addition, the social and economic weight of these producers in the U.S. economy and the dominant role of U.S. agriculture in the world reinforce this political conclusion?"

p.102

*what are the facts? —*

1. But contributing greatest portion of labor expended in agricultural output is not a measure of their economic weight. Need to know what % of output they produce. They may in fact be the most inefficient producers. If this is the case this raises certain problems for their strategy.

a. if they are the least efficient how does the W/F government protect them from international competition (subsidies, price supports?)

b. if revolution in this country depends on furthering revolutions elsewhere (essence of internationalism) and furthering these revolutions depends on material support food etc. <sup>then</sup> these small farmers

could be seen as a drag on this process if they are the least efficient producers

c. Party's theoretical justification of W/F alliance is primarily a political theory based on the concept of monopoly power. There is no theory of differential or absolute rent.

2. Claim that expropriation of monopoly capital or the "sixty families" will remove the basis of conflict between workers and farmers that could split the new government apart needs to be evaluated in the light of their theory of monopoly capital. Who is in the <sup>w/f</sup> alliance and who isn't isn't clear, who will be expropriated and who won't be isn't clear. If only monopoly capital is expropriated small and medium capital could provide enough capital logic to threaten alliance. On the basis of their vague economic theory we have no way of knowing if basis of conflict in the new government has been removed.

C. Drawing on the previous points we need to answer the questions:

1. To what extent does their theory of monopoly capital lead to two stage theory of revolution similar to the Communist Party or Sweezy's cross-class alliance?

2. Specifically, what are the dangers of a two-class government?

V. Conclusion: Workers' and Farmers' formulation indicative of <sup>the</sup> SWP's theoretical gap <sup>linking</sup> the nature of the capitalist state and crisis with their political program.

A. Looks for theory in movements, and facts. Reliance on Latin model a theoretical detour.

B. Recently, this tendency to see "problems" of left in lack of leadership shows up in several articles on the growth of the labor aristocracy in U.S. working class. This is reminiscent of Sweezy's "Third Worldism" of 60's and 70's



Need to point out that part of countering class collaborationist is being able to point out why Social Democratic schemes to solve the crisis won't work. Industrial policies, reindustrialization plans are difficult to counter theoretically if your focus is primarily on Latin America.



Vernice. Main comments on

- a) Intro (p. 1) — question of implicit abstract crisis showing is crucial to apparent de-linking of politics & econ. then
- b) Last section does not quite fit with rest.

SWP II

Revisions to Program Section--Socialist Workers Party M. Malloy 4/85

What is the political strategy and program developed by the party since the onset of the <sup>current</sup> crisis<sup>1</sup> and how is this related to the economic theories previously outlined? To answer this question we examined a series of political documents and reports issued by the SWP over a fifteen year period -- from approximately 1969 to 1984. Based on a content analysis of these papers we found the following patterns. First, although each political piece includes a section discussing the economic causes of the crisis, there is no explicit reference to any of the crisis theories previously presented (Mandel, Roberts, Gottlieb). Second, while we perceived clear shifts in political strategy in terms of which social and economic groups will play the central role in the struggle for socialism in the United States, there was little if no change in their economic analysis of the crisis in the last fifteen years. This of course raises the question of what determined these changes in their political outlook if their economic understanding remained the same. And third, while changes in economic events at times trigger changes in tactics and strategy, the content of the party's transitional program appears to flow primarily from the needs of building a Leninist vanguard party. Thus the content of the program is built around the demands of those groups the party perceives as the central forces of change at any particular time. When taken together, these <sup>three</sup> general patterns led us to the conclusion, which we will attempt to illustrate and further elaborate on below, that there seems to be very little influence of their economic theory of the crisis on political program. This is not to say that the two are not related. They are connected, but the influence or determination seems to run from the political program or strategy to the economic theory. This, we hope to show, stems from the party's theoretical starting point in developing a revolutionary strategy, that is, that the main obstacle to making a successful socialist revolution is the crisis of working class leadership. Since the primary goal of the program is to overcome this obstacle by building the mass vanguard party the only requirement of the economic theory is that it does not contradict this end. Beyond that requirement, the <sup>role of</sup> economic analysis appears to be inconsequential.

But that is an implicit theory of crises. See pp. 4-5



In the following section we will attempt to illustrate the patterns we have outlined above. Since the argument we are making rests on showing the determinate links between economic theory and political program over time, we have divided the current crisis into three distinct periods based on what we believe are <sup>both</sup> tactical and strategic shifts. In the first period from 1969-1975, the party's attention is turned toward the newly radicalized elements among oppressed nationalities, women and students. At this point in the crisis, it is these radicalized layers who hold out the promise of being the central force in <sup>a</sup> revolutionary struggle. ~~As these movements die out and~~ the crisis deepens, the party "turns towards the working class in the second period from 1975-1982. And finally, from 1982- to the present the party begins arguing for the significant economic and political weight of farmers in the development of a revolutionary movement. As we shall see this "turn" towards farmer gets expressed in a significant change in the party's transitional governmental slogan.

Before we move to the analysis of the literature we want to outline briefly how the party understands its theoretical starting point for developing a revolutionary program.

→ Begin with 1950's

#### The Transitional Program

[ In a report introducing the 1979 political resolution of the Socialist Workers Party, Jack Barnes, the National Secretary, explains the theoretical roots of the party's strategy to achieve socialism in the United States. Drawing on the authority of Engels, Barnes quotes from his famous exchange with Herr Heizen

Communism is not a doctrine but a movement: it proceeds not from principles but from facts. That's where the program comes from.<sup>2</sup>

These facts, or what Barnes sees as the <sup>theoretical</sup> starting point for developing a revolutionary strategy <sup>comes from</sup> class struggle. To support this position, Barnes refers to the Communist Manifesto

The theoretical conclusions of the Communists are in no way based on ideas or principles that have been invented, or discovered, by this or that would-be universal reformer.

They merely express, in general terms, actual relations springing from an existing class struggle, (Barnes emphasis) from a historical movement going on under very eyes.<sup>3</sup>

Exactly how existing class struggle can be the theoretical starting point <sup>for</sup> developing revolutionary strategy is not spelled out. Instead he asserts that

Historical materialism discovered that history is the history of class struggles. Marxism is simply the generalized interests of one of the two major classes involved in that struggle in the modern world--the working class.<sup>4</sup>

Barnes concludes by stating that

Our program expresses the interests of the working class. We explain the historic goal of our class --political power, a workers' government to organize the transformation of all social relations. We explain and analyze current conditions to build bridges toward the achievement of that goal.<sup>5</sup>



To get a better sense of why Barnes sees the starting point for developing strategy in existing political movements and struggle it would be instructive to examine the model from which the party's current program is drawn: Trotsky's Transitional Program.<sup>6</sup> Written in 1938 in the midst of the worst capitalist crisis in history, it attempts to lay out a winning strategy for the working class in the face of what Trotsky believed was the total theoretical bankruptcy of <sup>the</sup> Social Democrats and Communists. From this <sup>historic</sup> vantage point the failure of the party's of the working class to solve the crisis to their advantage was seen primarily as the lack of revolutionary leadership.

*Theory of crisis*

The economy, the state, the politics of the bourgeoisie and international relations are completely blighted by a social crisis, characteristic of a prerevolutionary state of society. The chief obstacle in the path of transforming the prerevolutionary into a revolutionary state is the opportunist character of proletarian leadership: its petty-bourgeois cowardice before the big bourgeoisie and its perfidious connection with it even in its death agony. <sup>7</sup>

The failure of the working class to pose a revolutionary strategy to solve the crisis, did not however, imply that the <sup>bourgeois</sup> political forms thrown up to direct or destroy working class militancy would succeed either. <sup>Both</sup> <sup>the</sup> "People's Fronts" and Fascism, Trotsky argued, could provide no solution to the decaying capitalist system.

From the historical point of view, however, both these resources are stopgaps. The decay of capitalism continues under the sign of the Phrygian cap in France as under the sign of the swastika in Germany. Nothing short of the overthrow of the bourgeoisie can open a road out.<sup>8</sup>

From the above quote it would seem that Trotsky expected the system to continue to decline without interruption until the working class

*why? mechanism?*



overthrew capitalism. The possibility of upturn or new wave of accumulation is not considered--the objective economic prerequisite <sup>for the revolution</sup> in Trotsky's words "have not only ripened; they have begun to get somewhat rotten."<sup>9</sup> Rather than see the period after 1938 as one of economic recovery and political defeat for the working class, Trotsky envisioned a time of new working class militancy if the correct strategy was pursued. "The crisis of proletarian leadership" could be overcome if a bridge between the minimum program which limits itself to reforms realizable within the framework of capitalism and maximum program could be built.

The strategic task of the next period--a prerevolutionary period of agitation, propaganda, and organization--consists in overcoming the contradiction between the maturity of the objective conditions and the immaturity of the proletariat and its vanguard (the confusion and disappointment of the older generation, the inexperience of the younger generation). It is necessary to help the masses in the process of the daily struggle to find the bridge between present demands and the socialist program of the revolution. This bridge should include a system of transitional demands, stemming from today's consciousness of wide layers of the working class and unalterably leading to one final conclusion: the conquest of power by the proletariat.<sup>10</sup>

As objective economic conditions worsened, as Trotsky assumed they would, even minimum demands would take on an anti-capitalist logic given the inability of decaying capitalism to grant reforms and raise the living standard of the working class. In order to protect the working class' ability to fight back Trotsky also advocated advancing a series of democratic demands that could defend and extend the ability of the class to organize independently on both the economic and political level. Continuing deterioration of the objective conditions, in Trotsky's opinion, would set the stage for raising transitional demands. Since even minimum demands <sup>could</sup> not be met <sup>by capital</sup>, transitional demands point <sup>a workers'</sup> towards <sup>planning</sup> a solution to the economic and political crisis by calling for economic and a workers' government.



crucial point

Now the influence of Trotsky's Transitional Program on Barnes understanding of the starting point for developing a revolutionary strategy should be clearer: revolutionaries start with the demands that arise out of the consciousness of the existing movements and struggle. The real program is not given a priori, but <sup>supposedly</sup> arises from the experience of increasing struggle by the working class and its allies. The only theoretical starting point is the assumed decay of capitalism and the crisis of working class leadership which only make the program necessary. They do not give it its particular content. In the discussion that follows we will attempt to show that the emergence of the present crisis, its particular tempo and dynamic and the <sup>states</sup> influence on this tempo and dynamic has little or no influence on the development of the party's program. Instead the program develops and changes according to the emergence of protest movement that the party believes can provide the cadre for the vanguard party.

The Beginning of the Crisis and the "New Radicalization"

|| ← what about 1950's?

By the late 1960's it was clear that the days of political quiescence were gone and that a new radical consciousness was developing among oppressed minorities, women and students. In an attempt to analyze these new developments, the Socialist Workers Party published a book of readings, reports and resolutions entitled Towards an American Socialist Revolution: A Strategy for the 1970's. The book's mood is very optimistic about the revolutionary potential of the current radicalization

the current radicalization in the United States--even though it will suffer temporary setbacks--will not be decisively reversed before the possibility of socialist revolution is posed in practical terms. 11

The authors go on to say that this will only happen if a revolutionary socialist party can provide the leadership based on the correct political strategy and that this strategy must flow from <sup>a Marxist analysis of</sup> the objective roots and dynamics of the current radicalization.12 But they add, this analysis has nothing to do with the



dogmatism of the "Old Left" or the eclecticism of the "New Left". Instead they offer "a fresh and stimulating application of the Marxist method to the new and different forms that the class struggle is taking in the United States today.<sup>12</sup> They go on to assure the reader that this new application of the Marxist method <sup>in addition</sup> has nothing to do with crude economic determinism that can conceive of a radicalization developing only as the result of a 1929-type economic depression and taking organizational form solely through the trade unions.<sup>13</sup>

The objective or material roots of these new movements and new forms of struggle that they see organizing independently of the bureaucratic unions and bourgeois parties and <sup>that</sup> differ sharply from the radicalization of the 1930's are based in

the specific forms that the basic contradictions of capitalism are now taking, the contradictions of what is sometimes called "neocapitalism".<sup>14</sup>

What are the contradictions of "neocapitalism" that the party believes are giving rise to these new forms of class struggle? As they see it there is one key contradiction which is between the

increasing social and economic interrelationships, interaction and interdependence among people throughout the world, and a level of technology making it possible for the first time in history to satisfy the basic needs of all humanity and the continued existence in a whole series of nation states of the capitalist system, in which a wealthy few personally own the commanding heights of the economy and who, from this position, are able to control all decision-making-their own private gain rather than humanity's needs being the guiding principle deciding the fate of the vast majority.<sup>15</sup>

Simply stated the key contradiction of "neocapitalism" seems to be the old contradiction between the forces of production and the relations of production. What makes it new is that people have a growing awareness of

the gap between what can potentially be achieved, given the present cultural and technological level in the United States and what actually being achieved under the present system of social organization.<sup>16</sup>

On a more concrete <sup>economic</sup> level this key contradiction of "neocapital-

ism



is showing up as a decline in the quality of life. Speaking of why the radical-ization should come now the party states that it is simply a case of "alienation"

large number of people doubt that it is right....  
More and more people reject the notion that a  
system which boasts of its affluence and unrivaled  
productivity cannot solve problems of poverty at home..17

To address the question of why at this particular point in time the system seems to be increasingly unable to provide for human needs, although still strong and not caught in the grips of a general crisis, they refer to the growing costs of maintaining the American Empire. In their opinion it was the political and economic strength of the United States established at the end of World War II and consolidated and maintained throughout the '50's and 60's through their international military power that formed the foundation of the post war expansion. However,

the very factors which produced the postwar expansion of capitalism and led to the powerful international position of U.S. imperialism are also producing the forces which will lead to its overthrow.18

The economic weakness of the system is coming at this particular time because

it lacks the resources both to maintain its foreign commitments and to grant economic concessions and social improvements on a scale sufficient to dissipate the pressures engendering radicalization of the masses'.19

These commitments can not be reduced, they argue, because it would "run counter to the basic economic imperatives of system" and allow revolutionary forces to precede unhampered. 20

But the question of why military expenditures have grown so costly in the late 60's when they state elsewhere that

the enormous outlays to pay for past wars, current wars and future wars have saved American capitalism from a major depression in the past three decades, enabling it to surmount several recessions without sharp crisis.20a

So throughout  
was the theory →

is accounted for by reference to a growing productivity differential between the United States and its major rivals.

While the United States was pouring vast resources into war production, which has helped keep the economy booming other capitalist countries especially Germany and Japan,

were rebuilding on the most modern basis, with the latest machinery and technology.<sup>21</sup>

With the loss of the United State's productivity edge the party sees American big business attempting "to narrow the considerable wage differential they have been able to maintain over their foreign competitors."<sup>22</sup> This they argue will be done by exerting pressure on the working class through lowering wages, altering working conditions and increased unemployment.

Although the party indicates that economic conditions are changing, there is no sense of an impending general crisis or <sup>a</sup> replay of the 1930's. Indeed they point out that

the imperialist know they cannot afford is another 1929 type depression. That kind of social danger must be avoided, given the power of the bloc of workers' states, the rise of the colonial revolution and the growth of radicalism inside the imperialist centers. They will have to continue to use war spending, unemployment insurance, etc, at least to the extent of stepping in to try to prevent a really serious depression. But in trying to avoid a repetition of 1929, they only exacerbate their serious problems with inflation.<sup>22</sup>

The <sup>economic</sup> only <sup>management</sup> limit to state demand seems to be inflation and the loss of a competitive edge. There is a sense in these earlier documents that the real limit to war induced prosperity is not so much economic as political

the use of war spending to generate prosperity and war patriotism, the use of racism--these tools can no longer be relied on to reverse the radicalization. Quite the contrary, opposition to the effects of racism, war and red-baiting have been at the heart of what started this radicalization.<sup>23</sup>

So although the party sees a stepped up squeeze on workers in order to make American goods more competitive, the fact that they do not foresee a general crisis that would generate "a 1930's type radicalization, makes the movements against war, racism and sexism take on a strategic importance. The coming American revolution as they see it will be a combined revolution

a revolution by the oppressed nationalities for liberation and self-determination, combined with



a revolution of the working class against the exploitation and alienation of capitalist relations.24

Traditional allies of the working class like the role farmers played in the 1930's, the party maintains, has changed in the current period. While there were over ten million farmers employed in agriculture then

Since then capitalism and technology have plowed the farmer under. 25

Likewise, the central role that unions played in the 1930's will not be repeated in the 70's .

What does seem certain is the that the radicalization of the working class in the present decade will not be a simple repetition of the process in the 1930's. For one thing, the basic industries are already unionized; it is more likely to occur around efforts by the employers to break the unions--which would be a very grave step indeed and sure to sharpen the class struggle beyond anything seen in the 1930's. It also seems clear that the working-class radicalization of the 1970's will have a much more explicitly political character than that of the 1930's; the growth of the capitalist state and its greatly increased intervention into the economy and almost everything else since the 1930's makes that virtually inevitable.26

Thus while they see the working class <sup>becoming</sup> radicalized in the future, the central focus of the transitional program developed for the 70's is the black movement and the student movement. (See appendix p.170-172 Towards, TP) The special attraction of the party to these movements and the strategic importance they assign to them goes beyond the fact that they are simply in motion while the workers are not. More important is their perceived independence from the trade-union bureaucracy and ruling class institutions like the bourgeois political parties. This organizational independence, in the parties' opinion holds out the promise of solving the foremost problem of leading the working class to victory: the crisis of proletarian leadership.

We must absorb the full historical meaning of the changed relationship of forces in the radical movement in the United States. It means that the obstacle that stood in the way of socialism for half a century, the problem that is posed at the beginning of the transitional program, the crisis of leadership, shows itself open to being resolved.27 (my emphasis)

The Deepening Economic Crisis and the "Turn" Towards the Working Class 1975-1982

By the early 70's much of the momentum driving the social protest movements of the 60's was gone and by the mid-70's after the worst recession since the Great Depression of the 1930's the party concludes that there exists

growing inadequacies of the petty-bourgeois leaderships that dominate the major organizations of oppressed national minorities and women. Unable to chart an effective course of action to fight for the needs of Blacks, Latinos, and women, the current misleaders have brought these struggles to an impasse.<sup>28</sup>

While the organizational independence of these movements proved to be illusory, and thus <sup>the</sup> crisis of leadership far from being resolved, the upswing in labor combativity in response to capitals anti-labor offensive held out new hope for the formation of a revolutionary movement. The combination of Nixon's wage freeze in 1971 with the downturn of 1974-74 and the angry response that they provoked among workers signaled to the party that

A corner has been turned in the objective circumstances, and the door has been opened for a new step forward in class consciousness and the transformation of the political consciousness of American labor.<sup>29</sup>

How had the objective circumstances changed since the party laid out its political strategy in Towards an American Socialist Revolution? In a report on the political resolution adopted in August 1975, Barnes lays out what he sees as a new dimension to the economic crisis

What we face in the world capitalist economy is the exhaustion of the internal sources of the great boom after World War II. It is not ~~simply a cyclical recession~~. It's not just the exhaustion of the effects of the massive reconstruction after the destruction of World War II. Rather, the basic internal sources of the long boom have themselves been exhausted, new contradiction bode a long wave of stagnation of the world capitalist economic forces, as opposed to the expansion which we saw for a quarter of a century.<sup>30</sup>

From the foregoing <sup>economic and political</sup> there seems to be a shift away from emphasizing the "costs" of imperialism as the cause of the crisis, and more attention on the declining economic



stimulus from "the mechanization, automation, and computerization of whole new branches of industries".<sup>31</sup> But aside from this new dimension to the crisis the party relies for the most part on the same framework presented in their earlier resolution, only now the decline in labor productivity coincides with the end of the long wave of expansion.<sup>32</sup> This erosion of America's competitive edges, the party maintains, is compelling the capitalist class to attempt to lower the living standard of workers

In both the 1975 and 1979 political resolutions lowering the living standard of workers is seen as the key to capital's recovery. But industrial workers hold a special place in this offensive.

