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Seville: the anatomy of melancholy

22 July 2002, by G Buster

Despite the new political climate that has been created in the European Union (EU) with the victory of the right in Portugal, Holland and France, the European Council meeting in Seville on June 21-22 was unable to find a conservative 'positive agenda'. The plans for institutional reform, the rigid defence of the Stability and Growth Pact and even the policy of sanctions against the countries of origin of illegal immigrants proposed by Aznar were blocked by the absence of consensus among member states.

The original programme of the Spanish Presidency - the second wave of neoliberal economic and social reforms summed up in the 'spirit of Lisbon' - was replaced in the course of the last two months prior to Seville by an authentic obsession with building fortress Europe and thus depriving the far right of its themes of security and emigration. Even the 'war against terrorism' has been reinterpreted in this climate and converted into an internal xenophobic war against illegal immigrants, threatening them with pogroms and expulsion in the coming months.

The hesitations of neo-liberal strategy

The meeting of European ministers of the economy and finance - held in Madrid on the very day of the general strike called by the Spanish unions - only served to expose the economic and social difficulties in imposing the second wave of neo-liberal restructuring decided on by the European Council at its Barcelona meeting. The fundamentalist interpretation of the Stability and Growth Pact, already denounced by Chirac (after the French presidential election) and by the two candidates at the German elections, Schröder and Stoiber, has been abandoned.

The new formula of consensus retains the goal of budgetary equilibrium, but the unilateral declaration by France, making it conditional on a growth rate of 3% in the course of the two coming years, will be a lifeline for those member states experiencing difficulties, starting with Germany. Faced with this crude reality and the situation of the stock markets, the pious sentiments expressed - 'the recent decline of economic activity is reaching its end' - have little weight.

Reform of the labour market, the main agreement coming out of the Barcelona meeting, was kept prudently on the back boiler after the success of the general strikes called by the Italian CGIL and the CCOO and UGT in Spain. The same goes for the project of a 'single European sky', opposed by the strike of air traffic controllers in half the member states on June 19, which highlighted the danger involved in the privatisation of this public service. This new capacity for résistance by sectors of the European workers' movement (to which it is necessary to add the strikes in engineering and building in Germany) oblige the right wing governments to more prudence in the introduction of neoliberal reforms, particularly in the area of public services and pensions. The trial balloons floated by Berlusconi and Aznar concerning confrontation with the unions have already led to a pause in 'social dialogue' and dangerously increased social tension in Italy and Spain. Chirac and the rest of the European right seem to prefer a more traditional strategy of cooption of the trade union bureaucracy and of division of the workers to impose their policies.

Rejection of 'More Europe!'

The two complementary elements of the programme of the Spanish Presidency, summed up in the slogan 'More Europe!' - the advance of negotiations for the enlargement of the Union and the reform of the functioning of the Council before the entry of new members - did not meet with the necessary consensus.

The negotiations on EU enlargement are blocked by the absence of internal agreement inside the EU on reform of agricultural aid in the enlarged Union and on the future of the community budget. What's more, the social consequences of the neo-liberal restructuring implicit in the conditions imposed on the candidate states of central Europe has already led to tensions. Thus Poland faces an

agricultural crisis which threatens to be very serious from next autumn and, like the other countries of central and eastern Europe, will have to dismantle its iron and steel industry, as a consequence of the imposed end of state subsidies.

To this panorama it is necessary to add the political situation in Cyprus. Greece has already said it will block the enlargement if Cyprus is not among the new members admitted to the Union, on the pretext that there is still no solution to the division of the island. And Turkey has no interest in precipitating an agreement in Cyprus as long as the horizons relating to its own adhesion are not cleared. Thus the negotiations have entered an impasse whose resolution exceeds the diplomatic capacities of the Spanish Presidency.

The Solana Plan for the reform of the Council's functioning - based on the division into two of the current General Affairs Council (GAC) to create the nucleus of an EU government and on the replacement of the current voting regime, where unanimity is required for the adoption of decisions, by a system of qualified majority voting - has been pushed back by the seven 'small' member states. Aznar and Blair, who had defended this project, must satisfy themselves with specific meetings of the GAC to prepare the European Councils.

Prodi's parallel project to reform the functioning of the Commission by creating Commissioners of the first level (Vice-presidents and sector coordinators) and of the second level (who will henceforth only attend some sporadic plenary meetings of the college of Commissioners), has met the same résistance. The 'small' member states are not ready to lose their direct political representation inside the Commission, which allows them the right to examine and veto on all questions dealt with by the Union, even if the maintenance of the current system could render the EU ungovernable after enlargement.

The key elements of community governability, whether the regulation of the single market or institutional functioning, have then still not been resolved, only 18 months away from enlargement; this could lead to a potentially serious crisis of the Union.

In this situation, the support given to the Irish government - so that it can put pressure on its citizens at the second referendum on the Treaty of Nice, declaring Irish constitutional neutrality fully compatible with the CFSP (Common Foreign and Security Policy) - is pathetic, as much from the point of view of the aspirations of the European dominant classes to a 'European Power' as from that of the democratic legitimacy of the Union.

'Fortress Europe' as consolation

The policies on emigration and asylum, the concern for internal security and control of the Union's external frontiers, which have been presented as the 'results' of the Seville meeting, resemble then more of a consolation prize in relation to the danger of community melancholy that Aznar wanted to avoid.

The neo-liberal economic policies of the EU depend on the exploitation of 11 million immigrant workers who are already living on its territory (nearly 10% of the working class) and on an annual flux of around 600,000 to 900,000 new immigrant workers to support the current demographic equilibrium on the labour market. The discourse on the 'illegals' hides the planned creation of an under-class of workers deprived of civic rights and the right to work, defined in racial terms, subjected to a degree of exploitation incompatible with any idea of the 'European social model', living in constant fear of expulsion towards their countries of origin if they do not 'assimilate'. It is for them that the new status of 'long term resident' is being created.

If we needed an example of what they are talking about, we need only look at the imprisonment of 400 immigrant workers without documents in the University of Seville. North Africans and sub-Saharans, mostly men, they have been deprived of work picking strawberries because they had dared to revolt the previous season. With the help of the government, the employers have replaced them by workers imported from central Europe. The government has already announced - if solidarity does not prevent them - that it will apply its new policy against illegal immigration and expel them all.

This is despite the warnings by Mary Robinson, UN High Commissioner for Human Rights, that the EU's new common policy on emigration criminalizes the flight from Third World poverty. It hardens the current legislation on asylum rights and refugees, violating the Geneva Convention of 1951 and prepares the collective and coordinated expulsion of immigrants without documents from EU territory in the course of a veritable pogrom next autumn.

Although in the recent Cotonou agreement (2000) with the former colonies of Africa the Caribbean and Pacific (ACP), the latter rejected any clause of readmission of their citizens, the EU has now unilaterally imposed the negotiation of agreements of readmission which affect not only the inhabitants of the country but also the immigrants from a third country arriving on EU territory after having passed through these countries. Chirac - more conscious of France's relations with its former colonies than Aznar is of those between Spain and Latin America - blocked the proposal of the Spanish Presidency to impose economic sanctions on those developing countries who do not collaborate.

Blair, who has also supported the project, had to face the open protest of his minister for aid and development, Claire Short, who termed it 'morally repugnant'.

The control of external frontiers, the creation of the first elements of a European body of frontier guards and the other initiatives of Commissioner Vitorino reveal the true nature and situation of this European project. The next advance relates to the internal and external control of the EU's population. While capital circulates freely under the single market, the free circulation of people will be subject to police control, an essential element of any capitalist state. It is not surprising that questions of

'justice and internal affairs' already occupy more than 30% of the activity of the Council and the Commission.

Warning to navigators

The project of a European Union which is 'neo-liberal with a human face', founded on consultation with the trade unions on the subject of restructuring, impelled by the social-democratic and Green coalition governments, has collapsed under the weight of its own contradictions. The defeat of Jospin and the very likely defeat of Schröder are the proof of it.

The political turn to the right on the basis of the growth of social polarization throughout the EU is paralleled by a growing capacity for autonomous résistance on the part of the movement against globalisation and also the trade union movement. The European dominant class must increase their rates of profit to compete with the USA and Japan and they have a clear programme of neo-liberal restructuring, attacks against the public services and reduction of wages (combining the reduction of indirect wages and pensions for workers in fixed employment and an increase of direct exploitation of seasonal and immigrant workers). However, it is the relation of forces which at the end of the day will be decisive. For now division reigns between the partisans of direct confrontation, defended by the Blair-Berlusconi-Aznar 'axis of evil', and those who opt for the partial maintenance of social dialogue to divide the working class and avoid the dangers of the growth of social tension.

As a result of the abandonment of the welfare state and competition for access to subsidies between the traditional workers sectors pauperised by restructuring and immigrant workers, the far right is growing. The right exploits this social and political situation as a complementary element of division of the working class.

The relative autonomy of the EU faced with the national frameworks of class struggle and the absence of a 'European policy' on the part of the trade unions has led the Commission and the European Council to play an essential role in pushing forward neo-liberal restructuring and facilitating the turn to the right. That has been the great merit of Aznar and the Spanish Presidency and its main political capital for the future.

However, the EU is accumulating massive internal contradictions: lack of democratic legitimacy; the absence of a clearly defined project of institutional reform for the future governability of the Union; national internal rivalries, economic and political; dependence and different degrees of autonomy in relations with the United States; different margins of manoeuvre faced with recession and its social consequences; and above all difficulties in relation to assimilation in the single market of the candidates from central Europe, while maintaining the pretence to a 'European social model'.

Without a clearly established leadership of the Union, which today does not exist, these contradictions can culminate in serious crisis.

The anti-capitalist and alternative left must prepare consciously, developing the social movements in a European perspective and elaborating a programme of résistance as well as alternative elements for a different and possible Europe of the workers and the peoples.

That demands a conscious and coordinated effort in the 'anti-globalisation' movement, in the unions and in the sphere of political representation. The first step, with its inevitable differences, will be taken with the European Social Forum and in the Conferences of the European anti-capitalist left.

In the six coming months three tasks will be central: the struggle in solidarity with immigrant workers, the denunciation of the social consequences of EU enlargement and résistance to them, and finally the organization of the opposition to the pseudo-convention of a democratic and solidarity-based model of Europe at the service of the workers and the peoples.

Ten million strike against Aznar's attacks

22 July 2002, by Javier Navascués

Nonetheless, this was also one of the least 'visible' strikes because the government and the media it controls did their best to conceal it. The government did not hesitate to lie [1] on the question of the extent of support for the strike and used all the power at its disposal to reduce the effects of the strike on citizens by imposing minimum services in transport and communications which assured an appearance of quasi-normality.

The strikers were conscious of this strategy to obscure their strike and thus the demonstrations called at the end of the day on June 20 were not only the biggest in comparison with previous general strikes but also often the biggest that the towns concerned had ever known. In the streets of Barcelona and Madrid there were nearly 500,000 demonstrators, figures similar to the immense mobilization against the EU summit on March 16, 2002 in Barcelona.

Without any doubt this strike reveals that under an appearance of conformism - motivated essentially by the climate of social peace ensured by the orientation of mainstream trades unionism - the working population is deeply unhappy with the social situation social, its working conditions and the policies of the Popular Party (PP) government. This unhappiness was expressed through the participation in the general strike. It could also be seen that, contrary to

what was claimed by the government in justifying its decree reforming the conditions of the unemployed, wage earners have not accepted the message of division between those who have a job and those who do not. On the contrary, they have understood that that the lowering of legal protection in case of being laid off, the reductions in unemployment benefits and the obligation on the unemployed to accept any job in order to claim benefit all represent attacks against the basic legislation protecting labour against capital and hence amount to an aggression against all.

If the initiative for this strike was in the hands of the unions who called it, the Workers' Commissions (CCOO) and the General Union of Labour (UGT), the participation and support of other social and political forces of the left was very important, in particular that of the Campaign against the Europe of Capital and Against War, which supported the principle of the general strike from the beginning and participated with its own cortèges in the demonstrations of June 20 in Seville and Barcelona.

Finally, it is worth noting that the separate appeal of the nationalist trade union organizations in Euskadi for a general strike on June 19 led to the strike being less well supported in the Basque autonomous community, both on June 19 and 20.

After the strike the government called on the unions to negotiate amendments to the decree, which it now wishes to transform into law. The first reaction of the unions was to reject this procedure and call for the pursuit of 'social dialogue' but the situation has changed so much between before and after June 20 that it will be very difficult to return to the social peace of the six past years of the PP government.

To maximize the benefits of this strike and continue the process that has been initiated, we must pursue an orientation of firm opposition to the decree of reform on unemployment, linking this struggle with the rejection of all the antisocial policies of the PP. We must deepen the convergence of the social movements and actors which are already mobilized against the PP's policies: against anti-immigrant legislation, the hydrological Plan, reforms in education, in support of trade union struggles and those of the 'anti-globalisation' movement. We must strengthen the European dimension of the response to conservative aggression, as was done in this struggle and in the mobilizations against the EU summit in Seville. At the end of the day, faced with the rightist offensive of the PP and its European allies, we can and must create a powerful social dynamic which will put an end to the climate of passivity and individualism which has prevailed until now.

Footnotes

[1] On June 20, at 8 am the government said that the strike had not taken place and at the end of the day it claimed that it had only been followed by 17% of employees, while the CCOO and UGT claim 10 million strikers, or a rate of participation of 84%.

European Anti-Capitalist Left meets again

22 July 2002, by European Anti-Capitalist Left

The organisations present were: the Red Green Alliance (RGA, Denmark), the Scottish Socialist Party (SSP, Scotland), the Socialist Alliance (SA, England), the Socialist Workers Party (SWP, Britain), La Gauche/Déi Linke (The Left, Luxemburg), the Revolutionary Communist League (LCR , France), the Left Bloc (BdE, Portugal), the Party of Communist Refoundation (PRC, Italy), SolidaritieS (Switzerland), the Party of Solidarity and Freedom (ÖDP, Turkey), the Alternative Space (Espacio Alternativo, Spain), Zutik (Basque Country); and as observers: the Red Current (Corriente Roja, formerly the Plataforma de Izquierda, inside Izquierda Unida, Spain) and the United Left (Izquierda Unida, Spain). The German Communist Party (DKP) attended the meeting without being part of the Conference. The Socialist Party (SP, Netherlands), absent this time, had sent a message expressing its interest in the Conference and its desire to continue working with it.