The industrial workers are both the source of most of the ruler's surplus value and the ultimate enemy that the rulers must defeat if the entire economic and social crisis of the system is to be turned around.<sup>33</sup>

To reverse the trend and launch a new wave of expansion capital needs to be "rationalized and restructured" and this can only be accomplished by squeezing more profits out of workers.<sup>34</sup>

Although the party allows for the possibility of some sorts of reforms to partially defuse the growing radicalization among workers the economic crisis has severely narrowed what they call capital's "margin of maneuver". The working class can not simply be bought off the way it was in the post-World War II period.

The only program capable of blocking eventual radicalization of the unions would be massive social reform--that is, large-scale concessions in the form of job-creating public works programs, unemployment benefits, housing, medical care, education, protection against inflation, and similar reforms. While the ruling class is capable of making concessions and may even at some point initiate a number of highly publicized projects as part of a new "New Deal", social reforms of scope that could meet today's expectations are beyond their reach. That course would necessitate the stabilization of world capitalist economy, renewal of its expansionary course and a vast strengthening of America's dominant position. <sup>35</sup>

Given capital's growing inability to grant economic concessions the party projects a future of increasing radicalization among the working class. With the same certainty in which they anticipated the 60's radicalization leading to a revolutionary situation they now believe that

The United States is not heading back to the prosperity, reaction, and quiescence of the 1950's and early 1960's. The road ahead is one of increasing class consciousness, class struggle, and class polarization, leading from radicalization towards a revolutionary situation, regardless of oscillations 36

Based on this projection the party begins a turn away from its earlier perspective that placed <sup>strategic</sup> primary importance on the social movements of the 60's. What we see from the mid-70's on is a growing emphasis on placing the majority of the members of the party in basic industry. This turn, like the orientation of the 60's is seen as the way to overcome the fundamental obstacle to building a revolutionary movement: the lack of revolutionary leadership.

Only by turning to the industrial workers can we prepare a leadership that is capable of leading the working class to power. It's the only way to position ourselves to meet the political responsibilities and take advantage of the opportunities we know are coming. 37 C-221

While the demands of the oppressed nationalities and women are an integral part of this new orientation they are no longer the starting point of the party's revolutionary strategy. Instead

All the party's perspectives, tactical judgements, and priorities flow from and are subordinate to this overall strategic orientation. We judge the social weight and political centrality of all struggles and issues from the standpoint of advancing the working class along its strategic line of march. 38

C-25



The turn towards the industrial working class is the first step towards the revolutionary transformation of the labor movement. Because of the class-collaborationist leadership of the labor bureaucracy the unions as they are constituted can not provide the perspective needed to counter capital's offensive.

The workers and their unions are hamstrung in resisting the rulers' austerity drive by class-collaborationist institutions and policies extending from the shop floor to the bosses' two-party monopoly in government. This pattern of "stable labor-management cooperation" arose along with the consolidation of an entrenched bureaucracy in the industrial unions during the period of political reaction and cold war in the late 1940's and 1950's.

The labor bureaucracy is parasitic growth on the unions. It is an instrument for bringing capitalist pressure to bear within the labor movement. These labor lieutenants of the capitalist class gut union democracy, foster divisions along age, draft, race, and sex lines, promote protectionism (the interests of their own bosses)-as the answer to unemployment, their backs on the unorganized majority of the American working class, and harness the unions to employers' political parties and their government. 39

Once in the unions the parties strategy for building a class -struggle left wing is based primarily on the correct application of the Transitional Program. To dispell any notions that the Transitional Program is simply "an instruction on tactics" instead of a basic strategic document they state

If its not understood that the Transitional Program is a strategic document aimed at furthering the construction of proletarian combat parties, then the whole point is missed. 40

Without the formation of a Leninist party that can organize the class struggle of the proletariat and lead this struggle, <sup>the party believes</sup> there is no hope for a working class solution to the present crisis. To the extent that the main obstacle to a working class victory is the same as it was in 1938,

"the historical crisis of the leadership of the proletariat;" "the programs

formulated in  
1975 & 1979

(1) Note Trotsky's economic assumption } 1938 -  
no recovery possible - collapse given -  
problem is "leadership"

Today (2) Transitional program not formulated on basis of "specificity" } current crisis - neither "collapse" or "state stabilization"

contain nothing new."41 While the party argues that the program is adapted to the peculiar historical, class, and national features of American society, the content bears a striking resemblance to the program advanced by Trotsky in 1938.42 Refer reader to appendix with 1938 program, 1975 and 1979

The Political Resolution of 1984: A Change in Strategy

By the early 80's the hoped for deepened radicalization of the working class had not materialized. While there were sporadic protests and fight back attempts by workers the most visible protest of the continuing deterioration of economic conditions was coming from farmers. Although the party had noted the beginnings of a radicalization as early as the "tractorcades" of 1977, the 1979 political resolution only refers to the importance of forging an alliance between working farmers, given that they are seen along with oppressed nationalities and women, as being labor's decisive allies. 42a

The strategic importance of the farm movement, however, is formally recognized in August 1984 when the party's convention voted to change the party's transitional governmental slogan from "For a workers' government" to "For a workers' and farmers' government". A second decision, related to the first, is the change in the party's statement of purpose. Article II of the constitution previously read: "the purpose of the party shall be to educate and organize the working class for the abolition of capitalism and the establishment of a workers government to achieve socialism". The amended statement of purpose reads. "The purpose of the party shall be to educate and organize the working class in order to establish a workers' and farmers' government, which will abolish capitalism in the United States and join in the worldwide struggle for socialism."

Too detailed only 43

1985 political

According to the resolution this change accomplishes two things. First it clarifies the sequence of events.

The amendment makes it clear that the abolition of capitalism is a task of the new workers' and farmers' government. We need to establish a revolutionary government before the abolition of capitalism can be carried out. 43



And secondly the amendment emphasizes the international character of the workers' and farmers' government.

The revolutionary government in the United States will place the vast productive power of the U.S. economy at the service of the peoples of the world, especially those in Africa, Asia, and Latin America. (21) 44

While the political resolution adopted in 1985<sup>merely</sup> restates the economic analysis found in the political documents we previously examined, the political change noted above appears to represent a fundamental strategic shift for the party. Speaking of the significance of this change.

our governmental perspective is based on the alliance between the working class and working farmers. This alliance of exploited producers against the capitalist exploiters is at the heart of our entire strategy. 45

This alliance, which is at the heart of their entire strategy apparently, holds out the promise of solving <sup>the persistent problem of the</sup> "crisis of leadership". Using the workers and farmers formulation in Latin America<sup>the party argues,</sup> has resulted in the forging of of a true Leninist revolutionary leadership.

The victories in Central America and the Caribbean in 1979 have shown that the Cuban revolution was not unique, but rather the first successful conquest of power by the workers and farmers in the Americas. So too they have shown that the leadership forged by the Cuban revolution was not a historical exception, but a vanguard component of a new leadership of the working class, fighting to apply in practice the principles of communism, converging historically with all those who have attempted to continue along the road charted by the Comintern under Lenin's leadership. 46

But not only does the formulation offer a <sup>strategic</sup> model for the American<sup>left</sup>, but the party also sees the overall prerevolutionary conditions here developing as they have in Cuba, Nicaragua and Grenada:

The conditions under which it will be possible for our class and its exploited allies to take power in the United States will be more similar to those that led to revolutionary uprisings in Cuba, Nicaragua, and Grenada than those that exist in this country today. In this sense, these revolutions offer not only instructive models of what can be accomplished when workers and farmers conquer power, but also the closest approximation we yet have of the kind of revolutionary upheavals that will precede a victory. 47

In a political report entitled "The Workers' and Farmers' Government in the United States: An Alliance of the Exploited Producers, the specific characteristics of the new formulation are drawn out. First of all

the report emphasizes that the workers' and farmers' government will be realized through eliminating the bourgeois state and its repressive apparatus. The report makes it clear that bourgeois state can only be supplanted through revolutionary means.

Such a government cannot come about through a reform of capitalism or a shift of regime or administration, but only through a revolutionary change in which classes govern. Working people cannot elect such a government into office. They cannot nationalize their way to that goal. They cannot simply demonstrate or strike their way there, or achieve such ends through negotiations. There is no set of transitional demands that if fought for and won, add up to this goal. (24)

The second point underscored by the report is the two-class character of the w/f government. It stresses that revolution can not



succeed without an alliance between workers and exploited farmers--or those layers of the farm population that do not make their living by exploiting wage labor. The report argues that the material basis for the alliance "is their shared exploitation by banking, industrial, and commercial capital." Although the methods of exploitation differ both have "a direct class interest an alliance--before, during, and after the revolution--against those propertied classes whose very social existence depends on profiting off the unpaid labor of the workers and the independent commodity producers."

The third feature of the new formulation is that the w/f government will be anticapitalist. Since the aim of the new government will be the abolition of capitalism its first step will be the "expropriation of the ruling capitalist families who own the banks and the industrial and commercial monopolies in this country". With the expropriation of the capitalist class, the report maintains that the material basis which can lead to conflicts between wage workers and independent commodity producers is eliminated. However, not all private property is expropriated.

not all privately owned industrial and commercial enterprises will be immediately expropriated. A w/f government will adopt a different approach to small business people and retailers. Unless their owners are engaged in counterrevolutionary activity, Leon Trotsky explained in 1934, small enterprises such as these in the United States "could be kept solvent until they were gradually and without compulsion sucked into the socialized business system. (27)

# Footnotes

- (11) Towards p 9  
(13) Towards p 13  
(14) Towards p 39  
(15) Towards p 14  
(16) Towards p 14  
(17) Towards p 87  
(18) Towards p 24  
(19) Towards p 34  
(20) Towards p 161  
(20a) Towards p 157 - Elsewhere, however, in these earlier documents, they seem to argue that it was expansion that made military expenditures possible. p 161

- (21) Towards p 34  
(22) Towards p 36  
(22a) Towards p 37  
(23) Towards p 109  
(24) Towards p 15  
(25) Towards p 98  
(26) Towards p 99  
(27) Towards p 109  
(28) Changing p 162  
(29) Prospects for Socialism in America  
Pathfinder Press, Inc. New York p 82

- (30) Prospects p 76  
(31) Prospects p 20  
(33) Changing p 35  
(34) Changing p 36  
(35) Prospects p 28  
(36) Prospects p 29  
(37) Changing p 223  
(38) Changing p 165  
(39) Changing p 185-86  
(40) Changing p 101  
(41) Prospects p 135



(42) Changin p194  
(43) New International p24  
(44) New International p26  
(45) NI p 150

(46) NI p 36

(47)

(48) NI p136

(49) NI p 160

5/24/85

Footnotes to SWP Political Section

1. The party uses several dates to mark the onset of the Crisis. The 1969 resolutions see the crisis beginning in the 1960's with the escalation of the war in Vietnam, the decline of the dollar and intensified capitalist competition. This date is consistent with their view that imperialism and its "crisis" is the source of the crisis. The 1975 resolution argues that the post-war boom peaked in 1968-71. But they argue that workers' real income began a decade of stagnation in 1965. On the 1979 resolution, the beginning of the crisis comes the sharp downturn of 1974-75.

2. The Changing Face of U.S. Politics, Building a Party of Socialist Workers. Reports and Resolutions of the Socialist Workers Party, Edited by Jack Barnes and Steve Clark; Pathfinder Press, New York 1981 p93

(3) Changing p93

(4) Changing p93

(5) Changing p95

(6) The Transitional Program for Socialist Revolution Pathfinder Press 1973

(7) Transitional p. 73

(8) Transitional p 74

(9) Transitional p 73

(10) Transitional p 75

(11) Towards an American Socialist Revolution: A Strategy for the 1970's by Jack Barnes, George Breitman p8



I. BASIC CAUSES OF THE CURRENT CRISIS

*At what point does Mandel's theory become dominant?*  
A'. Mandel as providing organizing theoretical framework for SWP analyses--sketch of Mandel's crisis theory.

A. Sketch of the discussions found in the 1975 Resolution, Dick Roberts, and Wm. Gottlieb

1/ 1975 Resolution (in Roberts' Appendix)

a. classical crisis of overproduction (p.112)  
due to the inner contradictions of capitalism

b. underlying causes of crises of overproduction:

i/ tendency for the rate of profit to fall due to the combined effect of the following--

ii/ tendency for productive capacity to grow faster than the capacity for social consumption

iii/ rapid growth-->rising K/L-->counteracting tendencies are more and more obstructed-->slowed growth in the rate of exploitation due to high levels of employment in the upturn

iv/ capital investment flows to sectors of greatest return, leading to disproportionate investment-->scarcity in producer goods sector-->price inflation as the impact of scarcities becomes generalized.

v/ inflation offsets the effect of rising K/L and causes the rate of profit to fall even more.

vi/ debt burden rises-->liquidity crisis

vii/ further declines in rate of profit; increased incidence of bankruptcies, unemployment, and stagnation.

✓ || **\*\*\* viii/ THE INHERENT TENDENCY OF CAPITAL IS TO EXPAND THE PRODUCTIVE CAPACITY OF THE SYSTEM BEYOND THE PURCHASING POWER OF THE PEOPLE (P. 113)**

ix/ 1974-75 was the first generalized recession since the 1930's, i.e., it affected all kist countries simultaneously. In other instances, non-generalized recessions occurred. The difference stems from the understanding of the role of internal and external markets. Since all kist countries faced the same conditions at the same time in the 1974-75 period, excess commodities and capital could not be exported sufficiently to ease the pressure of overproduction on the profit rate in any of these countries. Export was precluded as a national solution

to the recession.

x/ that recession was inflationary due to deficit spending and massive expansion of credit.

xi/ disproportions and inflationary pressures further exacerbated by monopoly competition creating shortages in energy and food supplies (p. 115)

xii/ the "normal" purgative process was thereby impeded by the effect of monopolies--i.e., under more competitive conditions, the downturn of the cycle sets the stage for recovery.

\*\*\* c. NO CLEAR DISTINCTION BETWEEN CYCLE AND GENERAL CRISIS---cycle can become a depression if the state fails to mitigate the downturn. The difference appears to be of degree and not of kind in this analysis.

--if the state cuts spending and curtails credit;

--if collapse of confidence in paper money occurs;

--if profits and wages fall consistently;

THEN AGGREGATE DEMAND FALLS FAR BELOW THE PRODUCTIVE CAPACITY OF THE SOCIETY. (p. 115)

d. Though technically possible that a 1930s style depression could occur, the state would act to prevent it by using the familiar anti-inflationary/anti-recessionary policies but the ultimate point in the analysis is that the state cannot prevent unemployment or inflation (pp. 116-117)

e. Relate this analysis to Mandel's framework--  
NB: that the analysis here is essentially a cycle theory--no attempt to distinguish and then relate to secular tendencies to crisis.

## 2/ DICK ROBERTS, CRISIS IN CAPITALISM

a. Roberts does differentiate between cycles and longer historical epochs: cycles are clearly tied to periodic overproduction -- the overproduction argument is essentially a cycle theory. However, retains Trotsky's discussion of the long wave but identifies these as the general context in which cycles work themselves out. The causes of the long wave are external to the system (whereas overproduction crises/cycles are internal to the dynamic of capital accumulation). Parallel to Mandel.

b. (p. 15) business cycle-- "Employment enters this business cycle as both a cause and an effect." In a boom, employment rises, but full-employment is intolerable, since workers bid up wages--- wages squeeze profits, and in order to

*which Mandel?*



discipline workers, firms reduce investment, lay off workers. But unemployment cuts aggregate demand, production falls further with more layoffs, until the point is reached where aggregate demand > aggregate supply: inventories will be sold off, investment will rise, recovery follows. In this way, Roberts explains business cycles as the expression of the internal dynamic of capital accumulation-- and their resolution lies internal to that dynamic.

c. Long-term historical epochs-- are ushered in by external factors (pp. 35-36, 38 b) "Furthermore, it is precisely in the arena of international competition that we must locate the external conditions that force world capitalism into the stagflationary-- inflationary and recessionary-- crisis." (p. 38)

Following Trotsky, Roberts makes no connection between the dynamic of the business cycle and the dynamic of the long historical epochs. What moves the latter are external, often accidental, shocks to the system (wars, discovery of new mineral deposits, conquest of new territories, technological breakthroughs, etc.) The external shocks provide bursts of extra demand for surplus capital and commodities.

\*\*\*\* d. However, DEMAND <sup>Growth</sup> IS SELF-LIMITING (p. 39 top)-- in Roberts as in the 1975 Resolution, the petering out of investment opportunities or the source of extra demand intensifies international competition for fewer markets. Coupling this with the artificial shortages imposed by monopoly competition, the result is the present condition--inflation with stagnation.

\*\*\* e. role of monopolies significant in the underlying causes of the current crisis.

--monopolies increase the tendency for capital to overproduce

--increases the need to export goods and capital

--their manipulation of production and markets has led to stagflation

f. Roberts suggests that the capitalist state can intervene to stem the slide, prevent collapse of the eco. in the business cycle (pp. 24, 29, 55, 86) as exemplified in New Deal policies and current anti-inflation/anti-recession measures.

But the limits to these are met in the external conditions and the contradiction between the expansion needs of capital and the external limits to that expansion. There is the inescapable conclusion drawn that the system is both national and international and competition in the international sphere enforces this contradiction. "Going-it-alone" policies end up pushing the entire system over the edge into general crisis. (pp. 86, 55-56)

g. For Roberts, the scenario of the emergence of the current crisis is similar to that offered in the 1975 Resolution.

1/ By 1970-71, the US entered its crisis phase;

this was signalled by rising rates of inflation, rising unemployment, and Nixon's New Economic Policy: "Nixon's frontal attack on American workers in the form of a wage freeze, and his open declaration of international trade and financial warfare through an import surtax, dollar devaluation, and selective export controls, signalled that U.S. imperialism was in deep trouble.

ii/ Heightened international competition led to monopoly induced shortages and further price increases in energy, food, and raw materials production.

iii/ Government deficit expenditure on arms production has been an attempt to offset stagnation (as well as provide the materials for promoting US interests vis a vis other national capitals). But such unproductive expenditure has only fuelled inflation rates.

iv/ As fewer options remain for capital to expand internationally and domestically in a period of slow growth, the capitalist class through the state has intensified its attack on the living standards of the working class.

### 3/ William Gottlieb: The Militant

a. Roots of the current crisis lie in the inability of the system to generate sufficient levels of effective demand to keep up with the productive power of capital.

b. Effective demand is constrained by--

--rising unemployment

--rising debt burden

--reductions in the living standards of the working class

--cuts in social programs

c. Overproduction/underconsumption due to Kist anarchy of production. Long run balances are achieved through the business cycle. (Militant, 7/23/82, P. 11)

d. Gottlieb focuses entirely on the cycle and drops completely from his analysis the discussion of long historical epochs. Also missing from his analysis is the emphasis given to monopoly capital and the influence attributed to them in generating inflationary pressures. Since Gottlieb's is the most recent of the sources referred to here, and since he is writing the analysis in 1982, it would be hard to sustain such an argument in the face of empirical evidence.

Secondly, since, as in the other two analyses reviewed here, the business cycle is the basis for understanding



the underlying causes and dynamic of this crisis and earlier ones, Gottlieb does not need to rely on the long wave for any of his discussion.

d. The analysis otherwise is the same as in the other two sources.

e. The first manifestations of crisis appear in a rise in the interest rate and the rate of inflation (11/5/82, pp.15, 18; 8/6/82, pp. 19, 23) in addition to rising real wages in the upturn of the cycle. In effect, rising costs of labor and capital squeeze profits while at the same time rising interest rates discourage consumer borrowing as well.

Fed acts to control the money supply through the interest rate. It is these policies along with government deficit spending especially on arms production that triggers inflation. Inflation cannot effectively be controlled through manipulation of the interest rate and supply of money since neither the supply nor the demand for credit is controlled by the banks or the state.

e. As demand in the domestic economy shrinks and as external markets become the subject of intensified competition, there will be fewer and fewer options for saving capital from crises of overproduction.

NB/ The 1984 Resolution published in the New International contains no discussion of the nature of the economic crisis and its causes, but does provide the most recent statement of the Party's political strategies and its attempt to construct a consistent and continuous line to Leninist conceptions of the state, state power, and the transition to socialism.

B. Major analytical strands and the possibility theory framework

1/ overproduction/underconsumption theory of crisis: implies that capital accumulation is a problem of disproportionate growth which leads to periodic imbalances between effective supply and demand--As a theory of crisis, however, this is insufficient to explain how investment is regulated and why investment becomes insufficient to sustain demand.

2/ internal dynamic v. external conditions makes an artificial distinction between processes which comprise aspects of capitalist competition-- division between internal markets and international markets disallows the understanding that all producers who share in a particular market when they sell their goods become part of the internal dynamic of accumulation. There is nothing external about international markets to the process of capital accumulation. International competition is the arena in which individual producers whether Japanese or US learn of their respective positions. The market is constantly

defined and redefined by the scope and scale of the participants. It remains, however, integrated in the processes of capitalist accumulation.

The external/internal division imposed in these analyses is consistent with the rest of the argument and follows from it: if the problem of capital accumulation is understood as the cyclical overexpansion of productive capacity and inability of the internal domestic economy to consume the product, then the international market is viewed as the external solution and lies beyond the factors which generate the cycle itself. Not until we understand how the market relates to the productive process through competitive price formation do we see the artificiality of the internal/external dichotomy. We would also see that demand even beyond the internal domestic economy is linked to the level of accumulation for the entire system and the conditions of supply.

2/ Both the monopoly capital and the long wave argument are missing in Gottlieb-- reflects the problem of Mandel's eclectic crisis theory which allows others to include or omit different parts of the argument, depending upon the particular conjuncture in the crisis.

3/ In all three analyses, the implication of their crisis theory is that recovery depends upon finding a solution to the demand gap problem. The available solutions become more and more constrained. As the state resorts more to squeezing recovery from the working class, all three sources indicate that this will provide the basis for a revolutionary transformation of working class consciousness. The point remains, however, that the theory underlying the analysis suggests that the cyclical problems of capital accumulation have both internal and external solutions-- the state can intervene (and has) to manage demand even though the effectiveness with which this has occurred has been increasingly limited. What the state cannot do, however, is to effectively manage the international capitalist economy. Inter-capitalist rivalry leads to wars. Even so, according to this theoretical perspective, this becomes an "external condition" which might, as it did following WWI and WWII, provide sufficient shock to the system in demand expansion to pull capital into another recovery, especially if the working class is ~~reaping~~ smashed.

## 2. SWP'S POLITICAL PROGRAM

- 1/ Use Nestor's/Becky's section but update with the 1984 Resolution
- 2/ Attempts at Leninist continuity in their political program
- a/ the capitalist state is not the vehicle for socialist transition;
- b/ the 1978 "turn" toward the industrial unions and

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Variations in the political and strategic analyses and programs among the groups within the Fourth International are as characteristic today as they have been historically. (Insert a couple of sentences as examples of this first statement) Whatever political differences there are among and within the national sections of the organization, there appears to be a strong convergence in their economic analysis regarding the conception of capitalist crisis in general and their perception of the nature of the current crisis specifically.[1] In the US, the economic analysis found both in the SWP's official documents and in its major publications such as its newsweekly, *The Militant*, has drawn principally from the work of Dick Roberts and William Gottlieb. Roberts' contribution has been largely through his role in the drafting of various Party resolutions and campaign documents as well as his book Capitalism in Crisis (1975). Gottlieb has been a regular contributor to *The Militant* and in the summer/fall of 1982, published a series of articles on the nature of the current economic crisis.

*Underline*  
Beyond the contributions of Roberts and Gottlieb, however, the economic analysis of the SWP in the US, as well as those of the other national sections of the Fourth International, have drawn from the prodigious theoretical and empirical work of Ernest Mandel. His Marxist Economic Theory, Late Capitalism, and The Second Slump have provided the over-arching theoretical framework of the economic analysis of the SWP. As we shall see, Roberts and Gottlieb express variations on the analysis offered by Mandel: Roberts emphasizing the long wave and the role of monopoly capital in postwar accumulation; Gottlieb stresses the cyclical nature of demand fluctuations and drops altogether the discussion of long historical epochs and the role of monopoly capital as significant to account for accumulation and crisis in this period. Let us first examine Mandel's general theoretical framework, and then go on to identify how Roberts and Gottlieb represent the analysis of the current crisis for the SWP in the US.

*Good*

Mandel's crisis theory is developed in two dimensions in order to deal with two distinct sets of phenomena of capitalist crisis. Crisis as the outcome of cyclical factors is distinguished from crisis as a secular phenomenon. The causes and underlying dynamic are viewed as distinct yet the movements are understood as concurrent, linked by and expressed through the movement in the general rate of profit.

✓ It is actually Trotsky, in addition to Marx, who provides the basic framework of the crisis theory developed by Mandel. The discussions among Soviet economists and strategists in the 1920s focused on the distinctions being drawn between the normal, periodic industrial cycles and the broader, longer swings observed in the pattern of capital accumulation. In challenging Kondratieff's claim that these "major cycles" are subject to the same "rigidly lawful rhythm" observed in the minor cycles,

Trotsky wrote:

"The periodic recurrence of minor cycles is conditioned by the internal dynamics of capitalist forces, and manifests itself always and everywhere, once the market comes into existence. As regards the large segments of the capitalist curve of development (50 years) which Professor Kondratieff incautiously proposes to designate also as cycles, their character and duration is determined not by the internal interplay of capitalist forces but by those external conditions through whose channel capitalist development flows. The acquisition by capitalism of new countries and continents, the discovery of new natural resources, and in the wake of these, such major facts of a 'superstructural' order as wars and revolutions, determine the character and replacement of ascending, stagnating, or declining epochs of capitalist development." [2]

*good*

Trotsky's characterization of the dichotomy between the internal and external dynamic of capital accumulation becomes a major analytical orientation in Mandel and subsequent analyses in the SWP. The distinction generates three central arguments:

1) To explain the emergence of crisis in general, the analysis of the industrial cycle provides the basis for understanding why and how the capitalist mode of production generates, by its own internal logic, the "natural necessity" to periodic decline and periodic recovery indicated by the movement of the rate of profit;

2) As distinct from this, however, and in actual historical circumstances, these periodic cycles flow within broader "channels" of capitalist growth which are only generally reflective of the internal dynamic of capital accumulation.

"If we have defined the 'long waves' of accelerated and decelerated accumulation determined by long waves in the rise and decline of the rate of profit, then it is plain that this ascent and decline is not determined by one single factor but must be explained by a series of social changes, in which the factors listed by Trotsky play a major role." [3] Therefore,

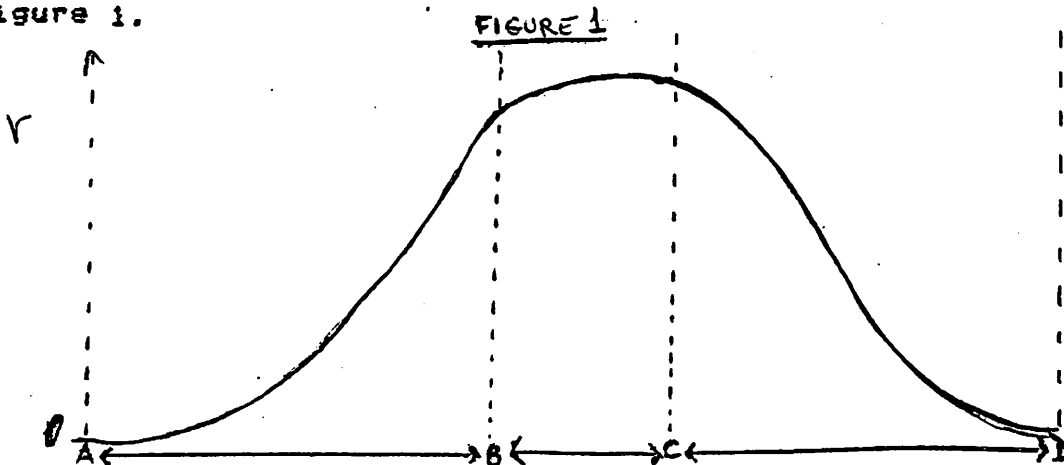
3) There is nothing in the secular movements of capital accumulation that regulates the pattern of the long curves of capitalist development. But Mandel argues that if these movements are "determined by the criss-crossing of very different factors, and it is emphasized that these 'long waves' do not possess the same periodicity as the classical cycles in the capitalist mode of production, then there is no reason to deny their close connection with the central mechanism, which is by its very nature a synthetic expression of all the changes to which capital is permanently subject: the fluctuations in the rate of profit." [4]

Mandel's point is that the movement of these long swings appear to be contingent upon certain preconditions. First, the secular upswing depends upon whether over a succession of cycles



enough capital has been accumulated in order to be invested on a large enough scale to generate long-term growth. And, secondly, the trigger to this investment boom is a rise in the average rate of profit. The conditions on which this would occur would be following a fall in the organic composition of capital, a rise in the rate of exploitation as would result, for example, from the defeat of working class power, a drop in the price of inputs to production--especially raw materials--or a decrease in the turnover time of capital (as would result from revolutions in transport or communications, etc.). [5] Whether or not these preconditions for a rise in the average rate of profit actually trigger a secular boom in investment depends upon how strong is their individual or collective influence on anticipated profitability. Historically, sufficient stimulus for a long period of recovery has come from factors "external" to the system's own internal dynamic.

For Mandel, the primary explanation for the causes of capitalist crisis lies in the explanation of what generates the tendency for the rate of profit to fall. Mandel turns to his characterization of the industrial cycle for this as shown in Figure 1.



In the upswing of a cycle, rising expectations of profits draw capitalists to invest in expanded productive capacity embodying the most productive techniques. This inevitably raises the organic composition of capital ( $C/V$ ). By the same token, however, the rise in ( $C/V$ ) is also accompanied by an expansion of the productivity of labor as well as an increase in the rate of exploitation, i.e., capital's ability to extract more surplus value relative to the value necessary to reproduce the working class. Mandel argues that if these counteracting tendencies are sufficiently strong, they can overcome the downward pull on the rate of profit exerted by the increased capitalization of production and a rising organic composition of capital. Segment A---B in Figure 1 depicts this movement of the cycle.

This "honeymoon phase" in the upswing is momentary, however, and gives way to the pressures which are generated by the very successes of expansion. The rate at which capitalists can raise the rate of exploitation finds its limit in the size of the

*Is the cycle seen as a boom phase (or else a cycle)?*

available labor market. As production expands, the industrial reserve army shrinks, giving workers a momentary advantage in their struggle to raise wages. As the rate of exploitation slows, its influence as a counteracting force offsetting the decline in the rate of profit diminishes so the rate of growth in the rate of profit begins to slow. This is shown as segment B---C in Figure 1.

In addition to this limit placed on the movement of the rate of profit by class struggle, Mandel also argues that the fall in the rate of profit reflects underconsumption and disproportionality as a consequence of the pressures of competition on capitalists to innovate. This works its effect in two ways.

The decline in prices that follows the initial impact of increased productivity in both the producer goods and consumer goods sectors is not equal in its effect on both elements of C and V. So, Mandel argues that technical change results in C (especially in the raw materials components of constant capital) falling more slowly than the value of means of subsistence that make up V, since prices for raw materials are more subject to availability of natural resources. This places an additional downward pressure on the rate of profit.

But this is not all. The boom phase of the cycle generates a tendency to over-expand productive capacity in both sectors of the economy, and especially in Department II (sector producing wage goods). The disproportionate growth triggered by capitalist competition sets up the conditions which lead to potential over-production of commodities and the inability to buy them back. Mandel uses this to explain the existence of excess capacity, over-production, and underconsumption as the manifestations of the falling rate of profit. [6]

*in clear*  
In his analysis of the industrial cycle, Mandel shifts the explanation of the tendency for the rate of profit to fall several times. The basic tendency is generated by the rising organic composition of capital. But this can be offset by the effects of counteracting tendencies. When limits to their effectiveness are met as in class struggle or the uneven effects of capitalist competition on growth among sectors occurs, the explanation for the decline in the rate of profit shifts to these factors. Disproportionate growth as the consequence of the inherent logic of the system, along with the failure of the counteracting influences, accounts for the initial decline.



"The fall in the rate of profit simply means that relative to social capital as a whole, the total surplus-value produced is no longer sufficient to maintain the old rate of profit...The decline first appears in the following form: a fraction of newly accumulated capital can no longer be invested productively at the 'normal anticipated' conditions of profitability." [7] The rate of growth of productive investment slows and shifts to speculative forms. The existence of excess capacity means that in order for growth to occur, expected profitability must thereafter be sufficient not only to utilize existing capacity but to trigger expansion,

here a slowdown of growth in capacity leads to appearance of actual excess capacity

For Mandel, this phenomenon causes the main manifestation of capitalist crisis to emerge: Crisis is always a crisis of over-production, and, according to Mandel, the principal fact to be understood by the analysis is that the crisis is a rupture in the tenuous balance between supply and demand that usually holds in "normal times." [8] For Mandel, then, the fact of the emergence of crisis is demonstrated by the existence of unsold commodities, a realization crisis. "It is this sales slump, depletion of inventories, and reduction in current production which bring on the cumulative movement of the crisis: reduction in employment, incomes, investment, production, etc." [9]

Point is that a rise in SW, due to smashing working class,  
is the way towards a recovery  
How connected  
to overall changes?

The Socialist Workers Party's Political Program

While such events as Nixon's wage freeze of 1971 and the oil crisis of 1973 indicated to the party that a new economic period had arrived, the political perspective advanced in the early 70's, in the

Towards a Socialist America and A Revolutionary Strategy for the 70's for the most part still

see the agents of change coming from the radicalized elements in the feminist and student movements. (1) In the wake of the 1974-75 recession, the

party's National Convention adopted a resolution entitled "Prospects for Socialism in America". (2) Here the central theme is the major changes

taking place in American politics because of the emerging radicalization of the American working class. Six years later in a new set of reports

and resolutions, the party mapped out the tactical and organizational implications of this developing radicalization. In a "Changing Face of U.S. Politics: Building a Party of Socialist Workers" (3) the party's tactical "turn" towards

the working class is related to its overall strategy of moving towards a socialist economy. In 1985, four years after "Changing" was adopted and ten years after the beginning of the new radicalization, the party's

theoretical journal The New International outlined in a series of articles what appears to be a significant shift in their strategy to reach a socialist America. (4) In a resolution entitled "The Revolutionary Perspective and

Leninist Continuity in the United States" and a report "The Workers' and Farmers' Government in the United States: An Alliance of the Exploited Producers" Jack Barnes, the party's national secretary elaborates on the character of the present period and the necessity to call for a workers' and farmers' government as the aim of the anti-capitalist revolution rather than the old formulation of a workers' government.

The following discussion will have two distinct parts. The first part will merely describe the contents of reports and resolutions



cited previously. The second part will attempt to analyze the relationship and between the logic and development of their political program ^ their theory of the current economic crisis. Here we will suggest some possible links between the strategic shift in the 80's and their level of understanding of the capitalist state and economy in the current period.

### The Initial Programmatic Response: 1975-1981

In both "Prospects" and "Changing" the party sees the economic crisis of capitalism opening up a new stage of radicalization of the American working class.

A corner has been turned in the objective circumstances, and the door has been opened for a new step forward in class consciousness and the transformation of the political consciousness of American labor. (5)

The immediate connection between the economic crisis and the political radicalization of working class lies in the party's conviction that the current economic crisis can not be resolved without a successful assault on the living standard and democratic rights of the working class. Speaking of world recession in 1974-75 they lay out this connection:

What this definitely set in motion throughout the world is an intensifying austerity drive by the ruling class against the working class, against all the oppressed, and the political rights the masses need to organize and fight back. This is not just a tactical or short-policy of the rulers, it is a fundamental policy that economic realities force them to carry out. (6)

Both documents agree that the key to capital's recovery is a successful offensive against the industrial workers.

The industrial workers are both the source of most of the rulers' surplus value and the ultimate enemy that the rulers must defeat if the entire economic and social crisis of system is to be turned around. (7)

Although they allow for the possibility of some sorts of reforms to slow down this radicalization process economic crisis has severely narrowed what they call capital's "margin of maneuver". The working class can not simply be bought off the way it was in the post- World War II period.

The only program capable of blocking eventual radicalization of the unions would be massive social reform--that is, large-scale concessions in the form of job-creating public works programs, unemployment benefits, housing, medical care, education, protection against inflation, and similar reforms. While the ruling class is capable of making concessions and may even at some point initiate a number of highly publicized projects as part of a new "New Deal", social reforms of scope that could meet today's expectations are beyond their reach. That course would necessitate the stabilization of world capitalist economy, renewal of its expansionary course and a vast strengthening of America's dominant position. (8)

Thus because of the limits to granting reforms the future will see growing radicalization and the growth of a class-struggle left wing in the labor movement.

The United States is not heading back to the prosperity, reaction, and <sup>quiescence</sup> of the 1950's and early 1960's. The road ahead is one of increasing class consciousness, class struggle, and class polarization, leading from radicalization towards a revolutionary situation, regardless of oscillations along the way. (9)

Based on this projection of a coming confrontation between capital and labor the party began a movement in 1978 to place the majority of its members in basic industry. The "turn" as it is called is seen as the first step toward building a class-struggle left wing in the unions.

Getting our forces situated within our class where we will have our fingers on the real political pulse of this country is a necessity. But we shouldn't transform it into a virtue-- it's not a moral question or a solution to all political or party building problems. It simply poses them in a new way- a way in which they can be solved. It's a tactic to accomplish a decisively important political goal: bringing the composition of our party into harmony with our proletarian program. Becoming a party of worker-Bolsheviks. (10)



Once in the unions the party plans to build a class-struggle left wing. 12

We have a strategy for the revolutionary transformation of the labor movement and for the use of that power to society. We have a strategy to mobilize our class and its allies to fight for a workers' government.