The Conference had on its agenda: the situation of the Left in Europe; the policies of the EU; a common political declaration; the counter-summit in Copenhagen during the upcoming Danish presidency; and a point of information on the general strike in Spain and the mobilisations in Seville.

The Conference noted major progress during this fourth meeting, including: strengthening of most of the participating organisations in their respective countries; Rifondazione Comunista's entry into the Conference (without its having left the GUE/NLG, which includes most of the European Communist parties); the participating organisations' substantial involvement in the social movement against capitalist globalisation, the anti-war movement, and the movement in solidarity with the Palestinian people; and a basic consensus on the analysis of the political situation and the role of the anti-capitalist Left.

The Conference took a stand in favour of a process leading to the establishment of a European anti-capitalist formation that would constitute a credible alternative to the social-liberal Left in government. In this spirit, the Conference supports the PRC's call to organise a Forum of the Alternative Left next October.

The Conference will contribute to the formation of the European Social Forum, which is a major development for the social, trade union and citizens' movement on a continental scale. It will support the ESF's

foundation, central activities and objectives in all European countries.

The Conference decided to coordinate its work better, particularly in the struggle against any new war waged by US imperialism and its allies, in solidarity with immigrants, and in the struggle for "European-wide social rights". It will take this opportunity to adopt a common logo in order to underscore its political identity as a European anti-capitalist current.

The organisations of the Conference will work to ensure the success of the counter-summit during the Danish EU presidency. The Conference decided to hold its fifth meeting in December 2002 in Copenhagen. This meeting will be organised by the Red Green Alliance.

– Against the Europe of Capital and War

– A different Europe is possible!

– A different Left is necessary!

Declaration of the Conference of the European Anti-Capitalist Left

Madrid, June 18-19, 2002

The right-wing offensive and leftwards polarisation

The political situation in the EU is at a turning point. If the German "Red-Green" government is defeated in the September 2002 elections, the EU will be completely dominated (except for Sweden, Greece and Finland) by an aggressive, reactionary right. Blair is just a false exception: a pioneering social-liberal who managed to build successive coalitions with various EU governments in preparation for the new antisocial, militarist offensive.

Since 1998-99, social democracy had led 12 of the 15 member states and the main EU institutions (the Council, European Central Bank, semi-annual summits and Intergovernmental Conferences). It did not use this exceptional power position in Europe, in particular in the three "pure left" governments in the EU's three key countries (the UK, France and Germany), to break with neo-liberal policies. On the contrary, it made them even worse. The EFTU (European Federation of Trade Unions) and the national majority union federations maintained their allegiance to the EU and made no serious attempt to stop the bosses' offensive. Social democracy bears the responsibility for the synchronised return of right-wing parties to government in almost every country and at the head of the EU.

This episode crowns a twenty-year cycle during which social democracy systematically fought to impose neo-liberal policies on the working class. This social regression, unprecedented in the past half-century, has hit the working class terribly hard and plunged millions of workers and young people into insecurity, misery and despair. Hence xenophobia and racism were ably to win over not only middle-class layers but also sectors of the working class and youth.

Fascist and far right demagogues are exploiting this reactionary terrain. Traditional bourgeois parties are using it as well for their political manoeuvres. For the moment, it is not the advent of fascism which is on the agenda but "class struggle" bourgeois governments, whose main difference with "left" governments is that they will have their hands free to launch a new "European-neo-liberal" offensive: ongoing privatisations and antisocial measures; EU involvement in the international arena ("the war on terrorism" and eastwards enlargement); and putting in place the coherent, efficient core of a European proto-state apparatus.

But for the first time in twenty years, the ruling classes' political offensive is running up against a significant new social movement, borne by a new generation of youth, which is global, offensive, internationalist and against the system from the start. Defensive social battles, which have never ceased, are losing their "rearguard" aspect, because the movement against capitalist globalisation has provided them with a new political framework, an offensive spirit, a perspective and an alternative. The centre of gravity for political initiatives and mass mobilisation is located at the moment outside the traditional labour movement. Although weakened, the European trade union movement still brings together, according to national statistics, millions of workers and thousands of activists. As long as the wage-earning class, which is a majority social force, does not become active, as long as it does not struggle massively for its own immediate demands and broad aspirations, as long as it does not organise itself on an ever-widening scale, neither the ongoing globalisation of the market nor neo-liberal and pro-war policies will be stopped. The general strikes and gigantic citizens' mobilisations in Italy, the Spanish general strike, the recurrent social struggles in Greece and the renewal of sectoral strikes in Germany (particularly among metal and construction workers) clearly herald a stronger resistance to the bosses and governments' ongoing offensive.

In this framework, a "new" anti-capitalist and alternative Left is making visible, though still modest progress in several countries, including on an electoral level. From this point on, the political situation cannot be summed up as a new right-wing offensive. The new factor is that the political situation also includes a polarisation towards the Left in society as well as in the social and workers movement.

Faced with EU policies, the Conference takes a stand:

1. Against the US war and EU complicity, against the EU as a great power. A different Europe is possible - peaceful and based on solidarity!

The EU has chosen to line up behind the policy of the Bush government. It aspires to join in US hegemony on a world scale, while putting itself forward as a rival. The EU accepts the US's general orientation ("the global

fight against international terrorism"), its organisation (full commitment to and consistent reform of NATO) and its means (increasing military budgets and militarisation). But at the moment the EU does not share either the rhetoric, the will to take the offensive or the announced key objectives of US policy (war against Iraq - or Iran). This reflects both divisions within the EU and the private interests of the big European financial-industrial conglomerates, at a time when transatlantic conflicts are multiplying and intensifying on the economic level. The mythology of a "peaceful "and "generous" EU is breaking down. What the ruling classes want is a European great power.

We are continuing to mobilise, within the broad, unitary anti-war movement, against the wars that are under way (Afghanistan, Palestine, Colombia, the Philippines, Kashmir, Chechnya) or in preparation (Iraq, Iran), and against every kind of intervention, economic, diplomatic or military (Congo, Venezuela, Argentina, Zimbabwe, Pakistan, the Balkans, etc.).

In particular, we are preparing to warn the peoples of the EU against the imminent launching of a new war against Iraq. We demand:

- Unconditional withdrawal of the troops and navies of US and European imperialism;
- Immediate withdrawal of Israeli troops from the occupied territories in Palestine, suspension of the EU-Israeli treaty, respect for democratic and human rights, and the right of the Palestinian people to organise itself in a state with minimum guarantees for its survival;
- No increase in our countries' military budgets; no European army (and immediate dissolution of the already existing Euro-brigades); and
- Immediate withdrawal from NATO, leading to its dissolution.

The "defence of Europe" against real or imaginary military threats and against the aggressive pressures of US imperialism cannot be carried out by preparing for war, but rather through a radical social transformation of Europe into a space where social, ecological and democratic conditions and conditions of solidarity prevail - conditions that its peoples and workers would defend tooth and nail.