From that strategic framework, we can figure out what steps are necessary to advance all progressive struggles. How they can link up with the decisive social power needed to win. What tactics can advance the overall fight against oppression and capitalist misrule. (11)

*Underlying*  
The party's strategy to build such a formation within the unions *is* their conviction that the main obstacle to a successful working class offensive is the class collaborationist leadership of the labor bureaucracy.

The workers and their unions are hamstrung in resisting the rulers' austerity drive by class-collaborationist institutions and policies extending from the shop floor to the bosses' two-party monopoly in government. This pattern of "stable labor-management cooperation" arose along with the consolidation of an entrenched bureaucracy in the industrial unions during the period of political reaction and cold war in the late 1940's and 1950's.

The labor bureaucracy is parasitic growth on the unions. It is an instrument for bringing capitalist pressure to bear within the labor movement. These labor lieutenants of the capitalist class gut union democracy, foster divisions along age, draft, race, and sex lines, promote protectionism (the interests of their own bosses)-as the answer to unemployment, their backs on the unorganized majority of the American working class, and harness the unions to employers' political parties and their government. (12)

?  
The centrality of the notion that the primary force preventing the growth and success of a class-struggle left in the unions needs to be emphasized. Indeed it is this perceived "crisis of proletarian leadership" that inspires the party's political program "The Transitional Program" economic As Trotsky pointed out in 1938, the objective conditions for revolution exist. The real problem is the political factor.

All talk to the effect that historical conditions have not yet "ripened" for socialism is the product of ignorance or conscious deception. The objective prerequisites for the proletarian revolution have not only "ripened"; they have begun to get somewhat rotten. Without a socialist

revolution in the next historical period, at that, a catastrophe threatens the whole culture of mankind. The turn is now to the proletariat, i.e., chiefly to its revolutionary vanguard. The historical crisis of mankind is reduced to the crisis of the revolutionary leadership. (13)

To view the Transitional Program as anything but a method of overcoming the "crisis of leadership" is a serious mistake. The party points out that

If it's not understood that the Transitional Program is a strategic document aimed at furthering the construction of proletarian combat parties, then the whole point is missed. (14)

What is the central proposition of the Transitional Program as outlined by Trotsky?

The strategic task of the next period—a prerevolutionary period of agitation, propaganda, and organization—consists in overcoming the contradiction between the maturity of the objective conditions revolutionary conditions and the immaturity of the proletariat and its vanguard (the confusion and disappointment of the older generation, the inexperience of the younger generation). It is necessary to help the masses in the process of the daily struggle to find the bridge between present demands and the socialist program of revolution. This bridge should include a system of transitional demands stemming from today's conditions and from today's consciousness of wide layers of the working class and unalterably leading to one final conclusion: the conquest of power by the proletariat. (15)

In order to "bridge the gap" between <sup>the</sup> present and <sup>the future</sup> revolutionary consciousness Trotsky proposed three types of demands. Immediate demands involve the defense and increase in wages and fringe benefits. While in normal times these are strictly speaking "bread and butter issues", in a crisis situation they have a potential anti-capitalist dynamic given capitals growing inability to meet them. The second type, called democratic demands, center on the defense and extension of the working class <sup>ability</sup> to organize independently on both the economic and political levels. Again in normal times these rights are assumed and even extended, while in the crisis they must be curtailed to prevent the working class from defending itself. The last type, transitional demand go beyond defending or extending rights and benefit being attacked.



Instead, transitional demands raise the possibility of workers providing for their own needs by planning the economy and insuring their political rights by establishing their own government. To counter any confusion over "minimum" character of immediate and democratic demands Trotsky states unambiguously that "the Communist parties do not advance a minimum program that seeks to save the structure of capitalism"(16) On this point he elaborates:

It is not the viability and competitive capacity of capitalist industry, nor the profitability of capitalist finance to which communist parties should pay regard, but the poverty which the proletariat cannot and should not endure any longer. If the demands correspond to the vital needs of broad proletarian masses and if these masses feel that they cannot exist unless these demands are met, then the struggle for these demands will become the starting point of the struggle for power.(17)

general

Drawing on Trotsky's framework and many of the concrete demands he raised in 1938 such as a sliding scale of wages, union independence and workers' control of production the Socialist Workers Party presents a series of demands in both its 1975 and 1979 political resolutions. In the political resolution adopted in 1975 entitled "Prospects for Socialism in America" the party states that "the starting point of the workers' struggle is the defense of their standard of living".(18) Thus the following demands are made: 1. a decent job 2. unemployment insurance 3. a massive program of public works 4. a reduction in the workweek with no reduction in pay 5. organize the unemployed (to be included in social welfare payments) 6. sliding scale of wages-an escalator clause 7. a consumer price index drawn up under the supervision of the workers and consumers 8. during periods of unemployment health insurance should be maintained by government. debt of unemployed underwritten by government. 9. childcare facilities must be kept open and expanded. 10. unemployment insurance should be a full union scale with no time limit. 11. workers should oppose last hired, first fired in order to protect gains of affirmative action. 12. oppose protectionism, tariffs and devaluations.

The second area in which workers must agitate around is

control of their conditions of work. Here the party sees the bosses attempting to increase the rate of surplus value through speed-ups, automation, and deteriorating safety provisions. Thus workers must call for (1) shut downs when health and safety is endangered. with no reduction in pay. 2. speed of production line set by workers. 3. safety controls set by workers. 4. workers' and community control over establishing production sites. 5. bankrupt plants must be nationalized and reopened under workers' control .

To counter the claims by capital that it can not provide for the needs of workers, the party calls for opening the books for inspection by the workers. In addition, when monopolies such as the utilities, the postal service, the agribusiness, the railroads, and the aerospace industries "cry" bankruptcy, charge exorbitant rates or prices, or refuse services to those who can not pay, they should be nationalized and run under control of worker and consumer committees. In order to finance these moves the banking system must be expropriated and placed under workers' control thus further deepening labors planning and organizing production.

The party recognizes that the coming class battles necessitate moves to provide for workers' defense, This includes defense of picket lines, right to strike, the protection of their demonstration rights and the rights of their allies. This defense will be achieved by calling for workers' defense guards, workers' militias and the requisite arming of the working class.

1. ( section on military and international demands p.324-326)

2. (section outlining transitional program in 1979 resolution--little is new--more elaboration on nationalization, defense of democratic rights. What is new is lessons of past three years of union work. The need for solidarity with workers here and abroad. 2. need for union democracy 3. need for political independence. p189-90 "Changing")

### A Change in Strategy: the Resolution of 1985

In January 1985 a resolution entitled "The Revolutionary Perspective and Leninist Continuity in the United States" was adopted by a special convention of the Socialist Workers Party. While most of the central ideas of the previous resolutions <sup>are merely</sup> restated such as the necessity of



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capital's assault on the living standard and democratic rights of the working class and the central importance of defeating class-collaborationist leadership, a new and significant shift in the party's strategy to create a socialist society is presented.

In August 1984 the party's convention voted to change the party's transitional governmental slogan from "For a workers' government" to "For a workers' and farmers' government". A second decision, related to the first, is the change in the party's statement of purpose. Article II of the constitution previously read: "The purpose of the party shall be to educate and organize the working class for the abolition of capitalism and the establishment of a workers government to achieve socialism". The amended statement of purpose reads: "The purpose of the party shall be to educate and organize the working class in order to establish a workers' and farmers' government, which will abolish capitalism in the United States and join in the worldwide struggle for socialism." (19)

According to the resolution this change accomplishes two things. First it clarifies the sequence of events.

The ammendment makes it clear that the abolition of of capitalism is a task of the new workers' and farmers' We need to establish a revolutionary government before the abolition of capitalism can be carried out. (20)

And secondly the ammendment emphasizes the international character of the workers' and farmers' government.

The revolutionary government in the United States will place the vast productive power of the U.S: economy at the service of the peoples of the world, especially those in Africa, Asia, and Latin America. (21)



Judging from the amount of space devoted to discussing the formulation of a workers' and farmers' government in the party's theoretical journal New International, the changes noted earlier to the constitution are more than a change in wording, <sup>they seem to</sup> represent an important change in strategy. Speaking of this change, Jack Barnes, the National Secretary of the party says:

our governmental perspective is based on the alliance between the working class and working farmers. This alliance of exploited producers against the capitalist exploiters is at the heart of our entire strategy. (22)

Elsewhere Barnes emphasizes its importance as a guide to practical action:

The workers's and farmers' government slogan is a truthful presentation to U.S. working people of the road along which we are marching, what class alliances we need, and who our class enemies are. It helps us explain to workers and farmers in this country why they need to develop what Sandinista leader Tomas Borge has called "a nose for power". That must be our strategic guide for participation in struggles around everything that working people fight for--from battles for immediate democratic demand, to those raising transitional demands, to the revolutionary struggle for state power itself. (23)

The above quote was taken from a report entitled "The Workers' and Farmers' Government in the United States: An Alliance of the Exploited Producers. In this report Barnes draws out the strategic implications of the new formulation. for achieving socialism in the United States. First of all the report emphasizes that the workers' and farmers' government will be realized through eliminating the bourgeois state and its repressive apparatus. The report makes it clear that bourgeois state can only be supplanted through revolutionary means.

Such a government cannot come about through a reform of capitalism or a shift of regime or administration, but only through a revolutionary change in which classes govern. Working people cannot elect such a government into office. They cannot nationalize their way to that goal. They cannot simply demonstrate or strike their there, or achieve such ends through negotiations. There is no set of transitional demands that if fought for and won, add up to this goal. (24)

The second point underscored by the report is the two-class character of the w/f government. Barnes stresses that revolution can not



X

succeed without an alliance between workers and exploited farmers-or those layers of the farm population that do not make their living by exploiting wage labor. Report argues that the material basis for the alliance "is <sup>their</sup> shared exploitation by banking, industrial, and commercial capital." (25) Although the methods of exploitation differ both have "a direct class interest in an alliance- before, during, and after the revolution--against those propertied classes whose very social existence depends on profiting off the unpaid labor of the workers and the independent commodity producers." (26)

The <sup>third</sup> implication of the new formulation is that the w/f government will be anticapitalist. Since the aim of the new government will be the abolition of capitalism its first step will be "the expropriation of the ruling capitalist families who own the banks and the industrial and commercial monopolies in this country". (25) With the expropriation of the capitalist class, the report <sup>Maintains</sup> that the material basis which can lead to conflicts between wage workers and independent commodity producers is eliminated. (26) However, not all private property is expropriated.

not all privately owned industrial and commercial enterprises will be immediately expropriated. A w/f government will adopt a different approach to small business people and retailers. Unless their owners are engaged in counterrevolutionary activity, Leon Trotsky explained in 1934, small enterprises such as these in the United States "could be kept solvent until they were gradually and without compulsion sucked into the socialized business system. (27)

### An Evaluation of the Party's Program

To be presented on Wednesday.

I

Roberts begins by noting the overwhelming role played by monopolies in the present stage of capitalism in their drive for private profits and emphasizes how both domestic and foreign policies of the major imperialist countries are dictated by their needs. He proceeds to analyze the cyclical patterns of the capitalist mode of production which are stated to be both inevitable and predictable and differentiates between "business cycles" and larger "historical epochs". Let us examine each of these phenomena in turn.

Reverse order to logical one followed below

Business cycles, we are told, are cycles of "periodic overproduction, the change in employment entering as both their cause and effect. Roberts explains that as the economy expands so does the level of unemployment; however, if "full employment" or near full employment is reached, it cannot be tolerated by capitalism for any length of time. Workers will take advantage of the increased demand for labor to push for a larger share of the value they produce, and a falling rate of profit ensues. Then in order to weaken unions and undercut wage demands, capitalists begin to curtail investment and encourage a certain degree of unemployment. But as more and more workers are laid off, the decline in their purchasing power eats into other sectors of the economy. This leads eventually to declines in production goods and therefore to more unemployment until "the economy slumps".

?  
 implicitly, S/V ↓ ?  
 (wages rise faster than productivity)  
 → SD FROP → I ↓  
 Plus secondary effect (of I ↓)

According to Roberts, business cycles occur within larger historical epochs, the nature of which is crucial for understanding the depression of the 1930's as well as the current one. Based on Trotsky's analysis, he maintains that these long-term epochs are determined by "external conditions", in contradistinction to minor business cycles which are conditioned by the internal dynamics of capitalist forces operating in any one



country. He refers to a 1923 article, "The Curve of Capitalist Development", in which Trotsky wrote that "the acquisition by capitalism of new countries and new continents, the discovery of new natural resources and in the wake of these, such facts of 'superstructural' order as wars and revolutions, determine the character and replacement of ascending, stagnating or declining epochs of capitalist development." (Roberts, p. 36) Insofar as capitalism is a world system, Roberts emphasizes, it is international developments "above all" that determine the basic character of these epochs. ✓

We are informed that the roots of this argument lie in the fact that capitalism has an inherent necessity to expand, which is linked to the profit needs of the owners of capital and flows from the laws of capitalist competition. Roberts' own discussion, however, focuses only on the profit drive and competitive pressures of monopoly capital in specific. He argues that monopolies have an inner tendency to overproduce which generates the need to export the excess goods; meanwhile, they deliberately restrict production to keep up prices in the domestic market, and the "surplus capital" must also be exported. All this results in a rapacious struggle for world markets among the international trusts, stresses the author. It is therefore precisely in the realm of international competition that he locates the external conditions which force world capitalism into crisis. // *ukes  
Lennin?*

Roberts goes on to pose the essential question inquiring what particular external conditions of world capitalism brought on the crisis of the 1970's. His answer includes some preliminary information. He first of all explains that the continuation and intensification of rivalry among the most powerful monopolies in the imperialist countries paved the way to World War I, the depression of the 1930's and then World War II. The United States, like its wartime allies and opponents, marched into the second world war with an eye solely on its own interests of global expansion. Following its bloody victory,



Roberts comments, international markets opened up for U.S. goods and capital as never before. The most significant factor underlying this economic upswing is cited to be the rebuilding of Europe and Japan. Additionally, the Bretton Woods monetary conference in 1944 based world trade and finance on the dollar. Within this long-term expansion, we are informed, the American boom of 1961 to 1969 was the biggest and longest in history.

Why did  
whole  
world  
expand,  
then?

That is not to say the United States went without any recessions after the war and on through the 1960's, Roberts adds, but the almost uninterrupted economic growth overseas mitigated the downturns domestically. In other words, when industries could not find sufficient markets in the United States, they were able to sell abroad. At the same time, the economic expansion of Europe and Japan depended on exportation, with European goods finding outlets for sales mainly within the common market and Japanese goods going mainly to the United States. However, this mutually reinforcing expansion slowed down after the war torn economies had been rebuilt, emphasizes Roberts. Once the post-war reconstruction period and the rise in world demand which accompanied it became exhausted toward the tail end of the 1960's, in his view, international competition for increasingly narrower foreign markets coupled with the creation of artificial shortages and hence inflation at home by monopolies drove world capitalism into stagflationary -- inflationary and recessionary -- crisis.

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Roberts moves on to discuss the key role that U.S. policies have played in deepening the world recession and sharpening inflation. He states that while the double devaluation of the Nixon administration in 1971 and 1973 succeeded in cheapening the prices of American exports relative to those of international rivals, the appreciation of foreign currencies against the dollar raised the prices of foreign goods in the U.S. market. And then competing domestic corporations in turn raised their prices. It is pointed out,



moreover, that the devaluation of the dollar happened at a time of rising world demand fueled to a great extent by deficit spending and massive credit expansion by almost every capitalist power. Hence a global expansion of the inflation rate. Inflation soared even higher still as the volume of U.S. exports increased to meet the upsurge in world demand, causing shortages and therefore more drastic price increases at home. And by 1974 when the economies of the most advanced industrial nations headed toward another recession, the author notes, the rate of inflation continued to climb.

Deficit spending in this period was undertaken mostly to build the weapons of the arsenal of U.S. imperialism, argues Roberts. He insists that while the arms expenditures helped to stimulate the economy and defer another 1930-like depression, the countercyclical effect was merely a fringe benefit. And he adds that this boost to the economy came only at the cost of inflation for the banks had to expand credit to finance the arms production. Furthermore, in Roberts' opinion, military spending is "unproductive". By this he means that state outlays of this sort lead to military products which are taken off the market, and not to an expanded mass of producer or consumer goods. It follows that the newly created purchasing power has no equivalent on the market; hence monopolies raise prices on other products to absorb the surplus purchasing power. Now, Roberts maintains that "Keynesianism" works" on a national scale during periods of prosperity, if the excess purchasing power can be absorbed elsewhere in the world system. However, if there is simultaneous government deficit spending across the capitalist globe, inflation is just "exported" from one country to another. Goods are drawn to the country with the highest inflation rate, lifting prices elsewhere. In that case Keynesianism is stymied, we are told.

With parallel Keynesian policies of leading capitalist governments over-inflating national economies, Roberts foresees indicators of a turn toward the classical solution of deflation. But he warns that this would lead to falling purchasing power across the globe and therefore possibly to another

worldwide depression of 1930's magnitude. So as the world crisis deepens, he states, there are no alternatives but inflationary or recessionary policies, or some mix, with the governments of the capitalist countries skirting closer to disaster on both sides. He goes on to make the point that Lenin alerted us that the fundamental problem for imperialism is the contradiction between the expansive needs of capital on an international scale and national boundaries. According to Roberts, this is in fact the "essence" of the inflationary-recessionary crisis in the present conjuncture. No matter how much world capitalism comes to depend on expanded international trade, it is his contention that in the final analysis the basis of power of the competing ruling classes lies in their individual states, in the consolidation and perpetuation of their own economic interests. Thus all attempts to coordinate policies across nations to deter worldwide crises are ultimately doomed to fail.

Then why does not each state itself pass legislation outlawing monopolies? That measure will prevent crises, if monopoly power is at fault as the argument here suggests. Although this question is not explored, we can infer that policies of this nature are totally unrealistic, since for Roberts the vested interests of the governments and their ruling classes who own the monopolies are presumed to one and the same.

From here it seems logical to conclude that in a monopoly-dominated world capitalist economy crises of a general order are inevitable.

We have seen that for Roberts the fall in the profit rate (wage squeeze) seems to be linked to the business cycle and overproduction to the historical epochs of expansion and exhaustion. Thus there is a business cycle theory whose negative effect can be compensated for by the export of capital, while the generalized stagnation appears to be brought about by the exhaustion of external international markets. The business cycle is linked to the epochal phase, so it appears inevitable that a falling rate of profit



and overproduction will be tied together and shown to be consistent in the end. The author, however, does not make this connection explicit, his theory elapsing into obscurity on this important point.

In retrospect, Roberts' argument is predicated mostly on the notion that it is monopolies and their growing importance in the world economy as they affect levels of production and prices that are at the heart of the problems of capitalism. These trusts, the argument goes, deliberately restrict production and hence create artificial shortages, thereby raising prices and profits. But how is this consistent with the inner tendency of monopoly capital to overproduce? The answer lies in the distinction between the "internal" and "external" market, i.e., internal or external to any one capitalist country. What the monopolies do, Roberts argues, is restrict production and bid up prices in the internal markets, and they sell the excess commodities and invest the surplus capital abroad. In times of world economic expansion foreign markets serve as escape valves for domestic overproduction and overaccumulation; yet when national and multinational monopolies around the world are following the same formula, it ultimately leads to the exhaustion of external international markets and hence to worldwide stagnation.