2. Against Fortress Europe: for freedom of movement and equal rights for all men and women! For solidarity and unity in the world of labour on a continental scale!

a) The EU's governments, united for once, have decided on one of the most brutal and odious turnabouts in their recent history: to prevent and criminalize so-called "illegal" immigration by using their fleets in the Mediterranean and their armies on the borders with the East and the Middle East. But mass displacements of human beings are the direct result of large-scale surplus exploitation of a quasi-enslaved workforce and plundering of natural resources by big financial, industrial and commercial corporations, with absolutely unbearable features: endless repayment of foreign debt; hundreds of millions of starving human beings; and the new "war economy" which drives people and conscripts children into the army and the labour process. The same global capitalism that exploits, oppresses and kills arrogates to itself the right to track down, imprison, expel and over-exploit those human beings that run away from this hell in a search for refuge and survival in the countries of its "masters".

The EU's "solution" consists in developing and coordinating its special border police, transit camps, collective expulsions, sped-up "justice" and financial sanctions against immigrants' countries of origin on a European scale. For our part we reaffirm the right for all to freedom of movement, the right to asylum, the right to live in our countries with all the same rights as the native EU populations: in short, opening the borders and granting full citizenship to all.

b) The EU "is not full"! It has never been so rich! What "prevents" the equal social and democratic integration of the immigrant population is the shameless enrichment of a tiny minority of big capitalists - at the expense of the EU's native populations [working classes] - which refuses to organise society on the basis of the social needs of the great majority of the population here and abroad. This is a compelling reason to struggle together, unite the working class and eliminate this double injustice.

The EU's policies have two tragic consequences:

First, tracking of - legal as well as "illegal" - immigrants, against a background of xenophobia and racism, creates a fertile climate to impose the application of the EU 's "antiterrorist" legislation. This is a real threat to democratic freedoms. For example, the Spanish government has finally succeeded in brutalising immigrants in Andalusia and outlawing Herri Batasuna, a legal, parliamentary party that represents a substantial sector of the Basque people. The overwhelming majority of the Basque people reject this decision and want a democratic solution involving recognition of its democratic rights.

Second, the bosses and government over-exploit this foreign workforce, which is malleable and subjected to virtual forced labour and has neither rights nor unions. In addition, while the governments close the borders, they call for a new immigration policy that would enable them to grab hold "legally" of the most skilled workers from Third World countries, while agreeing "as a concession" to take charge as well of "the portion" of Third World sub-proletarians assigned to them. All this in the name of "supplementing the labour market" and "making up for the demographic deficit" (which is supposedly a threat to future generations' pensions!).

The result is a humanly unbearable situation for immigrant workers and a menacing division within the world of labour. It generates exacerbated competition between native workers and immigrants, leading to a general regression of living and working conditions for both.

In this context of anti-immigrant discrimination and worsening living conditions for native working people, neo-liberal capitalism is setting off a war in factories, working people's neighbourhoods and schools between the native-born poor and newly

arriving poor. The stakes are day-to-day survival through access to a (backbreaking) job, (pathetic) wages, (ramshackle) housing, a (struggling) school and (cut-rate) medical treatment.

c) We need a radical, offensive response to this terrible danger.

We fight against any form of xenophobia or racism, whether of state or popular origin. We extend our solidarity to all the victims of the bosses' and governments' discriminatory policies. We demand immediate equality, and full social and political rights for all men and women who live in our countries. But we are conscious that it is necessary to deal with the roots of the problem: we have to fight and organise for solidarity and unity within the world of labour. To do this the labour movement must take a radical turn and stop setting native-born workers against those who are newly arriving and male workers against female. This means making organising newly arriving workers a moral and social priority, so that they share the same struggles, the same demands, the same organisations, and the same programme that puts "people before profits".

d) The market annexation of the Eastern European countries, which is a genuine "periphery" dominated by the imperialist EU, will reinforce these developments even more. This absorption will not occur without a major crisis in the countryside and a considerable social regression in the cities, with a massive rise in inequality in each of these countries. All the more because the EU will impose its neo-liberal prescriptions without ensuring the promised transfers that are indispensable to relaunching these economies (the EU's agricultural policy, structural funds and grants). It is up to the Eastern countries' own peoples to decide whether they whether they want to join the EU under these conditions. We will struggle inside the EU to ensure that they get the same social, environmental, political and democratic rights and norms that we have. We propose to the world of labour, women and youth to join in a single struggle for a different Europe. We will struggle for a trade unionism that unites male and female workers as well as all the emancipatory social movements throughout the European continent. The anti-capitalist Left commits itself to developing the best possible contacts and collaboration with the East European Left, which is active in social, political, trade unionist, feminist, environmentalist, anti-racist, pro-peace and anti-war and citizens' movements.

As for Turkey, its laws, rights and policies at the level of political democracy are incompatible with those of EU member states. We support all the progressive forces in this country, still dominated by the military caste, in their struggle for a radical change on these issues. In particular, we are in solidarity with the Kurdish people, which is struggling for its national-democratic, political and cultural rights.

3. Against the despotic Convention: it is up to the people to decide!

The EU's structure was despotic from the very beginning. The bulk of the executive, legislative and constituent power is now more than ever in the hands of the EU governments (especially those of the biggest countries), meeting in the European Councils of Ministers, the European Council of heads of state and government and the Intergovernmental Conference. The EU thus does not even reach the level of bourgeois parliamentary democracy that is left in its member states. This is how neo-liberal Europe escapes from the pressure of the working classes, who are being put in competition with each other, country-by-country, through unequal working conditions and social legislation. This is how it is trying to settle the multiple material conflicts of interest amongst its ruling classes, behind and on the people's backs.

The European bourgeoisies have set major objectives for themselves for the near future, all related to their search for a European great power: market annexation of the Eastern European countries; incorporating the UK, Denmark and Sweden into the monetary union (the euro); creating a single European financial market (related in particular to the privatisation of the retirement system); creating an "economic government", essential to synchronizing monetary and economic management with the European Central Bank; rapid activation of a European armed force, which could be also used to intervene in the major social crises that are looming in Europe; and reinforcing EU diplomatic, political and military intervention in the world arena.

All of this makes more necessary a profound reform that would make the institutions of the European proto-state more coherent, complete and strong.

This explains the mad rush forward that produced the Convention, whose selection, composition, method and objective are a simulacrum of democracy. Its only real objective is to equip the EU quickly with a small but strong and efficient executive, capable of confronting the growing financial, political and military instability in the world. This executive would dominate all other EU institutions. It will be directly subordinated to the European Council of member states' governments, and in the service of the big European corporations. In short, it will also be a more effective machine for waging war on the people and the wage earners, here and abroad.

This state apparatus is neither usable nor reformable for the peoples or the world of labour. It must be overthrown, so as to open up a radical democratic constituent process from below. It is up to the peoples and the world of labour to decide what kind of Europe they want to live in, with what sort of institutional relationship among the member states, and on what social and economic bases. Such a conquest of radical democracy will necessarily go hand in hand with overturning neo-liberal policies and replacing them with a programme of urgent social measures in the interests of the workers and the poorest layers of society. Starting now we must demand that at the very least any "new treaty" or "constitution" be submitted to a referendum organised simultaneously in all member and candidate states.

4. Break the neo-liberal yoke: "People before profit"!

The neo-liberal offensive is based directly on the institutionalised coordination of the supranational European proto-state. It enjoys two considerable advantages: the EU treaties prohibit the world of labour from imposing its own social legislation (on wages, social security, the right to strike, hiring and firing, working time and pensions) on a European level. But on the other hand the European governments, united in the Council of Ministers or the EU Summits (as well as the European Central Bank), take the liberty of making illicit decisions on these social topics, in the name of the priority of the (monetarist) criteria of the Maastricht Treaty and the Stability Pact.

The battle to privatise and liberalise is about to enter a new stage. The number one short-term priority is the liberalisation/privatisation of pensions, which have supposedly become "unaffordable". That would bring billions of euros into European "pension funds" and would supply the indispensable foundation for the difficult constitution of a single financial market on the European level.

Moreover, the dismantling of public services (transport) and public enterprises (such as energy and water) will continue relentlessly, with its well known disastrous consequences: growing social inequality; insecurity for workers and users; disorganisation; and rising prices. Together with children, women are the first victims of neo-liberal policies. The relaunching, particularly under right-wing governments, of natalist policies and policies for restoration of the traditional family has aggravated the feminisation of the "new" poverty. This is also strengthening a homophobic mentality in society, despite some progress in terms of legal equality.

A particularly pernicious development is the recent decision to relaunch the nuclear industry. We from our side must reply by relaunching a full-fledged campaign for the (military and civilian) denuclearisation of Europe. This is just one of the (major) elements of the deterioration of the biosphere, which is being subjected more and more to the dictates of the market. We are in favour of a radical reduction of its global ecological impact (climate change, depletion of natural resources, pollution of the planet, destruction of the biosphere), whose central axis could be the general principle of precaution. The EU's policies, pseudo-progressive by comparison with the US's totally irresponsible policies in this area, are in no way an adequate response to the dangers now threatening the planet.

This neo-liberal dynamic cannot be halted with limited measures, because it has become systematic. Priorities must be changed radically: social needs for the mass of the population must come before the profits of big capital.

Our alternative programme is as simple, easy and clearly defined as the bosses' neo-liberal one: a full-time, stable job, a decent wage, and a liveable replacement income (in the event of unemployment, disease, disability or retirement) for everyone; radical reduction of working time without loss of pay or intensification of work, with compensatory hiring; the right to housing, education and professional training and health care, all good quality; and access to means of public transport. These political and social rights will be equal for all workers, native and immigrant, men and women. Implementing them requires: a radical extension of public services; a recasting of the state budget (including the tax system) which drastically increases social spending; and a radical redistribution of wealth and income from capital towards labour. For this purpose all anti-capitalist measures must be taken that are needed to control and, if necessary, expropriate private property and transform it into social, public property.

We want to share these economic, ecological, social, political and cultural alternatives with all of humanity.

5. A different - anti-capitalist, European - Left is necessary!

We, anti-capitalist parties and movements of Europe, are fighting against the EU, its institutions and policies, not in order to defend our national capitalist states, but in the name of a different Europe - social, democratic, peaceful and founded on solidarity. We are fighting for a radical policy reversal in the perspective of a democratic, socialist society, without exploitation of labour or oppression of women, based on sustainable development- self-managing socialism from below.

This is a difficult road, and one that will take time.

The traditional labour movement and its dominant currents are in a historical crisis. Social democracy above all is hard hit. Having abandoned their traditional Keynesian programme, the social-democratic parties in government have systematically applied the neo-liberal programme and are accordingly profoundly discredited. This goes as well for other left parties that have been associated with it (notably in France and Germany). It is not likely that social democracy can return to its classical reformists roots. Today in opposition, it is preparing for its next period in government. It is not breaking with the social-liberal framework.

A space has thus been opened up to the left of the social-liberal "Left".

For the first time in many years, a political polarisation is taking place in Europe, clearly and visibly, in struggles, in the various social movements and trade unions and in elections. This anti-capitalist polarisation is developing, not on the basis of abstract ideological debates, but on the basis of big, earth-shaking events and the lived experience of the popular masses.

The struggle against the ("antiterrorist") war and neo-liberal policies, linked to capitalist globalisation, of which the EU is an essential piece; the central place of the "movement of movements" and its indispensable link with the trade union movement; the search for radical answers and for an anti-capitalist, anti-patriarchal, ecological

and internationalist alternative - all these elements are pushing forward political clarification and convergence among organisations of this "new" anti-capitalist political current in gestation.

Facing the EU, its structures and policies, facing the advanced Europeanisation of the instruments at the disposal of the ruling classes, and the pitiful incapacity of the social-liberal leaderships of the labour and trade union movements, this anti-capitalist left must urgently adopt and propose a European-wide perspective. For it is at this level that the anti-capitalist battles, demands, perspectives and solutions are increasingly posed.

This is why the Conference considers the European Social Forum that will take place in November 2002 a major event for the rebirth of a combative workers and social movement. We will contribute as much as we can to making the ESF the rallying point for all the live forces in Europe, and a springboard for rooting the ESF in each of our countries. We commit ourselves to support its objectives and campaigns.

One of our major difficulties at this stage is reflecting social demands and the social relationship of forces on the political level in order to defeat neo-liberal policies. Our conclusion is that we urgently need to develop the perspective of a European political formation as a space and process in which social and political, anti-capitalist and alternative Lefts engage in discussion so as to move forward.

In that spirit we support the call of the PRC, member of the Conference, for an "Alternative Left Forum", which will take place in Italy at the end of October 2002. On the proposal of the Danish Red Green Alliance, member of the Conference, we will participate in the many activities of the counter-summit that will stretch out from September to December 2002, during the Danish presidency of the EU.

The organisations that come together in the Conferences of the European Anti-Capitalist Left are moving ahead. First, we are staking out our own political identity, made concrete through a "common logo". Second, we are setting to work on more detailed positions on immigrant issues and on the Charter of Social Rights, as a basis for joint activities. Finally, the next Conference of the EACL, the fifth one, will take place in Copenhagen, in December 2002. It will be organised by the RGA.

Two months that shook Lutte Ouvrière

22 July 2002, by Murray Smith

Lutte Ouvrière attracted a certain amount of attention internationally in 1995 when its candidate Arlette Laguiller won 5.3 per cent of the vote in the presidential election. A similar result was obtained at the European elections in 1999 when the joint LO-LCR list won over five percent and elected five Euro-MPs (three LO, two LCR). In these elections, lists of the radical anti-capitalist left won significant votes in practically every country in the EU. The success of the LO-LCR list was widely seen as a possible first step towards a party that would be the French equivalent of the Left Bloc in Portugal, the Scottish Socialist Party, the Danish Red-Green Alliance and other such formations. Viewed from afar there was nothing intrinsically ridiculous about this idea. It was clear that LO and the LCR, separately and on this occasion together, were drawing votes from the same constituency as the new formations of the radical left that were appearing in other countries of Europe.

However, a new party emerging from the joint list was never on the cards. To understand why it is necessary to take a closer look at Lutte Ouvrière.