The problem with this argument, however, is the arbitrary definition of internal and external market. Roberts, and the monopoly capital school in general, fail to see that the internal market for the United States is part of the external market for Japan, for example, and vice-versa. If the U.S. monopolies curtail investment domestically, there is no reason why Japanese capital would not invest or sell in the United States and try to take over the remaining share of the market. What is more, according to Roberts', this is precisely what would be expected of all foreign monopolies. But if this is profitable for foreign capital, why would it not be for U.S. capital? The result is that the concept of "monopoly" itself, in its alleged capacity to raise prices by curtailing production comes into question. And this in turn

casts doubt on the crucial role of monopolies lurking behind the crisis of stagflation.

Moreover, if monopoly capital were at fault, what would account for the crisis that took place in the eighteenth century, in the so-called competitive state of capitalism? Although there are explicit references to the inherent necessity of capitalist crisis, to repeat, by implication crises are made to depend on the existence of monopolies and not on capitalism as such, as well as on problems in the sphere of circulation and hence not on the mode of production itself. When it is said that the long post-World War II expansion came to an end due to the exhaustion of the growth in demand generated by the reconstruction after the war, crises are explained as resulting from difficulties in the realization of commodities, i.e., in circulation, and not as a result of the contradictions in capitalist relations of productions themselves.

Roberts' economic theory thus implicitly includes possible solutions to crisis, that is, the effectuation of policies capable of regulating international trade and by means of that the rate of growth of world demand. Getting more to the point, monopoly power may be curbed or national and multinational monopolies done away with altogether, since these are the real villains. But for Roberts, remember, <sup>political</sup> coordination of policies across nations is unattainable. And the disappearance of monopolies is unacceptable when the interests of governments and the owners of the trusts converge and are mutually reinforcing in the last instance, as he presumes. So even though Roberts' analysis of the worldwide crisis of stagnation and inflation does not preclude possible solutions theoretically, from a practical point of view they would be politically impossible to realize within the present order.



## II

Seven years after Dick Roberts' Capitalism in Crisis was published in May 1975, SWP put forth another full account of the crisis. Throughout the summer and fall of 1982 the party's newspaper The Militant ran a series of articles by Willian Gottlieb entitled "Behind the Recession". After reading Roberts' work, one is immediately struck by the lack of importance of monopoly capital in the latter analysis. Gottlieb makes virtually no reference to monopolies. Moreover, while Roberts links a general crisis of world capitalism to the long-term epochs of capitalist development, Gottlieb abandons this perspective. He instead focuses only on the business cycle and locates crisis within it.

The "real cause" behind the recession, Gottlieb begins, is the inability of effective demand to keep up with the productive power of industry. He argues that crises of overproduction are inherent in the anarchy of capitalist production and arise from the basic contradiction of capitalism, i.e., the conflict between social production and private ownership of and control over the means of production. There is an order which emerges out of the "anarchic struggle for private profit," Gottlieb maintains, "but that does not mean a steady, balanced growth." Imbalances between production and consumption and between different branches of industry constantly occur; however, in the long run balance is achieved through the convulsions of the business cycle which lead from "wild expansion of production to crisis and depression." (The Militant, 7/23/82, p . 11)

Gottlieb then explains more specifically that each corporation competing against all others tries to maximize profits. In parenthesis he adds that the existence of monopolies modifies competition but does not eliminate it as the driving force of capitalism. He points out that according to Marx and

Engels, competition compels capitalists to modernize machinery and expand the scale of production, in order to lower costs and capture a greater market share. Quoting from Engels in particular he constructs the foundation of his argument. That is,

the capacity for expansion, extensive and intensive, of the markets is primarily governed by quite different laws that work much less energetically than those of production. The collision becomes inevitable, and as this cannot produce any real solution so long as it does not break in pieces the capitalist mode of production, the collisions become periodic. Capitalism has begotten another 'vicious cycle'. (Engels, Socialism: Utopian and Scientific in The Militant, 7/23/82, p. 11)

Gottlieb goes on to describe the general case of the business cycle. A synopsis of his discourse follows step by step. He starts off with the phase of stagnation characterized by excessive surpluses of commodities which cannot be sold at profitable prices. Plants are utilized unprofitably and new construction is curtailed. Both business and consumer loan demand drops. The unemployed do not apply for auto and mortgage loans; thus interest rates fall and surpluses pile up in the banks. Also, as a result of high unemployment capitalists are able to exploit workers into accepting cutbacks. Personal, farm, small business and corporate bankruptcy rates are high. The low wages and elimination through bankruptcy of weaker competitors boost expectations of profits for the remaining stronger firms. It is pointed out that gradually their inventories of goods are sold off, perhaps as scrap. In the case of agriculture crops might be destroyed. Eventually, the point is reached where supply falls below demand in key industries, Gottlieb informs us, which marks the start of the upturn. //✓

Once this point is attained, he goes on, there is a chain reaction throughout the economy. Employment rises, but it lags behind the recovery of production. Nevertheless, the rise in the number of workers employed effects an increase in consumer demand. This consequently leads to an increase in production of consumer goods and thus to an increase in the demand for capital goods. New plants are constructed with technology which allows for lower production costs.



Accordingly, more jobs are created and unemployment continues to fall, but never to zero. The boom is further stimulated by the availability of both credit and mortgages at low rates. In time, demand begins to exceed supply, and firms increase prices as a result. Gottlieb emphasizes that "the rise in prices increases profits and limits the extent to which demand can exceed supply". Then he adds that with prices and profits rising it is easier for workers to win wage gains. Workers are less afraid to demand raises under boom conditions, and capitalists prefer higher wages to losses in production resulting from strikes. // ↙

The first sign of trouble in the economy is a rise in interest rates, and loans are more difficult to obtain, according to Gottlieb. In other words, the price of money rises along with other prices, since money is "tight". In consequence, sales begin to fall in the housing and auto industries that depend heavily on consumer credit, and the sales slump spreads. Supply begins to exceed demand in more and more industries. We are informed that the market reaches its potential just as many new plants begin to operate; hence inventories pile up, firms take on increased debt to cover this burden and therefore interest rates move further upward. Bankruptcies rise. The remaining businesses cut back production and lay off workers. It is stated that "this sudden downturn in business following the boom is known as the crisis (or somewhat euphemistically as the 'recession')." ( The Militant, 7/23/82, p. 11)

Having laid out the general characteristics of the business cycle and located crisis within it, Gottlieb proceeds to discuss the peculiar case of stagflation. His explanation of inflation focuses on monetary policy and the banks. He notes first of all that during certain stages of acute capitalist crisis of overproduction, capitalists and other depositors fear that the financial institutions will be faced with an avalanche of loan defaults; accordingly, there is a run on the banks. In such instances the banks' liquidity declines

precipitously and credit is paralyzed, as occurred during the Depression. In the author's opinion, banking crises of this magnitude play a necessary role under capitalism; that is, "a major depression occurs, the market clears and profitability is restored on the backs of the workers and farmers."

(The Militant, 11/5/ 82, p. 15) The problem is that in the current period this chain has been broken, conveys Gottlieb. Nowadays, when a liquidity crisis threatens the Federal Reserve acts in the capacity of lender of last resort to bail out the banks, but this increases the money supply and inflates paper money. Oversimplifying matters greatly, he declares, "This, by the way, is the real cause of the high inflation over the last decade." (The Militant 11/5/82, p. 15) We are left to conclude that the state has been able to deter another depression as devastating as that of the 1930's but at the price of inflating the economy.

Looking back over the preceding analysis, the explanation of crisis is predicated only on the business cycle. That much is obvious. Yet while Gottlieb states that all cycles have features in common, he ignores their differences and neglects to examine those factors which distinguish a mild recession from a deep depression. The crisis is defined simply as "the sudden downturn following the boom." (The Militant, 7/23/82, p. 11) Moreover, he refers only to the domestic business cycle, limiting the analysis to the United States. There is no mention of the state of capitalism internationally, that is, nothing on the world capitalist crisis. How this contrasts with Roberts who, as we are aware, places primary emphasis on those larger historical epochs in which business cycles occur and that are determined by "external" conditions, whereby local downturns are transformed into generalized crisis. Gottlieb drops this notion, and what is more, he does not explain why.

Similarly, monopoly capital, which is the main culprit underlying the crisis for Roberts, is abandoned by Gottlieb. Again, the obvious question

*not an explanation  
but merely  
a description*

*// good*



to ask is why? Does this reflect a decisive change made by the leadership of SWP regarding the theory informing the party's economic analysis of the crisis? Or are Roberts and Gottlieb writing only in their own names? The problem is that we have no way of knowing from reading their work alone.

Gottlieb's analysis, especially, falls into obscurity right from the start and never pulls itself out of this trap. The crisis is traced immediately to the anarchy of capitalist production, but the intermediate links between the unplanned character of production under capitalism and crisis of over-production remain vague. He quotes from an early work of Engels that the market cannot keep pace with the extension of production -- but never explains why. What are the so-called laws of the market, and why are they independent from the laws governing production. Once again there is simply no answer. || ✓

Such lack of clarity leaves us wondering what factor precipitates the downturn of the business and brings on the crisis. The author's subsequent discussion sheds little light on the matter. He refers ambiguously to "rising prices which increase profits and limit the extent to which demand can exceed supply." (The Militant, 7/23/82, p. 11) In consequence, we are left having to interpret exactly what this means. Now, he mentions that under boom conditions with prices rising, there is greater leverage for workers to win wage increases. It implicitly follows that if the wage hikes are won and if they are steep enough, capitalist profits can be squeezed significantly. Recall that this reflects a line of reasoning expressed in Roberts' analysis of the business cycle, to which he adds that a falling rate of profit triggers a chain of events leading inevitably to a slump. Gottlieb, however, does not actually come out and link the recession to rising wages. To repeat, he merely suggests that wages are more likely to rise during the boom. If there is a profit squeeze implicit in his analysis, it remains well-hidden. ||

Another factor which Gottlieb connects to the downturn of the cycle is the rise in interest rates. Yet this is supposedly a "sign" of a troubled economy. That is not the same as saying it is the "cause" of the recession. Nonetheless, his argument appears to hinge on the movement of the rate of interest and the availability of credit. It seems that the increase in interest rates sets in motion a whole set of phenomena that results in overproduction and forces the economy into crisis. This accordingly leaves open the possibility of the avoidance of crises for in economic principle the relative weights of supply and demand can balance as the state can stimulate demand by means of expanding credit and lowering interest rates.

Gottlieb actually addresses this question. He points out that Keynes and his disciples have realized that in order for the government to successfully manipulate total market demand, it has to overcome the possibility of credit shortages through regulation by the central banks. Against the Keynesians, Gottlieb maintains that the Federal Reserve's ability to control the amount of credit is far more limited than they have assumed. In his opinion, although the Federal Reserve issues and controls the amount of paper money, it can determine neither how much money private banks and other credit institutions lend out nor the interest rates they charge on their loans. Also, the central banks cannot control the demand for credit by industry, commercial capital, farmers or workers. The central banks or government can "influence" these at best, but "they cannot harness the basic forces that determine the way capitalism works and that drive toward deeper crisis," concludes Gottlieb. (The Militant, 8/6/82, p. 19)

It is argued that Keynesian policies ignore the fundamental contradiction of capitalism, i.e., private ownership and social production. By attempting to regulate market demand, they treat the symptoms but not the causes of crisis, in Gottlieb's view. Yet the author appears to be confused about what are the symptoms and what are the causes. Does not he himself put forth that the real "cause" of the crisis is the inability of effective demand to keep



up with the productive power of industry? While Gottlieb posits that crises are rooted in the anarchy of capitalist production, his own argument illustrates however ambiguously that the limits to growth lie not in production but rather in the inability of capitalists to realize the value of commodities, that is, in circulation. And on this final point, despite other apparent differences, Gottlieb's analysis converges with that of Roberts.

\*\*\*\*\*

Upon conclusion, in the two analyses we have just examined there is a consensus that crisis cannot be eradicated within the present order. For Roberts the profit drives of national and multinational monopolies rule in an omnipotent-like manner, whereas for Gottlieb the anarchy of capitalist production is determining in the last instance. The authors insist that the traditional Keynesian formulas are doomed to fail, and state policies are essentially ineffective. Roberts adds that coordination of policies across nations is unattainable also. The future outlook for renewed expansion is bleak with government measures either causing (Gottlieb) or exacerbating (Roberts) seemingly incurable inflation.

It is not surprising, then, both analyses insist that the revolutionary overthrow of capitalism and the establishment of a socialist alternative is the only "solution" to the crisis. And this in fact is the official position of SWP. The tension, however, is that the economic theories informing the analyses do imply possible solutions to crisis within the capitalist mode of production, as we have pointed out. Implicit in <sup>Robert's</sup> ~~the former~~ analysis is the notion that production and employment need not be curtailed and the price level may remain stable with appropriate state monetary and fiscal policies coordinated internationally on the basis of the disappearance of monopolies. <sup>Gottlieb's</sup> ~~The latter~~ <sup>on the other hand,</sup> analysis includes the possibility that if the government can <sup>in</sup> stimulate demand and expand credit through strict regulation by the central banks, crisis may be avoided. It is therefore precisely the political realm

which becomes decisive by means of exerting influence on state policy. But Roberts and Gottlieb agree that the state must necessarily represent the interests of the capitalist class for therein rests the basis of its power; hence, government policies operate within limits determined ultimately by the profit "needs" of capital. (For Roberts monopoly capital.) Consequently, SWP's revolutionary solution to the crisis follows logically only from this particular political position on the state.

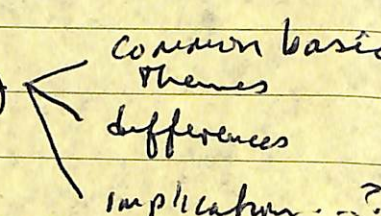
In brief, while SWP rejects the objective possibility of renewed expansion and adheres to the idea of the historical necessity of revolutionary socialism, let us not lose sight of the fact that the two economic analyses reviewed here imply the opposite, i.e., reformism.

||  
✓  
Hoo  
Shaw



Comments : SWP

SWP (Becke, Mark)

1. Same as for CPUSA. Rewriting must assume existence of earlier chapters  
~~Also needs to~~
2. Would the material be re-ordered by 
  - common basic themes
  - differences
  - implications...?
3. Gottlieb analysis <sup>maybe</sup> too detailed. (frustration in reading him comes out in the paper!)
4. Could usefully distinguish eco. theory of crises & the political theory of limitations...



AN EXAMINATION OF THE SOCIALIST WORKERS PARTY'S

ANALYSIS OF THE CURRENT ECONOMIC CRISIS

by

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Rebecca Kalmans

309S  
Spring, 1983  
Anwar Shaikh



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INTRODUCTION

It is approximately a decade that the world capitalist system is in economic and political crisis. Along with the global slowdown in economic growth, the inflation of the 1970's persists. We witness a precipitous rise in bankruptcies and bank failures. Waves of shock ripple through the international banking system. Deepening unemployment accompanies the extreme slowdown in production. Moreover, the struggle between the classes assumes a more explicit and violent form, nationally as well as internationally.

How are we to understand the current crisis of world capitalism? What has produced this generalized turn toward stagnation? It is not sufficient to study the mere phenomena of the crisis. We must go beyond its forms of appearance to reach a theoretical explanation of crisis, why it occurs and what it implies politically.

*Begin*

Our project has been to examine the economic analyses of the contemporary crisis put forth by the American Socialist Workers Party (SWP) and its political program in the present conjuncture. We have attempted to see what is the economic theory informing the analyses, and then to evaluate the logical consistency and coherence of that theory as well as its relationship to the political program. In this task ~~not only~~ *we have considered not only* the explicit theoretical and programmatic analyses ~~have been considered; we have had a critical eye~~ *but also* toward possible "hidden" economic assumptions and their political implications.

The first section of our paper is a brief history of SWP and its links to the Fourth International. Here we refer to the Trotskyist "Transitional Program: The Death Agony of Capitalism and the Tasks of the Fourth International" and the American resolution predicated on this. The second section proceeds to initially examine the resolution adopted by the International Executive Committee of the Fourth International, January 1975, "The Capitalist World Economic



Crisis." The Resolution appears in the appendix to the pamphlet entitled, Capitalism in Crisis, in which SWF economist Dick Roberts puts forth an analysis of the 1974-75 recession. This analysis is the focus of the second half of section two. The third section continues to analyze a more recent discussion of the crisis, "Behind the Recession", a series of articles written by William Gottlieb for the Militant, the weekly periodical of SWF, during the summer and fall of 1982. In the fourth section we review SWF's current political program. The fifth holds some concluding remarks on the relation between SWF's economic theory and politics, not only the explicit connections but those implied. The appendix includes certain questions raised during our classroom presentation of this paper.

It should be emphasized that this project has been undertaken in a comradely spirit. In our own attempt to interpret history, we want to understand and evaluate the views of others, particularly those of the American left, and therefore to contribute to the larger pool of knowledge that we share together.



I.THE FOUNDING OF SWP

The Socialist Workers Party (SWP) was initiated on January 1, 1938.

The American Trotskyist movement, however, has its roots in the Sixth Congress of the Communist International which met in Moscow ten years earlier. At that time, Trotsky, who was exiled in Turkey, issued a critique of the draft program of Bukharin and Stalin, "The Draft Program of the Communist International: A Criticism of Fundamentals". Allegedly, by accident the document got translated into various languages and distributed to the heads of delegations and members of the Program Commission. It fell into the hands of James Cannon, a delegate from the CP-U.S.A., and Maurice Spector, a representative of the Canadian CP, who both became strongly convinced that "Marxist truth was on the side of Trotsky," as Cannon later wrote.<sup>1</sup> The two men smuggled the document out of the Soviet Union and circulated it among Party members in their respective countries, in order to organize a base of support for the Russian Opposition.

A few words are in order about the Left Opposition. We will be brief and highlight only the most general aspects which lay the groundwork for understanding the theory and praxis of SWP. Trotsky had organized the Left Opposition (Bolshevik-Leninists) in 1923 as a faction in the Russian Communist Party against what he saw as the growing bureaucratism in the Party and in the Soviet state. For a decade he struggled to reform the Third International, which he had founded together with Lenin. Trotsky attacked the Stalinists for sacrificing the interests of the revolutionary struggle of the masses to the needs of the Kremlin, nationally and internationally. Against the Stalinist policy of "socialism in one country", the Left Opposition called for "permanent revolution", an uninterrupted world proletarian revolution.

From 1923 to 1929 the Left Opposition fought on three main issues: The policy of leadership in the USSR, the Anglo-Russian Committee (1926)



and the second Chinese revolution (1925-27). Firstly, against the Soviet New Economic Policy, Trotsky proposed a 'new course' in favor of the admittance of young proletarian elements into the Communist Party, a plan for industrialization, and measures to set the poor peasants against the kulaks. Secondly, the Left Opposition denounced the Anglo-Russian Committee, a united front of trade unions, as a political center set up primarily to put pressure on the British government in defense of the USSR. In 1926 a miners' struggle in Britain triggered a general strike which forced the British Empire to a virtual standstill; however, the trade union leadership ended the strike after nine days and let the miners continue to struggle alone for several months. Stalin and Bukharin did not break with the Committee; accordingly, the Trotsky faction attacked their policy for discrediting and demoralizing the British CP. Thirdly, the Left Opposition opposed Stalin's push for an alliance between the Chinese CP and the national bourgeoisie as well as his support for Chaing Kai'Shek, the head of the Kumentang armies. Needless to say, the Trotskyists were outraged in the event of the wholesale slaughter of the Shanghai workers rebellion by Chaing in 1927.