Lutte Ouvrière was founded on the eve of the Second World War. It never joined the Fourth International or any other international, although it is the centre of a mini-international, the Union Communiste Internationale, with small groups in half a dozen countries. After playing a key role in the big Renault strike of 1947 the group collapsed and was re-launched (as Voix Ouvrière) in 1956 by Robert Barcia ('Hardy'), who has led the organization ever since. Like other far left organizations, VO began to recruit from the youth radicalisation of the 60s and grew dramatically in 1968, when after being banned it reappeared as Lutte Ouvrière.

Lutte Ouvrière can be defined as functioning as a sect in the Marxist sense of the term. 'The sect seeks its raison d'être and point of honour not in what it has in common with the class movement but in the particular shibboleth which distinguishes it from the class movement'. [1] In a 1983 pamphlet LO poses the question of how to create a revolutionary workers' party and replies in the following way: 'It is to this problem, which remains posed for the whole Trotskyist movement, that Lutte Ouvrière proposes an answer different, we think, from that provided by all other tendencies, whatever the differences between them in other respects. It is therefore, in fact, even if that could appear at first sight contradictory, because it is Trotskyist that Lutte Ouvrière exists alongside and independently of the rest of the Trotskyist movement'. [2] And what is this answer different from all other tendencies? The pamphlet explains: 'Our choice is first of all a class choice: the proletariat. But in an epoch where it is the intellectual petty-bourgeoisie which occupies centre stage as far as radicalism is concerned and where the workers' movement is entirely reduced to the reformist organizations, it is also a voluntarist choice which implies the refusal to orient our activity in priority towards the milieux which might seem to be, and which are for so many others, such a priority'.

Here we have in a nutshell the way LO sees itself. First of all, unlike 'all other tendencies' LO has chosen the working class. Secondly, there is the idea that LO has to fight against the pernicious influence of the petty-bourgeoisie and to refuse to orient to those milieux dominated by it. One consequence is that LO has never committed itself to campaigns of international solidarity or to building for example the women's movement or the anti-racist movement. The latest example of this attitude is its shunning of the movement against capitalist globalisation, such demonstrations as that at Genoa and Barcelona being characterized as diversions from the class struggle at home. Thirdly, the workers' movement is entirely dominated by the reformist organizations. Now if this was true in 1983 it is much less so today, when possibilities of recomposition and the creation of new parties are opening up. But as we shall see LO is unable to come to terms with the challenges and possibilities of this new situation and falls back on building its own organization and the perspective of a 'revolutionary communist party'. This party would in effect be LO writ large, with the addition of forces won from a rapidly diminishing Communist Party, towards which LO orients today in priority, often in a rather opportunist way. For example, LO has never been shy about proclaiming its fidelity to Trotskyism. In the 1995 pamphlet 'What is Lutte Ouvrière?' it is clearly stated 'Lutte Ouvrière is a Trotskyist party'. But in Arlette Laguiller's book 'My Communism' published for the recent presidential campaign, the word 'Trotskyism' appears just once in a passing reference. Now while it is correct not to let the question of Trotskyism become an obstacle to working with other forces, not to even mention the subject in a 170-page book aimed primarily at CP members and electors is to say the least surprising.

The particularities of LO, its shibboleths, are to be found more in its way of organizing and acting than in its theory. In this realm it makes no claim to originality, frequently stressing that little has changed since 1940.

LO is organized in an extremely strict and clandestine fashion. It has no public headquarters, elaborate security precautions surround its internal meetings, pseudonyms are universally used and so on. It published the list of the members of its Central Committee for the first time after its congress last year, no doubt in response to coming increasingly under the spotlight of the media. In a feature on the organization published by the Paris daily Le Monde (March 14, 2002), LO claimed to have 7,500 members. In fact it is organized in a highly elitist fashion, in concentric circles according to the degree of political commitment and understanding of LO's politics. The organization has only about a thousand full members (those who have voting rights at conferences).

LO members in the workplaces play a leading and often exemplary role in struggles. But the organization itself is essentially propagandist, as LO itself has no hesitation in admitting. In the pamphlet 'What is Lutte Ouvrière?' under the heading 'Our activities' we read: 'These are essentially activities of propaganda and recruitment. As far as propaganda goes, in addition to the editorial of our workplace bulletins we organize as regularly as possible political meetings for Marxist education'. In fact LO has several hundred workplace bulletins, always with the same formula: one side is the editorial of that week's issue of the paper, the other deals with questions related to the workplace. And each bulletin appears every fortnight, regular as clockwork. Such regularity and seriousness are in fact one of the hallmarks of the organization and one of its positive features. As for recruitment, in spite of its claim to be a 'proletarian tendency' LO devotes a lot of attention to recruiting young people, often from a petty-bourgeois background. Its social composition, particularly its hard core, is in fact probably no different and no more proletarian than other far-left organizations.

In the same pamphlet we read, 'Propaganda activity is also conducted of course by participating in election campaigns', adding 'since 1973 we have stood candidates in just about every legislative presidential municipal election; wherever we could'.

And it is indeed on the electoral terrain that LO has made the biggest impact and become nationally known. Somewhat ironically, as the organization regularly explains that elections change nothing.

In the 1974 presidential election LO presented for the first time Arlette Laguiller, who had just led a nine-week long strike at the Credit Lyonnais bank. An accomplished speaker, she has since stood in every presidential election and has become for the general public the personification of LO. However, electoral success remained limited until 1995. The result that year was clearly a reflection of the growing combativity in the working class and a foretaste of the mass strike movement of November-December that year. But it was also a reward for consistency, for the fact that the organization had stood in elections for over twenty years, always with the same anti-capitalist message, expressed in simple, concrete language that was comprehensible for ordinary people, if somewhat old-fashioned, and for its unambiguously independent stance in relation to the Communist and Socialist parties. An innovation in the 1995 campaign was the putting forward of an Emergency Plan, a series of simple anti-capitalist measures (such as the demand to ban sackings) which had an impact and which have subsequently been widely taken up by others on the left.

In the 1998 regional elections both LO and the LCR registered good results and won regional councillors (20 for LO, two for the LCR). The subsequent agreement to run a joint campaign for the 1999 European elections came as a surprise to many people. In the not so recent past, between 1977 and 1985, the two organizations had regularly collaborated in election campaigns. In the early 1980s joint branch meetings took place, and annual fêtes were organized by the two organizations in 1983, 1984 and 1985. During this period LO combined such joint work with the regular affirmation that the existence of separate organizations was justified and that it would be shown in practice

who was right. In 1986 LO broke off relations of collaboration with the LCR and began a long period of splendid isolation aiming to prove in practice the validity of its own approach.

During recent years joint activity with the LCR has been systematically defended only by the 'Etincelle' ('Spark') faction of LO. [3]

Those on the left who saw the 1999 campaign as a hopeful sign, as perhaps the beginning of a less sectarian attitude on the part of LO, were to be disappointed as the organization quickly reverted to its sectarian line. Already in 1995 Arlette Laguiller had reacted to her electoral success by making a call for a new workers' party. The call had a certain resonance but the leadership of LO quickly buried the idea. [4] The closed character of the organization makes any serious orientation towards a new party, which would necessarily involve working with other forces, extremely perilous for the leadership of LO. They are extremely contemptuous of any talk of recomposition. A declaration by the candidates of LO on May 31 sums it up: 'What working people need is not a new 'recomposition' of the left in order to better deceive the workers, but a party which really defends the political and social interests of the workers, a party which would be what the Communist Party no longer is'. It apparently never crosses the mind of the leadership of LO that such a party could be the result of a recomposition rather than just a bigger version of their own organization.

In a period where the idea and the necessity of a new party, defended by the LCR among others, is winning wide acceptance, even a joint campaign can be dangerous. The question therefore is not so much why LO reverted to its traditional isolationism after the 1999 campaign as why it concluded the agreement in the first place. It seems that the motive was less a desire for unity than a calculation that an alliance was necessary to cross the five per cent barrier in order to have Euro-MPs and have campaign expenses reimbursed by the state. They may also have thought that since the LCR, then emerging from a long period of difficulties, was the weaker partner the operation carried minimal risk. However the LCR emerged strengthened from the campaign and probably gained more from it than LO, something which the leadership of LO certainly understood. When the Ligue proposed an alliance for the 2001 municipal elections, LO abruptly refused. But for the first time the results of the two organizations were comparable, though LO still did slightly better.

For the presidential elections of 2002, the LCR again proposed a joint campaign and offered to accept Arlette Laguiller as the candidate. The main excuse that LO had used to refuse a joint campaign in 2001, the fact that the LCR had a policy of calling for a vote for the official left in the second round of the elections, was no longer available as the LCR had since changed its policy. But the LCR's offer was still immediately refused.

After what was probably the unpleasant surprise of the LCR's good showing in the municipal elections, the leadership of LO was sure that the presidential election, with Laguiller as candidate, would re-establish the relationship of forces in their favour.

Most people, including in the LCR, thought that they were right about that. LO embarked on Arlette's fifth presidential campaign, full of what seemed entirely justified confidence. The candidate had built a solid reputation. Indeed, she was practically the only political figure in France instantly identifiable by her first name. LO conducted an expensive campaign, sure of being reimbursed when Arlette easily cleared the five per cent barrier. At one point she was standing at 11 percent in the polls. The LCR candidate, Olivier Besancenot, was completely unknown at the start of the campaign and until a couple of weeks before the first round was being credited with only 0.5 to one per cent. But of course that's not how things turned out on April 21. The far left got over 10 per cent but with 4.3 percent, Olivier Besancenot wasn't far behind Arlette with 5.7 per cent. The result was not only overall a breakthrough for the far left but a major victory for the LCR and in fact a setback for LO, which did scarcely better than in 1995.

In many ways the style of the two campaigns was well summed up by their central slogans. LO: 'Always in the workers' camp'; the LCR: 'Our lives are worth more than their profits'. LO ran a campaign that was good in its way, anti-capitalist, clearly on the side of the workers, no doubt about that. The LCR campaign was more keyed in to struggles such as those of young workers in fast-food chains, to the movement against capitalist globalisation, to the question of Palestine. The connection was made between the struggles of today and the socialist society of the future. And particularly in the final stages of the campaign, the need for a new party was systematically put forward. Once Olivier Besancenot got access to a mass TV audience during the two weeks of the official campaign, his campaign took off, not only because of his considerable personal ability but because of the coherence of what he was saying. Indeed, it is entirely possible that if the campaign had lasted two weeks longer he would have overtaken Arlette.

The 'Etincelle' faction wrote after the result that Besancenot's score 'represents a notable success for the LCR, on the basis even of the programme of LO'. That is and isn't true. The LCR campaign took the best of LO's programme, its clear line of class independence and in particular independence from the official left. But it added a content that was much broader and more dynamic.

LO's analysis of the results was that their own electorate was stable and that the LCR now had 'its' electorate, i.e. that the two electorates were separate. In the April 26 issue of the weekly 'Lutte Ouvrière' Georges Kaldy, one of the organization's central leaders, wrote of 'the existence of a significant LCR electorate' and of 'several far-left candidates representing different policies and addressing different milieux'. Again that is and isn't true. In the first place, both organizations would be unwise to assume at this stage that they have a stable electorate which is 'theirs'. The LCR undoubtedly attracts a vote that is somewhat younger (10 per cent of

18-24 year-olds voted for the LCR, 6 per cent for LO) and less limited to the traditional sectors of the working class. However, fundamentally the two organizations are appealing to the same audience, those who are thoroughly disillusioned with the official left and are looking for an alternative.

In the event, the results of both organizations were overshadowed by the first-round elimination of Lionel Jospin, by the National Front leader Jean-Marie Le Pen making it through to the second round and by the enormous anti-FN mobilization between the first and second rounds.

LO's analysis of the vote for the far right was to completely downplay its significance, insisting on the fact that the progress in votes was very limited, that Le Pen got through because of the collapse of the Socialist Party vote, that there was no danger of fascism. That is of course strictly true. However, even the maintenance of the far right at nearly 20 percent is not to be swept aside and its ideas need to be combated. And the fact that many of the overwhelmingly young people on the big anti-fascist demonstrations overestimated the real danger does not detract from the hugely positive character of those demonstrations, something which seems to escape LO.

Between the two rounds, the pressure built up for a vote for Chirac in order to inflict a resounding defeat on Le Pen. This pressure came from both the political establishment and from the demonstrations and the electors of the left and the far left. Polls showed that 70 to 80 per cent of those who had voted for Laguiller or Besancenot in the first round voted for Chirac in the second.

The reactions of LO and the LCR were quite different. After some hesitation the LCR called for a 'vote against Le Pen', which could have included a blank vote but was widely and correctly seen as authorizing a vote for Chirac. At the same time the LCR was quite unambiguous about what Chirac represented and its central slogan in the demonstrations was '20 years of anti-social policies, 20 per cent for the National Front' thus pinpointing the responsibilities of the governments of both left and right. Also after some slight hesitation, LO opted to actively campaign against a vote for Chirac. This put the organization in a position of frontal opposition to the mass of the anti-FN demonstrators, making the question of a vote for Chirac a line of division in the movement. LO contingents, even with the widely respected Arlette at their head, were booed on demonstrations.

This difference over the vote for Chirac provided the leadership of LO with the excuse it needed to refuse the LCR's proposal of an agreement for the June legislative elections. As a result the two organizations ran separately, LO everywhere, the LCR in over three-quarters of the constituencies. In the overall context of a campaign that was pretty dismal and apolitical, many of those who had voted for LO and the LCR in the presidential election either abstained or chose to vote for the official left to limit the scope of the expected victory of the right. But within this framework, the LCR for the first time won more votes (328,000) than LO (304,000).

The electoral setbacks for LO in the presidential and legislative elections are extremely significant. Many of those who voted LO previously because it was the only credible force to the left of the official left now know that that is no longer true. And LO is undoubtedly paying the price of its sectarianism, in general and in particular between the two rounds of the presidential elections.

Inevitably, even in an organization as closed as LO, this situation will provoke questioning and dissensions. These will not be limited to the 'Etincelle' faction, which is however more convinced than ever that it is right to argue for LO to adopt a unitary approach, especially in relation to the LCR. During the legislative campaign a group of LO members in the southern town of Arles left and joined the LCR. They may not be the last.