From 1930 onwards the Left Opposition turned its efforts to the struggle against the rise of fascism in Germany. It was in favor of a united front with the Social Democrats whom the Stalinists opposed as a class enemy. Consequently, after Hitler's crushing blow to the German workers movement, the Left Opposition declared the Comintern impotent as a revolutionary force. It ceased to function as a faction of the Communist Party and became instead an independent movement advocating a political revolution within the Soviet state. At the same time, it began to organize new revolutionary parties throughout the world, in order to build for the Fourth International which was subsequently founded in 1938.

In the United States, Cannon openly declared his support of Trotsky and the Left Opposition. He and his group of followers were put on trial by the



CP-U.S.A. and expelled from its ranks in 1928; however, they maintained their position as a faction. In 1933 the Cannon faction, or Communist League of America, Left Opposition, as they called themselves, joined with Trotskyist groups in other countries to build for a new International. They turned their attention away from the Communist Party and began a direct appeal to workers in an attempt to become a mass party. This led to their merger with the American Workers Party to form the Workers Party. Then in 1936 the Fourth International movement instructed the Workers Party to join the Socialist Party of America, in order to attract left-wing socialists to Trotskyism. This strategy more or less served its purpose, since the Trotskyists were expelled from the Socialist Party for their organizing efforts which did attract many left-wing youth. Shortly thereafter, in 1938 the Socialist Workers Party was established as the American section of the Fourth International. It therefore adopted the Trotskyist "Transitional Program: The Death Agony of Capitalism and the Tasks of the Fourth International."

Trotsky drafted the Transitional Program in 1938. It is characterized as a strategic document whose aim is to further the construction of proletarian combat parties. Its task lies in the systematic mobilization of the masses for the proletarian revolution. In other words, the Fourth International placed its strategical task not in reforming capitalism but in overthrowing the system. Yet, it saw the "historical crisis of the leadership of the proletariat" as the chief obstacle in this path.

The Fourth International stated in the Transitional Program that "the objective prerequisites for the proletarian revolution have not only ripened; they have begun to get rotten."<sup>2</sup> That is,

The economic prerequisites for the proletarian revolution have achieved the highest point of fruition that can be reached under capitalism. Mankind's productive forces stagnate. Already, new inventions and improvements fail to raise the level of material wealth. Conjunctural crises under the conditions of the social crisis of the whole capitalist system afflict ever heavier deprivations and sufferings upon the masses.<sup>3</sup>

The U.S. resolution, "On the Decline of American Capitalism and the



Revolutionary Transitional Program for the Next Period" was put forth in accordance with the international thesis. The American resolution opens,

The American capitalist economy, now passing through a fresh period of economic crisis and depression following the 1933-7 upturn has definitely entered its phase of general decline. For the first time in its history, the top of the boom cycle, measured by all significant indices, was substantially below the top of the preceding boom (1929). The central fact unmistakably demonstrates the falsity of a theory of American "exceptionalism" and the truth of the Marxist contention in our International Draft thesis, that the United States along with the entire capitalist world has exhausted its progressive potentialism.

The economic crisis in the United States is thus no cyclical fluctuation preceding a further advance of production, but a stage in the development of a permanent and general crisis in the economic and social relations of American capitalism. This general crisis of the social order itself does not of course exclude the possibility and even probability of temporary periods of revival. But every such upturn in the future will be feverish, brief, uneven and yield to deeper crises and more grinding depression on a lower level. Mass unemployment, increasing insecurity and lowering of the general standard of living have become chronic and inseparable features of the American economy and insurmountable without the destruction of capitalism itself.

. . . (There is a ) need for a transitional program to facilitate bridging the gap between the objectively material revolutionary conditions and the lagging political consciousness of the masses . . . Under the conditions of the social crisis the old forms of revolutionary agitation for immediate demands have become inadequate. Even the struggle for the so-called immediate demands is compelled to take on the character of a struggle against the confines of capitalist law and order.<sup>4</sup>

SWP therefore adopted the following transitional program.<sup>5</sup> The first section focuses on the struggle against the economic crisis. The demands are workers control of industry, i.e., the right to independent audit and inspection of the corporation books, disclosure of business 'secrets', exposure to all other monopolistic and fraudulent methods, and organization of shop committees which may become organs of dual power in the factory and the nucleus of the soviets as the crisis takes on a revolutionary character; reopen idle plants under the control of workers; expropriation of railroads, gigantic monopolies in industry and public utilities; a sliding scale of wages to reflect increases in the cost of living; a sliding scale of hours to permit all the unemployed into the workforce; expropriation of all farm lands held by non-operators and their transfer to sharecroppers and tenants.



The struggle against fascism is the topic of the second section of the program. Its major demand calls for militant workers defense guards whose duties extend beyond the strike situation and progressively assume the political character of a workers militia - the first organized nuclei of the future workers army.

The third section concerns the struggle against war preparations. Hence the transfer of all war funds to the unemployed; the immediate withdrawal of U.S. armed forces from the Far East; U.S. military action dependent on popular referendum; immediate freedom for all U.S. colonies; nationalization of the arms industry under workers control.

The theme of the last section is workers government. It expresses the aim of the transitional program to direct the masses away from support of the traditional parties of capitalism and to lead them instead to independent class politics and the conquest of power. The slogan "Workers and Farmers Government", in the sense given it by the Bolsheviks in 1917, is put forth as an anti-bourgeois slogan to assist the organization of the masses. On the question of an independent labor party, SWP acknowledges that it can play a progressive role only in a comparatively short transitional period. The intensification of the revolutionary situation would permit SWP to rally around the banner of the Fourth International. It is important to note that passage of the Voorhis Act in 1940, forbidding labor organizations to belong to an International, led to the formal disaffiliation of SWP. Yet, its members continue to express allegiance to the Fourth International and thus to its transitional program.

Later in the paper we will return to examine the recent political program and transitional demands proposed by SWP. As an important mediation we proceed to examine its economic analysis of the current period.



TWO VIEWS ON THE ECONOMIC CRISISA. The Resolution adopted by the International Executive Committee of the Fourth International, January 1975, "The Capitalist World Economic Crisis".

According to the Resolution, the 1974-75 recession was "a classical crisis of overproduction caused by the inner contradictions of the capitalist mode of production,"<sup>6</sup> in particular, the contradiction between the social character of production and the private ownership and control of the means of production. Each crisis of overproduction appears as a combination of general phenomena arising from the nature of capitalist production. The crises occur with regular periodicity, since they are bound up structurally with the capitalist system, i.e., they are not "accidents" but are entirely predictable. Neither pre-capitalist nor post-capitalist economies, we are told, undergo these cyclical fluctuations of output, employment, and income.

More specifically, the underlying causes of these crises of overproduction are the tendency of the rate of profit to fall and the tendency for productive capacity to grow at a rate greater than the capacity of the economy to consume. After a period of economic growth, it is argued, the tendency of the rate of profit to fall becomes more prominent. This holds with greater force the longer the period of growth and the faster its rate as automation reinforces the preponderance of machinery and other forms of stored-up "dead labor" in production, thus leading to the increase of the organic composition of capital. The classical avenues of offsetting the effects of a rising organic composition of capital, however, "are more and more obstructed". Because of high employment levels and the increasing social and organizational strength of the working class, it is increasingly difficult for capital to significantly raise the rate of surplus-value, on the one hand. On the other hand, as a result of increasing disproportions in capital investment and current production of primary or raw materials as against manufactured products, this eventually leads to the relative scarcity of the former and hence radical price increases as compared to the latter. Because raw and auxiliary materials constitute an important share of total



constant capital, their price increases preclude the offsetting effect on the falling rate of profit. As the profit rate continues to fall and competition among the bourgeoisie is sharpened, the need for borrowing greater amounts of capital for additional investment and/or payment of old debt set the stage for liquidity crises both nationally and internationally. All these forces contribute to greater reductions in profit rates, an increased number of bankruptcies, declining capital investment and hence production, and additional layoffs, the cumulative effects of which create a generalized downturn in economic activity. Furthermore, capitalism has an "inherent trend to extend productive capacity beyond the limited purchasing power of the masses",<sup>7</sup> which is determined in the last analysis by antagonistic class relations. Allegedly, each boom creates excess capacity and overproduction in key sectors of the economy which leads to the curtailment of output and employment and as a result to a worsening of the crisis.

But what was the specificity of the 1974-75 "recession"? First of all, it was the first generalized recession since the 1930's; i.e., it was the first recession to affect all the major capitalist countries simultaneously. As an example of a non-generalized downturn, the Resolution cites the case of the U.S. in 1957-58. Then the breadth and depth of the downturn were limited, since the shrinking of the internal markets could be offset by selling abroad to countries whose economies were still growing. By contrast, the 1974-75 recession which affected all countries at once precluded the increase in exports a national solution; i.e., the potential world markets were insufficient for absorption of mounting surpluses of capital and commodities. In addition, as against the 1929-33 and the 1937-38 "slumps", the most distinguishing feature of the 1974-75 recession was world inflation. In other words, prices increased in spite of the downturn in production and employment. Why? Due to increased worldwide deficit spending (especially on armaments) and the rapid expansion of credit to dampen slumps, which led to increased interest rates.



But not only that, as a result of "disproportions created by monopoly competition",<sup>8</sup> it is argued, the recession in most output sectors was combined with acute shortages in two central sectors of the world capitalist economy: energy and food production. As a consequence of persistent "slumpflation" (i.e., coexistence of generalized recession and increasing price levels) the 'normal' function of an overproduction crisis was disrupted, we are told. Thus backward firms were not eliminated as quickly, increased inventories did not get cleared out, and the degree of labor exploitation could not be drastically increased as increases in nominal wages cloaked the erosion of real wages. At the same time, there was increasing speculation, debt, liquidity crises and hence the increasing vulnerability of the international banking system.

The Resolution raised the question whether the 1974-75 world recession would turn into a depression of the 1929-33 type and responded as follows: Theoretically and technically, such a transformation could not be excluded. It could occur "if governments of imperialist countries fail to follow economic policies aimed at mitigating the downturn."<sup>9</sup> Whether for objective reasons (those outside the control of governments, such as a collapse of confidence in paper money and hence the ensuing deflationary trend in money and credit) or for subjective reasons (deliberate deflationary policies followed by governments), aggregate demand would be drastically reduced due to cuts in federal spending and curtailment of credit, coinciding with massive unemployment and sharp declines in profits and wages. However, the Resolution adds, although technically possible, this would be "highly unlikely", since the level of working class organization and capacity for resistance is much greater than in 1929 or in 1937. Under these circumstances a contrived depression could engender an explosive social and political crisis in the West and Japan that could progressively attract workers toward socialism. Therefore, the policies of the governments would necessarily oscillate between anti-inflationary and anti-recessionary measures so as not to trigger "too much" unemployment or "too

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much" inflation (quotations in original). But the problem, according to the Resolution, is that "they can stop neither."<sup>10</sup>

In order then for the world bourgeoisie to be in a position to apply radical deflationary measures, they must try to change the present class relations of forces. Their solution to the crisis would therefore be sought in the increasing defeats of the working class, of their standard of living and and their democratic rights, especially because attempts to head off revolutionary victories through reforms and concessions have become objectively impossible. When this is seen in the context of increasing interimperialist rivalries for shrinking markets and sources of raw materials coupled with the inability of the Communist Parties and Social Democrats and their trade union bureaucracies to impose their class-collaborationist policies, it becomes clear that local wars and armed repression of workers would necessarily be placed on the agenda of the bourgeoisie.<sup>11</sup> Spontaneous eruptions by workers against the combined offensive of employers and the bourgeois state, however, would be ineffective so long as a socialist solution to the crisis is not placed on the agenda of the working class.

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As we have seen in the Resolution, and in other internal bulletins of the Fourth International as well, capitalist crises are generally characterized as crises of "overproduction", as recurrent "cyclical fluctuations of employment, output and income," the causes of which lie in the "inner contradictions of the capitalist mode of production." However, no attempt is made to distinguish the 'normal' industrial or business cycles whose roots lie in the turnover time of fixed capital but do not interrupt the process of capital accumulation, on the one hand, and general crises on the other hand, i.e., widespread economic collapse of the process of accumulation itself, as a result of a secular decline in profitability of capital investment. Hence we see terms such as "crises", "recessions", "downturns", "contractions", etc., being used interchangeably, the only difference between these and "generalized recessions"



being one of scope and/or timing of a recessions in major capitalist countries. Furthermore, although a distinction is drawn between the 1974-75 "worldwide recession" and a "depression of the 1929-33 type" in the sense that the latter was deeper in its effects than the former, excessive weight is given to contingent policy implementations by capitalist governments in deciding whether a "generalized recession" would be transformed into a "depression", and not enough weight to the forceful nature of a capitalist crisis, i.e., the necessity of its occurrence regardless of state policies, or working class militancy for that matter.

The tension between contingent and necessary factors underlying capitalist crises is also manifested in the Resolution's analysis of their causes. First of all, there is no ordering or explicit connection between the tendency of the rate of profit to fall and the tendency for "productive capacity to exceed the purchasing power of the masses", i.e., overproduction/underconsumption. Both are equally important and decisive "causes". Second, even if it were recognized that the latter tendency is a symptom or a form of expression of the the former, as Marx does, we would still be left with the general possibility of the fall or rise of the rate of profit which is made to depend either on the relative weights of the contending classes and/or on the real and illusory effects of inflation on the cost of raw materials and on workers' perceptions, respectively. According to this argument, the tendency of the falling rate of profit asserts itself as the result of the failure of the offsetting tendencies to operate. In other words, the rate of exploitation has not risen sufficiently as a result of increased working class militancy and high employment levels and because increasing competition for raw materials eventually leads to radical increases in their prices. But all this is predicated on the notion of scarcity, or a relatively fixed supply, of labor and raw materials. In other words, there is a high degree of "working class militancy" associated with "high levels of employment" which leads to increases in the price of labor-power and hence to a fall in the rate of surplus-value, on

the one hand, and on the other a growing scarcity of raw materials, the prices of which are bid up by competition making the organic composition of capital rise even more. The analysis therefore fails to see the effects on the supply of labor-power of a rising organic composition of capital due to increased mechanization and the increases in supply of all raw and auxiliary materials brought about by their increase in price as lands and mines previously unprofitable are brought into production.

*It is not hard to show that*  
~~Allegedly~~, the analysis of the Resolution is grounded in ~~Marx's theory~~ *a possibility theory* of capitalist accumulation and crisis. [However, for Marx the counteracting tendencies are always subordinate to the dominate tendency of the rate of profit to fall. Their effect on the rate of profit is to avoid a fall which would be greater in their absence but never to annul it altogether; yet,] for the Resolution the possibility of nullifying the tendency of the falling rate of profit is theoretically and practically feasible. This implies there is no necessity for crises to occur, and that therefore there is a high degree of indeterminacy in the working of capitalism.

We stress the word "implies", because though the Resolution explicitly denies that crises could be avoided, the possibility logically follows from the economic analysis. Such is also the case with the possibility of the transformation of a "generalized recession" into a "depression". Although it is argued that capitalist governments are incapable of stopping the inflation or recession through their policies, the analysis clearly suggests the opposite. A depression occurring is seen as a remote possibility, and a "theoretical" or "technical" one at that. The implication therefore is that with appropriate policies depressions could be avoided altogether.

Before commenting on the issues of inflation and the shrinking of foreign markets, let us first assess the analysis that appears in Dick Roberts' Capitalism in Crisis. We will see that it is on these two issues that the Fourth International and SWF converge, though with obvious differences.

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B. Capitalism in Crisis, by Dick Roberts.

Roberts begins by noting the overwhelming role played by monopolies in the present stage of capitalism in their drive for private profits and emphasizes how both foreign and domestic policies of the major imperialist countries are dictated by the needs of monopolies. He proceeds to analyze the cyclical patterns in the capitalist mode of production which are stated as being both inevitable and predictable, and differentiates between "business cycles" and "larger historical epochs". "Business cycles", we are told, are cycles of "periodic overproduction", the change in employment entering both as their cause and effect. Hence as the economy expands so does the level of employment; however, if "full employment" or near full employment is reached, it cannot be tolerated by capitalism for any length of time for workers will take advantage of the increased demand for labor to push for a larger share of the value they produce. A falling rate of profit ensues, so in order to weaken unions and undercut wage demands, capitalists begin to curtail investment and encourage a certain amount of unemployment. But as more and more workers are laid off, the author continues, the decline in their purchasing power eats into other sectors of the economy, eventually leading to declines in production levels of both consumption and production goods and therefore to more unemployment, until the "economy slumps".

However, it is argued, business cycles also occur "within larger historical epochs" the character of which is crucial for understanding the depression of the 1930's and the current one, for capitalism is a world system and it is international developments "above all" that determine the basic character of the epoch. In line with Trotsky's analysis, the author maintains that the character, replacement and duration of ascending, descending, stagnating, and declining epochs of capitalist development is determined by "external conditions" which channel capitalist development. The periodically recurrent

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and minor business cycles, on the other hand, are "conditioned by the internal dynamics of capitalist forces." The so-called external conditions which determine the long term patterns are such things as new countries and continents and hence new markets, discoveries of new natural resources, developments of innovative technologies, and wars and revolutions.

But why do these external conditions so overwhelmingly determine the historical epochs of capitalism, and what are these conditions in the 1970's? Because capitalism has an inherent <sup>a necessity</sup> necessity to expand, which flows from the laws of capitalist competition, he responds. Monopoly and ultimately multinational monopoly, it is said, reflects the competitive pressures of an increasingly international market. The root of such pressures is the inner tendency of monopolies to overproduce; hence there arises the need to export excess goods and, at the same time, deliberately restrict production in order to keep up prices in the domestic market, thereby also necessitating the export of "surplus capital". All this leads to a rapacious struggle for world markets between international trusts. Interimperialist rivalries at the end of the century, Roberts explains, led eventually to World War I, the depression of the '30's, and even to World War II. Once the post-war reconstruction period and increasing world demand that accompanied it became exhausted at the end of the '60's, international competition for increasingly narrower foreign markets and the creation of artificial shortages and hence inflation at home by monopolies have forced world capitalism into the current "stagflationary crisis".

Under expansionary periods, the author notes, a slump or even a general downturn in one country can be cushioned if goods can be sold abroad, but when this is generalized on a world scale it necessarily leads to depression. Similarly, typical anti-cyclical Keynesian formulas of increased deficit spending and the expansion of the money supply when applied on a national scale may work in general periods of prosperity, we are told, but when most



imperialist countries apply them simultaneously as markets are shrinking, this only exacerbates inflation. Policies of deflation, on the other hand, result in a decline in purchasing power which is even more dangerous.

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In comparing Roberts' analysis with that of the Fourth International, it becomes apparent that while the same line of argument is used in explaining the origin of capitalist crises, important differences may be noted. Both argue that the "cyclical fluctuations" are the consequence of a <sup>cyclical rise and</sup> falling rate of profit. But for Roberts, the rising-organic-composition-of-capital theory of the tendency of the rate of profit to fall has completely disappeared. Instead it is the relative scarcity or abundance of labor and the corresponding higher or lower wages which underlie the changes in the rate of exploitation and hence the rate of profit. Roberts also seems to suggest that the appearance of overproduction is the result of capitalists' curtailment of investment in their effort to weaken workers, thereby reducing purchasing power and worsening the divergence of demand from supply.

Although Roberts makes no distinction between a "generalized recession" and a "depression" whereas the Resolution does, there is a basic agreement nonetheless in the idea that the ultimate conditions for temporary or local downturns to be transformed into a worldwide recession are "external" to the internal dynamic of the system. This is the case in point in relation to the alleged exhaustion of the increasing demand generated in the long post-war period of reconstruction in Western Europe and Japan. This is exacerbated, it is argued, by monopoly capital which has an inner drive towards overproduction, hence leading to more feverish competition between imperialist powers over progressively shrinking markets. A strong convergence is also apparent on the issue of the effective use of anti-recessionary policies by governments of individual countries in the context of economic expansion in the rest of the world, on the one hand, and the inflationary pressures that these same

policies could cause when the downturn becomes generalized on the other hand. However, no attempt is made by either the Resolution or Roberts to support their observations.

Most of the arguments presented by Roberts are predicated on the notion that it is monopolies and their growing importance in the world economy as they affect levels of production and prices that are at the heart of the problems of capitalism. These trusts, the argument goes, deliberately restrict production and hence create artificial shortages, thereby raising prices and profits. This, supposedly, is the root cause of the "stagflationary crisis." But how is this consistent with the "inner tendency of monopoly capital to overproduce"? The answer lies in the distinction between the "internal" market and the "external" market, i.e., internal and external to any one capitalist country. What the monopolies do, Roberts argues, is restrict production and bid up prices for the internal market, and the surplus commodities and capital are sold and invested, respectively, in foreign markets. In times of world economic expansion, foreign markets therefore serve as "escape valves" to domestic overproduction and overaccumulation. But, to repeat, when national and multinational monopolies around the world are following the same formula it inevitably leads to worldwide stagnation and inflation.

The problem with this argument is precisely the arbitrary definition of "internal" and "external" markets. Roberts, and the monopoly capital school in general, fail to see that the "internal market" for the United States, for example, is part of the "external market" for Japanese monopolies, and vice-versa. If the U.S. monopolies curtail investment domestically, there is no reason why Japanese capital would not invest or sell in the United States and try to take over the remaining share of the market. What is more, according to Roberts' argument, this is precisely what would be expected of all other foreign monopolies. But if this is profitable for Japanese capital why would it not be for U.S. capital? The result is that the concept of "monopoly"



itself, in its alleged capacity to raise prices by curtailing production, comes into question. Moreover, if it is "monopoly capital" that is at fault, what would then account for the crises that took place in the eighteenth century, in the so-called "competitive stage" of capitalism? This is why we believe that these sort of arguments must necessarily resort to the "unpredictable external conditions" laid out by Trotsky in his analysis of "historical epochs" which have nothing to do with the internal dynamic, or the lawful character of capitalist production and reproduction. When it is said that the long post-war expansion came to an end due to the exhaustion of the growth in demand generated by the reconstruction after the war, crises are therefore explained as resulting from difficulties in realization of commodities, i.e., in circulation, and not as a result of the contradiction in capitalist relations of production themselves.

Again, as in the case of the Resolution, though there are explicit references to the necessity of crises, by implication these are made to depend either on the existence of monopolies, and hence not on capitalism as such, or on problems in the sphere of circulation, and therefore not on the mode of production itself.

Now, we will proceed to examine another view of the crisis recently published, in order to note the differences and/or similarities with the preceding analyses.

III.A REVIEW OF WILLIAM GOTTLIEB'S "BEHIND THE RECESSION"

Throughout the summer and fall of 1982 The Militant, the official organ of SWP, ran a series by William Gottlieb, entitled "Behind the Recession." His analysis begins by stating that the U.S. economy has been in a recession for three years: It is the worst "jobs crisis" since the Depression. Auto, steel and housing production and sales have dropped dramatically. Blacks and Latins have been harder hit by unemployment than whites. Family farmers have also been hard hit, and there have been mass layoffs of workers in the farm equipment industry. The "bosses" are taking advantage of the "unemployment crisis" by forcing workers into accepting cutbacks. Still, profit margins have fallen sharply over the past few years.

An economic crisis of the current length and severity would of itself be a major disaster for workers, Gottlieb continues to state in his analysis, but the recession is not the whole story. (Note that the "economic crisis" is equated to the "recession".) In other words, supply-side economics advanced by Reagan has demanded additional sacrifices of working people and the unemployed by cutting back on government financed social programs, while expanding military expenditures.

In refutation of the supply-side premise that the productive power of industry has been unable to keep up with demand, Gottlieb advances the thesis that the real cause of the crisis is the inability of effective demand to keep up with the productive power of industry. He denies the existence of shortages of any kind pointing to huge amounts of idle industrial capacity. Effective demand has been restricted as a result of layoffs, the credit crunch, takebacks, inflation and cuts in social programs. [ In Gottlieb's introductory article in the series, he leaves the reader wondering whether there are deeper causes of these phenomena and thus of the crisis. ]

He attempts to qualify his thesis in subsequent articles. He argues that the



essence of the current crisis is overproduction. For Gottlieb a crisis of overproduction is inherent in the anarchy of capitalist production and arises from the basic contradiction of capitalism, i.e., the conflict between social production and private ownership of and control over the means of production. There is an order which emerges out of "the anarchaic struggle for private profit," Gottlieb maintains, but that does not mean a steady, balanced growth. Imbalances between production and consumption and between different branches of industry constantly occur; however, in the long run balance is achieved through the convulsions of the business cycle. He refers to Marx and Engels' discussion of "the process that inevitably leads from wild expansion of production to crisis and depression."<sup>12</sup>

Gottlieb then explains that each corporation competing against all others tries to maximize profits. In parenthesis he adds that "monopoly control in various industries only modifies competition, it does not eliminate competition as the driving force of capitalism."<sup>13</sup> He points out that, according to Marx and Engels, competition compels capitalists to modernize machinery and expand the scale of production, in order to lower costs and capture a greater market share. For a concise summary of this view, Gottlieb includes a quote from Socialism, Utopia and Scientific in which Engels explains:

The ever-increasing perfectibility of modern machinery is, by the anarchy of social production turned into a compulsory law that forces the individual capitalist (today we would say individual industrial corporation) always to improve his machinery, always to increase its productive force. The bare possibility of extending the field of production is transformed for him into a similar compulsory law. . .

But the capacity for extension, extensive and intensive, of the markets is primarily governed by quite different laws that work much less energetically. The extension of the markets cannot keep pace with the extension of production. The collision becomes inevitable, and as this cannot produce any real solution so long as it does not break in pieces the capitalist mode of production, the collisions become periodic. Capitalism has begotten another 'vicious circle'.<sup>14</sup>

Gottlieb goes on to describe the general case of the business cycle. He begins with the phase of stagnation. There are excessive surpluses of

commodities which cannot be sold at profitable prices. Plants are utilized unprofitably and new construction is curtailed. Business and loan demand drops. Consumer debt demand likewise decreases. The unemployed do not apply for auto and mortgage loans; hence interest rates fall. Also, because of high unemployment, employers are able to exploit workers into accepting cutbacks. Farmers and small business suffer from sluggish trade and the corporate bankruptcy rate is high. Gradually, however, inventories of goods are sold off, perhaps as scrap. In the case of agriculture, crops might be destroyed. Consequently, the point is reached where supply falls below demand in key industries, which marks the start of the upturn.

Once this point is attained, Gottlieb continues, there is a chain reaction through the economy. Employment rises, but it lags behind the recovery of production. Nevertheless, the rise in the number of workers employed effects an increase in consumer demand. With resource to credit, this leads to an increase in production of consumer goods and thus an increase in the demand for capital goods. New plants are constructed with technology which allows for lower production costs. Accordingly, more jobs are created and unemployment continues to fall, but never to zero. The boom is further stimulated by the availability of consumer credit and mortgages at low rates. Eventually, demand begins to exceed supply, and firms increase prices as a result. The rise in prices increases profits and limits the extent to which demand can exceed supply. With prices and profits rising, there is greater leverage for workers to win wage gains; capitalists prefer higher wages to losses in production, resulting from strikes.

"The first sign of trouble in the economy is a rise in interest rates, and loans are more difficult to obtain." <sup>15</sup> In other words, the price of money rises along with other prices. In consequence, sales begin to fall in the housing and auto industries that depend heavily on consumer credit, and the sales slump spreads. Supply begins to exceed demand in more and more industries.



The market reaches its potential just as many new plants begin to operate; hence inventories pile up, firms take on increased debt to cover this burden, and the interest rates shoot upward. Bankruptcies rise. The remaining businesses cut back production and lay off workers. "This sudden downturn in business following the boom is known as the crisis (or somewhat euphemistically as the 'recession')." 16

Having analyzed the general characteristics of the business cycle, Gottlieb proceeds to discuss the peculiar case of stagflation. The primary focus of his explanation of the present inflation is on monetary policy and the banks. He first of all explains that during certain stages of acute capitalist crises of overproduction, capitalists and other depositors are afraid that the financial institutions will be faced with an avalanche of loan defaults; accordingly, there is a run on the banks. In such instances, the banks' liquidity declines precipitously, and credit is paralyzed. For example, this occurred during the Depression. In Gottlieb's view, banking crises of this magnitude play a necessary role under capitalism: "A major depression occurs, the market clears, and profitability is restored on the backs of workers and farmers." 17 He states that, by contrast, in the current period when a liquidity crisis threatens, the Federal Reserve acts in the capacity of lender of last resort to bail out the banks. According to Gottlieb, this increases the money supply and inflates paper money. He asserts, "This, by the way, is the real cause of the high inflation over the last decade." 18 Hence he falls back on a ~~crude~~ quantity theory <sup>of money</sup> explanation. Moreover, Gottlieb implies that Federal Reserve induced inflation is in a sense a substitute for a Depression of 1930's magnitude.

Gottlieb writes very briefly about the Depression. He notes that it began before the Stock Market Crash, which was thus not its cause, and for three years thereafter it deepened. In 1929 Hoover signed the Smoot-Hawley tariff bill under pressure to protect U.S. capital from stiffening international competition. As a result, other countries followed with competitive devaluations

and trade barriers. This reduced world trade and contributed to the severity and duration of the Depression. "Only the war economy of World War II — with its mass slaughter, shortages of consumer goods, war profiteering and inflation — finally ended mass unemployment. Normal economic growth did not resume until 1946." <sup>19</sup>

Alternatively, for Gottlieb the Soviet Union demonstrates that economic planning and nationalization of the means of production, brought about by a workers revolution, can eliminate depression. He argues,

While every capitalist nation was devastated by the economic crisis, the Soviet Union in the 1930's (despite the misrule of the privileged bureaucratic casts headed by Stalin) was experiencing a growth of production and employment never before seen in world history.

The very fact of the Russian revolution and its gains helped show workers in other countries, including the United States, what could be accomplished if capitalist rule was ended. <sup>20</sup>

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Gottlieb offers an explanation of the crisis predicated only on the business cycle. While he states that all cycles have features in common, he abstracts from their differences. He neglects to examine those factors which distinguish a mild recession from a deep depression; the crisis is defined only as "the sudden downturn following the boom." Moreover, Gottlieb limits his analysis to the crisis in the United States and therefore bases it on the local business cycle. There is no mention of the state of capitalist relations internationally, that is, nothing on the world capitalist crisis. In contrast to the Resolution and Roberts, Gottlieb does not emphasize those larger historical epochs in which business cycles occur and that are determined by "external conditions" which channel capitalist development. To repeat, in the analyses of the Fourth International and SWP examined previously, it is those conditions allegedly external to the internal dynamic of the capitalist system which transform local downturns into a generalized worldwide recession. Gottlieb, however, drops this notion completely, and what is more, he does not explain why.



Some comments follow on the internal logic of Gottlieb's analysis. Let's begin by asking the question what are the phenomena of appearance of the crisis of overproduction and what are the more fundamental causes. Gottlieb states that the first signs are a rise in interest rates, a sales slump in the housing and auto industries, and ultimately a general excess supply of commodities coupled with excess industrial capacity. At the same time, Gottlieb asserts that the cause of the crisis is the inability of effective demand to keep up with the productive power of industry. He reveals that the essence of the current crisis is overproduction. To the contrary, the latter are effects, not fundamental causes.

Gottlieb traces the crisis to the anarchy of capitalist production; however, he does not develop the intermediate links between the unplanned character of production under capitalism and crises of overproduction. He quotes from an early work of Engels that the market cannot keep pace with the extension of production but never discusses why. What are the so-called laws of the market, and why are they independent from the laws governing production? There is simply no answer in Gottlieb's analysis.

Nor is it clearly stated what factor precipitates the downturn of the business cycle and brings on the crisis. Gottlieb refers ambiguously to "rising prices which increase profits and limit the extent to which demand can exceed supply."<sup>21</sup> A factor which seems to bear weight is the rise in interest rates. Yet, this is noted to be a sign of the recession. Also, he mentions that wage increases are easier for workers to win under boom conditions. It implicitly follows that if the wage hikes are won and if they are steep enough, capitalists' profits can be squeezed significantly. Gottlieb does not concretely develop this argument, although he leaves it open to interpretation. Thus we arrive back at the original question of what causes the crisis.

Let's look a little closer at the two phenomena which Gottlieb seems to

link to the downturn of the cycle. Firstly, suppose that wages rise to the degree that a profit squeeze occurs, and also suppose that this is the implicit cause of the crisis. This reflects one of the lines of reasoning expressed in Roberts' analysis of the crisis; that is, the increasing relative scarcity of labor during the boom leads to a decrease in the rate of exploitation, and at a point the rate of surplus-value can no longer offset the tendency of the falling rate of profit. But Gottlieb's argument is not a mirror image of this, since his choice of categories is slightly different. For instance, Gottlieb abstracts from the "rate of profit", referring only to falling "profits". And he does not explicitly state that the "rate of exploitation" falls. In fact, he does not use the category of the rate of exploitation, or the rate of surplus-value, as such. To repeat, he merely says that wages are more likely to rise during the boom. If there is a profit squeeze implied in Gottlieb's analysis, it is well hidden.

The second phenomenon that Gottlieb mentions is an increase in interest rates, which leads to a sales slump in those industries sensitive to consumer credit. Although he states that rising interest rates are a sign of the crisis, his argument nevertheless appears to hinge on this factor, that is, on the movement of the rate of interest and the availability of credit. Yet, he is vague about the determination of the interest rate, assuming simply that it is a function of the demand and supply of credit. Consequently, this allows for the possibility that if the state could effectively control the demand and supply of credit, crises could be avoided.

Gottlieb addresses this question indirectly. While discussing Keynesian policies, he points out that Keynes and his disciples realized that in order for the government to successfully manipulate total market demand, it has to overcome the possibility of credit shortages through regulation by the central banks. Against the Keynesians, Gottlieb argues that the Federal Reserve's ability to regulate the amount of credit is far more limited than



assumed. He concludes,

Basically, the central bank issues and controls the amount of paper money. But it cannot determine how much money the private bankers and other credit institutions actually lend out, or the interests rates they charge on their loans. Nor can the central bank or government control the demand for credit by industry, commercial capital, farmers, or workers.

Finally, the capitalist central banks cannot determine the purchasing power of the currency they issue. At best, the central banks can "influence" these things. But ultimately, they cannot harness the basic forces that determine the way capitalism works and that drive toward deeper crises.<sup>22</sup>

Gottlieb maintains that Keynesian policies ignore the fundamental contradiction of capitalism, i.e., private ownership and social production. In his own words again, "the Keynesians wanted to plan total market demand but not production;" hence they "treated the symptoms, not causes. During the long expansion of the world capitalist economy that followed the Great Depression and World War II, (Keynesian policies) could appear successful. But once the contradictions of capitalism led again to overproduction on a massive scale, Keynesian policies were bound to fail."<sup>23</sup> But why were Keynesian policies apparently successful during the long expansion (which crops up unexplained at this point and then is dropped) and not in the present conjuncture? Again, there is not even a hint.

All that seems clear in the preceding passage is that Gottlieb links the crisis to the anarchy of production. Yet, it is ironic that his own argument can be interpreted as positing that the limits to growth arise not in production, but in consumption. "Overproduction" <sup>as it is used here</sup> implies a realization problem. In a sense, the "anarchy of circulation", and not that of production, asserts itself. This is reflected oddly enough by the independent financial capitalist's influence on the credit system. Remember, Gottlieb quotes Engels as stating that the market is governed primarily by different, less energetic laws than production. Gottlieb cannot possibly have in mind that Engels would connect the so-called law of the market primarily to the availability of credit and the rate of interest. Strangely, he leaves us with no other

interpretation of the "law"

As we have stressed, a major problem with Gottlieb's analysis is lack of clarity. It is not obvious to us what is his "theory" of crisis in the sense of a rigorous, well-defined theory. However, we do notice that his emphasis is different from the earlier analyses of the Fourth International and SWP for which monopolies, by restricting production and raising prices, were the main culprits behind the 1974-75 recession. Does this reflect a decisive change in the theoretical thrust of SWP's economic analysis of the crisis, or is Gottlieb simply writing in his own name? We have no way of knowing.

Upon concluding this section, we want to point out that Gottlieb would probably insist that he has a theory of the economic necessity of cyclical crises under capitalism. It is otherwise in the case of a profit squeeze, if one wants to interpret this as the hidden agenda in his analysis. Likewise, a possibility theory is implicit in his argument of an anarchistic economy which leads to regular overproduction, i.e., to a realization problem. It can be argued that in economic principle the relative weights of supply and demand can balance, since the state can stimulate demand by means of expanding credit and lowering interest rates. But, as we have shown, Gottlieb holds that credit cannot be effectively controlled, because the decision to borrow and lend is made independently of the central banks and the state in the final analysis. Moreover, he views the state as essentially a capitalist state. Its economic policies basically justify and prolong the rule of the capitalist class, for they operate within strict limits determined ultimately by the profit needs of capital. Thus Gottlieb begins his analysis with the notion of an anarchistic economy and ends up politically rejecting the possibility of a solution to the crisis within the capitalist system, a conclusion he shares with both the Resolution and Roberts, despite his different theoretical focus.



THE THRUST OF SWF'S POLITICAL PROGRAM  
OF THE CURRENT PERIOD

This section of the paper summarizes the main points contained in a series of reports and resolutions approved by the national conventions of SWF from 1975 to 1979.<sup>24</sup> According to these resolutions, the current political crisis in the U.S. takes place within the framework of a relative decline of the American economy and the developing world capitalist crisis that began in the '70's. The international capitalist system has thus entered a long period that tends toward stagnation and explosive inflation, as opposed to the overall economic expansion of the post-war period. While the period now opening may have its ups and downs, the booms will not be high or long-lasting and the busts will be deep and long. Combinations of breakdowns and shortages, wage controls, cutbacks and massive lay-offs are what American capitalism promises for the future. The only program capable of blocking the eventual radicalization of the working class would be massive social reforms, i.e., large scale concessions such as job creating public works programs, increased unemployment benefits, etc. But such social reforms of the scope of the 'New Deal' would necessitate the stabilization of the world capitalist economy, the renewal of its expansionary course, and a vast strengthening of America's dominant position. However, we are told that this will not occur. Capitalism and the ruling class are incapable of heading off the crisis. They can deal heavy blows to workers, but they cannot prevent the future battles for power or stop the crisis.

It is argued that the anti-labor offensive which began in 1971 with Nixon's wage freeze has been aimed at weakening the main class organizations of workers, i.e., the unions. In an effort to raise the rate of profit by intensifying the exploitation of industrial workers, employers have no other choice but to smash industrial unions, state the resolutions. But why is the ruling class targeting the industrial unions and not mainly the unions of state,

county or municipal employees or teachers' unions, for example? Because industries have tremendous leverage in the economy as a whole for without them it would stop. Labor-power in industries such as those producing raw materials and semi-finished products, transportation and construction is the main source of surplus-value, and hence the main source of revenues for government, service and "professional" sectors. At the same time, the wages and working conditions of industrial workers influence those of all other sectors. Moreover, from the standpoint of the competitive needs of U.S. imperialism, industrial labor-power is the source of the international power of the American capitalist economy.

From the point of view of workers, the strategic importance of industries and industrial unions lies in the fact that in this sector workers are now organized. The social character of work having large concentrations of workers with detailed division of labor gives workers the awareness of their collective power. There are also high percentages of youth and radical minorities in the industrial sector.

For all of the reasons stated above, in the report, "Leading the Party into Industry", drafted by Jack Barnes and adopted by the National Committee of SWP on February 24, 1978, it is concluded that the single most political and organizational imperative for revolutionary socialists is to get the great majority of party members and leaders into industry with the aim of transforming the labor unions into instruments of left-wing class struggle. This "turn" would lay the basis for the construction of a revolutionary proletarian party that could eventually lead the workers and oppressed in establishing a workers government. Furthermore, because the most immediate obstacle in the way of this task is the presence of the "class-collaborationist union bureaucracies" that seek to hold back and sap the power of the American working class, the "basic programmatic guidelines" are said to be the following:

- a) The fight for union democracy.



- b) The fight for solidarity with organized and unorganized workers and with the struggles of all exploited and oppressed here and around the world.
- c) The fight for political independence from the capitalist state and all its instruments including the existing two party system.

These three guidelines from part of the broader "Transitional Program for Socialist Revolution", developed by Trotsky in 1938, explicitly designed to "build bridges" from the most immediate problems workers face (wages, speed ups, layoffs, etc.), and their understanding of them, to broader social solutions. Hence the "Transitional Program" must not only include the most simple demands directed at the local situation of a factory and the broader ones of creating workers soviets, but also attempt to find the connecting links in order to "lead the masses to the idea of the revolutionary conquest of power." Hence the Transitional Program, as we noted in the first section of this paper, must be able to accelerate the process of bridging the gap between the objective reality and the backward consciousness of the workers, a gap which the decay of capitalism itself under the blows of the objective crisis tends to narrow.

Concretely then, SWP supports the struggles to create and/or consolidate workers past gains on such issues as national programs for social security, health care and unemployment insurance. As "an answer to capitalism's double whamy of unemployment and racketing prices" SWP demands a shorter workweek with no cuts in pay and cost of living escalators, in short, a "sliding scale of hours and wages." In response to the attacks on trade union democracy, it demands total support for the right to strike, union control of the pace of work, the right to elect union stewards and officers and vote on contract, and the "right to know", i.e., total access to company books and financial statements. One of the most important demands directed at the government is a nationalizations policy which would consist of public ownership and workers control over production and distribution of vital goods and services such as the energy and rail industries. These takeovers would be justified in cases

where private corporations claim they cannot afford to give wage increases and meet safety and pollution standards, or when they must close plants, shift production to new locations and lay-off thousands of workers. Nationalizations are also called forth when corporations are responsible for environmental catastrophes, on the job disasters, or product contamination.

However, SWP does not support nationalizations of the sort taken by the governments in Great Britain and other European countries which, it is claimed, return the "public corporations" to private hands as soon as the government can restore their profitability. Also, because SWP foresees that any nationalized industry under a capitalist government would remain under capitalist management and hence would not be run in the interests of the public, it becomes necessary that they be run by boards directly elected by the public and closely watched over by unions and consumer groups. In addition, all books and records should be public, and all administrative issues should be subject to workers control.

Of central importance to the strategy of SWP is its proposal for the formation of an independent labor party, the axis of which would be the trade unions, while this would also satisfy the need for independent political organization and action of Blacks, Latins, and all other oppressed national minorities and women. It is proposed as the necessary political vehicle "to challenge the rulers' monopoly over governmental power, or even defend the immediate interests of the workers (for which) a narrow trade union framework is by itself increasingly insufficient."<sup>25</sup> However, it is stated, this proposal is not a substitute for specific action proposals to defend workers from the anti-labor onslaught, such as strikes and demonstrations. The mere "objective need" for such a party or the existence of a potential organized base in the unions does not guarantee that the labor party will come into existence. A vanguard must act to get a labor party started. It is here that the participation in the presidential electoral campaign in 1980 and



and SWP's policy "turn to industry" in 1978 can be properly understood.

"Workers who support the labor party idea today will be attracted to SWP as the most social and clear-sighted advocates of independent working-class political action."<sup>26</sup>

Finally, according to SWP, the essential character of the future revolution will be a combined one: to free the working class from exploitation and oppression and to struggle for the right of self-determination of oppressed nationalities as well as the equality of women. Hence, the revolutionary party of the working class must establish a "workers government" in order to bring this "combined socialist revolution" to fruition. The workers government must get rid of the capitalist state and establish a "workers state" without the bourgeoisie. The party, we are told, must be proletarian in its program, composition and experience. Its task is not to reform capitalism but to eliminate capitalist rule and open the road to the socialist future. Indeed, as the world capitalist crisis progresses, it becomes increasingly difficult to implement effective long-term reforms in the United States, concludes SWP, while the objective conditions simultaneously develop for a revolution, regardless of the temporary ups and downs of the economy.

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We will not attempt here to develop a critique of the political program of SWP. Rather, we would like to raise some questions which seem to remain unanswered or are not explicitly reviewed, and then draw some connections in regards to two of the central demands of the Transitional Program.

First of all, it is not clear whether the demands for a "sliding scale of wages and hours" and the "nationalization of certain key industries without compensation" are being proposed as viable solutions to the dual problem of inflation and unemployment within the confines of the system, i.e., before the establishment of a "workers government", or only after the latter has been established. In any case, the consequences of these alleged "solutions to the crisis" are never addressed.

Behind the demand for a shortening of the workweek with no cut in pay, there appears to lie the notion that the crisis is one of realization, of lack of effective demand, and that by merely increasing the wage bill profitability could be restored. But would not profits be reduced as wages rise and the rate of exploitation reduced, thereby forcing production and employment to be curtailed even more? Furthermore, would not this measure trigger an inflationary spiral since, according to their own argument, monopolies have the "market power" to increase prices, in an effort to compensate for declining profits as a result of increased wage costs? And would not the competitiveness of American industries in the world market be negatively affected, forcing them eventually to shut down? What sort of "social contracts" are expected to be proposed by capitalists to workers and what sort of concessions does SWP consider that workers could or could not make?

In anticipation of the trusts' refusal to increase employment and wages or their insistence on transforming their higher costs to consumers via higher prices, SWP proposes immediate nationalizations. However, even if there is no compensation to the monopolists, would not subsidization of unprofitable, inefficient nationalized industries such as steel production place a greater burden on public debt creating more inflationary pressures? According to their argument, the answer would be negative, since it is deficit spending primarily directed at war production and other such "unproductive" expenditures that contribute to inflation and not deficit spending per se.

We are not questioning the legitimacy of such demands which workers can organize around and mobilize for. What we do find lacking is any anticipation of the probable course of events and the corresponding changes in strategy that would be required in the event these demands were to be implemented.



## V.

CONCLUDING REMARKS

For SWP in the present historical moment the revolutionary overthrow of capitalism is the only socialist solution to the crisis, as against the fascist solution of the capitalists. [ This is the same <sup>historical</sup> mistake that Trotsky made in the 1938 Transitional Program of negating the possibility for capitalism to enter a new long period of growth. Ironically, Trotsky's notion of historical epochs, with "external conditions" being the ultimate determinant of the long wave-like pattern of capitalist development, leaves open the possibility of another long period of sustained economic expansion for capitalism as a result, for example, of new and expanding markets or another "industrial revolution" which could spread throughout the major capitalist countries.]

In all the analyses that we have examined there is a consensus that neither stagnation nor inflation can be eradicated within the present order. They insist that the classical Keynesian formulas are doomed to fail, that state policies are essentially ineffective and the coordination of policies across nations unattainable. The profit needs of national and multinational monopoly capital rule the roost in the Resolution and Roberts, whereas simply the anarchy of capitalist production is determining in the last instance in Gottlieb.

The tension, however, is that the economic theories informing the analyses do imply possible solutions to stagnation, unemployment and inflation within the capitalist mode of production. Implicit in the two former analyses is the notion that production and employment need not be curtailed and the price level may remain stable with appropriate state monetary and fiscal policies coordinated internationally on the basis of the disappearance of monopolies. The latter economic analysis includes the possibility that if the government can control credit through regulation by the central banks, crises can be avoided. In all three, it is therefore precisely the political realm that becomes decisive by means of exerting influence on state policy. For SWP this is

impossible to any great extent, because the state must necessarily represent the interests of the capitalist class. Consequently, SWP's revolutionary solution to the crisis logically follows only from its political position on the state.

In sum, while SWP rejects the objective possibility of renewed expansion accompanied by widespread reforms and adheres to the idea of the historical necessity of revolutionary socialism, the theories underlying its economic analyses imply the opposite, i.e. reformism.



APPENDIX

During our seminar presentation of this paper several questions were raised by the professor and students participating in the classroom discussion. Although time does not permit a detailed account, we will comment briefly on certain of these points pertaining to the analyses of the 1974-75 recession, which provoked some confusion.

The first relates to the Fourth International's resolution of 1975. As previously noted, the Resolution argues that in the 1974-75 recession there arose difficulties in effecting the traditional offsetting factors to the tendency of the falling rate of profit. That is, a rise in the rate of surplus-value was obstructed by high employment levels and the social and organizational strength of the working class. In addition, it became increasingly difficult to cheapen the price of constant circulating capital, or raw materials. Let us quote from the Resolution on this point for it initiated a considerable amount of discussion in the seminar.

The very attempts by capital to cheapen raw materials create divergent trends in prices and profits in primary products on the one hand and manufactured goods on the other. This leads to a growing disproportion in capital investments and current production in both sectors. Sooner or later this results in a relative scarcity of raw materials and to a radical increase in their prices compared to those of manufactured goods.<sup>27</sup>

The problem lay in interpreting the preceding passage. One possibility expressed in class was that cheapened raw materials leads to increased production in all departments. Increased production in turn leads to increased demand for raw materials, which raises their price above the new lower price. A more substantive interpretation put forth was that the reduction in the price of raw materials implies this is a less attractive area of investment; hence capital gets transferred to manufactured goods. That increases the demand for raw materials. Since there is not much investment in that sector, the price of raw materials is driven up due to relative scarcities.

Even upon a closer reading, we are not certain what is the exact

reasoning here. It may be connected to the following point. In the discussion of the oil and food shortages of the early '70's, it is argued that "relatively low prices of raw materials lead to an outflow of capital from that sector into others. Shortages are a means of increasing profits and attracting new capital. This objective process, in turn, can be accelerated by deliberate decisions of the monopolists."<sup>28</sup> But the Resolution does not explain the mechanism by which the price of raw materials originally fall. Nor is it clear about why prices should later rise. Why does not the new addition to existing capital result in lowering prices as supply expands? Ironically, the only clear aspect is the subjective factor, the decision-making power of the monopolists, while the so-called objective process remains ambiguous in this case.

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Second, an interesting observation made by Anwar Shaikh during the discussion focuses on the two causes of the crisis cited in both the Resolution and Roberts. Although the following point was made with regards to the former analysis, it pertains to the latter also. He stated in class that the profit rate movement seems to be linked to the business cycle and overproduction to the historical epochs of expansion and exhaustion, which is Mandel's solution. That would allow the analyses to pick up Trotsky and Mandel without necessarily having the same explanation of the epochs. Thus, on the one hand, there is a business cycle theory whose effect can be compensated for by the export of commodities; but on the other hand, the generalized stagnation appears to be brought about by the exhaustion of external international markets. The business cycle seems to be increasingly linked to the epochal phase, so that it appears inevitable that the two will be tied together and shown to be consistent in the end. We want to point out, however, that in the analyses there is no clear separation of the two elements of crisis. Yet, there is nothing included in these writings that would invalidate the above interpretation.

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Third, in addition to trying to figure out the primary cause of stagnation in the analyses, considerable class discussion centered on clarifying their explanation of the roots of inflation. We want to take up this issue again, since it was not resolved during the seminar. The Resolution states that a particularly important factor has been arms spending in the United States. Also, by 1973 all major capitalist powers were pouring huge sums into deficit spending, and the rapid expansion of credit worldwide drove prices up everywhere. This line of reasoning is taken up by Roberts. He continues that credit expansion by the banks was necessary to help finance the military expenses of the U.S. government without depleting the pool of funds for private investment, especially during the upswings of the cycles. "It is this expansion of credit by the banks, in order to make funds available to corporations — much of which will be channeled into the government guaranteed high-profit arena of war production — that creates inflationary purchasing power in the economy." (Emphasis in original text.)<sup>29</sup>

This results because war spending is "unproductive". For Roberts, this means that state outlays lead to the finished military products being taken off the market, and not to an expanded mass of producer or consumer goods. The newly created purchasing power therefore has no equivalent on the market; hence monopolists raise the prices on other products to absorb the surplus purchasing power. He maintains that the essence of Keynesian policies such as deficit spending is to inflate economies.

It is argued that Keynesianism may work on a national scale during "general periods of prosperity", if the surplus purchasing power pumped into one country can to some extent be absorbed elsewhere in the world system. Consequently, continuous U.S. deficits, above all to support the military, were not seriously inflationary so long as world capitalism was expanding during the post-war boom, and so long as other major capitalist states were not applying similar policies.

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correct?



Roberts goes on to refer to several factors which have exacerbated inflation both at home and abroad. A detailed account of his analysis of inflation is constrained by time, and this sets strict limits to any serious critique. We simply want to make a few points, the first of which is that Roberts' analysis of inflation hinges on a specific notion of unproductive expenditures, the basis of which appears to lie in the particular use-value produced, i.e., armaments. Does his analysis imply that other government deficit spending is productive and therefore noninflationary? But could not his reasoning be extended to include all government purchases of goods and services which do not enter into further production processes? We cannot help but question Roberts singling out arms spending except to make a political point which has moral overtones. His economic analysis seems to be simply a justification for switching government funds from military weapons to social welfare, a popular demand of SWP.

Secondly, Robert's explanation of inflation is based on a rather peculiar interpretation of Keynes. In Keynesian theory if there is a boom going on, and government spending and the money supply is increased, inflation results. According to the theory, however, this is because aggregate demand is greater than aggregate supply, irrespective of monopolies and so-called unproductive spending. The logic of the theory holds without bringing into the picture the latter phenomena. However, for Roberts these are fundamental evils in the present conjuncture, and he therefore seems to want to explain their relation to inflation. But does this warrant creating a linkage if one may need not exist?

A final criticism is that Roberts does not demonstrate why government deficit spending on arms during the downturn, at a time of generalized under-  
capacity utilization in industry, should be inflationary. Yet, he presumes this as does the Resolution. It leads him to conclude that explosive inflation has become one Keynesian "solution" to another major depression,

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the other being rising unemployment. Implicit is the notion that Keynesianism is not a corrective to cyclical downturns. Roberts, however, produces this conclusion only by skipping levels of logic. Throughout his economic analysis, he refers to the notion that monopolies raise prices rather than output, but he does not make that link explicit in this context.

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Lastly, the obvious question raised in class was whether the Resolution and Roberts predict a deepening crisis of the 1929-32 type. Neither analysis wants to commit itself to such a prediction, but they do not exclude the possibility. The analyses emphasize the contradiction between the expansive needs of capital on an international scale and the self-interest of national capitals in the last instance. In Roberts' opinion, the basis of power of the competing bourgeoisies lies in their own states. The Resolution continues that no imperialist power or group of imperialist powers including the hegemonic U.S., is able to assert its competitive interests on other sectors of the world bourgeoisie as operative guidelines. All this points to the possibility that protectionist measures in world trade and parallel deflationary policies on a world scale might precipitate a forthcoming major depression.

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FOOTNOTES

<sup>1</sup> James Cannon, History of American Trotskyism, (New York: Pathfinder Press, 1972), p. 50.

<sup>2</sup> "Transitional Program: The Death Agony of Capitalism and the Tasks of the Fourth International", in Will Reiser, ed., Documents of the Fourth International, (New York: Pathfinder Press, 1973) p. 181.

<sup>3</sup> Ibid., p. 180.

<sup>4</sup> Internal Bulletin (SWP) no. 2, 1938. Also, as Jack Barnes notes, the basis of the Transitional Program is the objective economic and political situation, that is, the needs of the working class and the developing contradictions of the capitalist system, and not the subjective state of mind of the workers. He continues to point out that in the 1938 discussions with American members of SWP, Trotsky emphasized that the Transitional Program "is a help to the masses in overcoming the inherited ideas, methods and forms and in adopting themselves to the exigencies of the objective situation. (Jack Barnes and Steve Clark, The Changing Face of U.S. Politics, Building a Party of Socialist Workers, (New York: Pathfinder Press, 1981) p.233.

<sup>5</sup> A complete text of the program is found in Internal Bulletin (SWP) no. 2, 1938. The Tamiment Library at N.Y.U. has a copy of this bulletin as well as numerous other documents of SWP and pamphlets published by Pathfinder Press.

<sup>6</sup> The Resolution adopted by the International Executive Committee of the Fourth International, January 1975, "The Capitalist World Economic Crisis", in Dick Roberts, Capitalism in Crisis, (New York: Pathfinder Press, 1975), p.112.

<sup>7</sup> Ibid., p. 113.

<sup>8</sup> Ibid., p. 115.

<sup>9</sup> Ibid.

<sup>10</sup> Ibid., p. 117.

<sup>11</sup> Ibid., p. 125.

<sup>12</sup> William Gottlieb, "Behind the Recession", in The Militant, (7/23/82), p.11.

<sup>13</sup> Ibid.

<sup>14</sup> Ibid.

<sup>15</sup> Ibid.

<sup>16</sup> Ibid.

<sup>17</sup> Ibid. (11/5/82), p. 15.

<sup>18</sup> Ibid.

<sup>19</sup> Ibid. (7/30/82), p. 18.

<sup>20</sup> Ibid.



footnotes, cont.

<sup>21</sup>Ibid. (7/23/82), p. 11.

<sup>22</sup>Ibid. (8/6/82), p. 19.

<sup>23</sup>Ibid.

<sup>24</sup>Citations in this section are from "Building a Revolutionary Party of Socialist Workers", "Leading the Party into Industry", and "Twenty-five Lessons from the '70's and Perspectives for the '80's", in J. Barnes and S. Clark, The Changing Face of U.S. Politics, Building a Party of Socialist Workers, unless otherwise noted.

<sup>25</sup>Discussion Bulletin (SWP) V. 36, no. 8, 6/79, p. 23.

<sup>26</sup>Ibid., p. 25.

<sup>27</sup>"Resolution" in D. Roberts, Capitalism in Crisis, p. 115.

<sup>28</sup>Ibid., p. 115.

<sup>29</sup>Ibid. p. 98.



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