The question of unity with other forces on the left and the question of a new party will not go away. But in the coming period these questions will be posed not on the electoral level, but in the context of working-class resistance to the attacks of Chirac and Raffarin. LO will have difficulty evading them. Its present difficulties demonstrate that today those far-left organizations, even the biggest of them, which place their own interests above those of the movement as a whole and which see their own construction as an end in itself will be unable to rise to the challenges of the period and will pay a price for that.

Footnotes

[1] Marx to Schweitzer, October 13, 1868, in 'The First International and After'.

[2] 'Lutte Ouvrière dans le mouvement trotskyste', published by Lutte Ouvrière.

[3] This is a public faction of LO led by some of its historic leaders. In contrast with the general absence of structured democratic debate in LO, the Faction has the right to a column in the weekly 'Lutte Ouvrière' and in the journal 'Lutte de Classe'. The flipside of this is that most of its members have either been expelled from LO or have never been allowed to join. Those who are members are not part of the normal branch structure. The Faction has its own branches and its own factory bulletins. At annual LO congresses it receives more than three per cent of the votes.

[4] Those members of LO who took the call too seriously were subsequently expelled from the organization. They included the overwhelming majority of the members in Rouen and Bordeaux. Those expelled formed the organization 'Voix des Travailleurs', which joined the LCR in June 2000.

The crisis is not over

22 July 2002, by François Ollivier

Massive abstention, rejection of the governing party, the breakthrough of the far right, and the upsurge of the far left spilled into open crisis. The eruption of the mass movement to block the Front National also reflected, in its way, the sharpness of political tensions. Resting on the institutions of the Fifth Republic, Chirac was re-elected as President. Then, through a mechanical sequence, the right won a majority in the national assembly, giving the appearance of a return to stability. However, the crisis is not over.

The meaning of abstention

Massive rates of abstention have been the major feature of these recent elections. Abstention, which has been growing for a decade, reached a peak at these recent elections. It has been an underlying tendency of the French and European political situation in recent years. That does not prevent, in some cases, a massive participation when the electorate senses something is at stake, as for example in the vote against Le Pen in the second round of the presidential election, but in general recent elections indicate a growing distancing of citizens from their system of political representation.

There is a first basic explanation for this phenomenon: the confiscation of democracy by the logic of the concentration and 'financialisation' of capital. The economic powers Â multinationals and financial markets Â increasingly domesticate the states and their institutions. In a period of neo-liberal counter-reform, what matters is increasingly less likely to be decided by governments and parliamentary assemblies. The process of neo-liberal construction in Europe has aggravated this tendency. Hence millions de citizens are excluded from political life. They consider that politics can no longer change their living conditions. The political line of the dominant classes thus empties the institutions of representative democracy, which are increasingly less representative of citizens, of their substance. At the root of the phenomenon of abstention there is this tendency of neo-liberal capitalism that confiscates democracy.

It is one of the fundamental features of the 'American model' where half the citizens Â workers, employees, poor, black, Chicano Â are excluded from the electoral process in a bipolar system where 'Democrats' and 'Republicans' face each other in a theatre of shadows. In short, universal suffrage is progressively and cynically replaced by a suffrage of the 'poll tax' type from which the poorest are excluded.

In France, 20 years of neo-liberal policies have led to massive abstention and the breakthrough of the Front National, to which we will return. The institutional mould of the Fifth Republic gives a specific form to this general tendency of the transformations of capital. The original Bonapartist form of the Fifth Republic had already significantly reduced the perimeter of parliamentary democracy. The election of the president of the Republic by universal suffrage gave exorbitant powers to a single person, 'a permanent coup d'état' as Mitterrand described it before himself taking command of the state and using its institutions to his own profit. The mode of election on a majority basis over two rounds excluded a whole series of political currents from legislative representation, increasing majorities and reducing the share of the opposition. The reform of the five year term of office, like the initiatives aimed at modification of the electoral calendar, have strengthened this 'secondarization' of the role of the national assembly.

In short, the specific character of the institutions of the Fifth Republic amplifies these phenomena of abstention.

We repeat, the basic explanation for abstention is the effects of the neo-liberal socio-economic policies of governments of left and right; this goes beyond the institutional forms specific to each country but the logic of the French institutions accentuates the phenomena. Even if, we should specify, it is a tendency and not a finished process.

These transformations collide with and will collide with the history of the country, its revolutionary traditions, the reality of the social and political relationship of forces which is reflected in the level of social resistance to neo-liberalism. However, the events of April and May 2002 speeded up all these processes. That is why the results of the presidential and legislative elections remain fragile for the right; the ground is still moving. Order has not yet been restored. The crisis of the first round of the presidential has not been overcome by the election of Chirac and the victory of the parliamentary right.

In these conditions we must oppose the 'presidentialization' of the institutions with a logic of radical democracy, not a return to the parliamentarism of the Fourth Republic. A Sixth Republic or a new republic which would maintain intact the neo-liberal order would not settle the basic problems the people face. Only a radical democracy which constitutes a genuine democratic and social breakthrough would begin to give a first coherent response; in particular, through the election of a national assembly by proportional representation, popular control of those elected, disallowing the holding of concurrent mandates, the alignment of the incomes of deputies and ministers with those of the average wage earner, the suppression of the election of the president of the Republic by universal suffrage and the abolition of the old Senate.

This rupture with the institutions of the Fifth Republic should also have an economic and social content which

allows the elected assemblies to control the country's activities on an overall basis. Democracy should not stop at the door of the workplace nor before the power of the financial markets. No domain should be free of it. It demands inroads into private property and the establishment of social property. It presupposes then a mobilization of workers and the emergence of forms of direct democracy in the workplaces and the communities which would also involve their centralization. From this point of view, the socialist perspective is also that of extreme democracy.

Relationship of forces and victory of the right

Abstention is, then, the manifestation of a political and institutional crisis. Contrary to the analysis put forward by Jacques Julliard in the Nouvel Observateur, who writes that 'the French have sensibly returned to a bipolarisation which once again renders the political game readable', we do not think that the election of the 400 right wing deputies to the national assembly reflects the exact relationship of social and political forces. It is 'too good to be true' as Raymond Barre, a rightist who with a more intelligent appreciation of the relationship of forces and the interests of the dominant classes, has noted.

It would be truer to say that there is a strong tendency to political and social polarization in the country expressed by the parliamentary victory of the right, the social-liberal evolution of the traditional apparatuses of the left and the trade union movement but also by the resistance of workers and social movements to the neo-liberal offensive.

In one sense, the breakthrough of the far right and at the opposite end of the spectrum the far left's upsurge also witness to these tendencies to polarization.

However, the balance of the relationship of forces is moving to the right. The 'right wing wave' today sweeping across nearly all European countries after years of left and centre left government corresponds to an acceleration of neo-liberal construction in Europe.

It amounts to the punishment of a left enmeshed in the criteria of Maastricht but it is also the result of the politics of the dominant classes, who demand that neo-liberal restructuring passes to a higher gear.

Deregulation, generalization of privatisation, flexibility, challenges to pension regimes, reforms of unemployment benefit systems to force jobseekers to adapt to insecurity; these have been the axes of governmental policies which have sought to put an end to what remains of a certain type of 'European social model'.

Thus the constitution pf a single party of the parliamentary right, the UMP('Union of the de la Majorité Présidentielle'), has a dual objective:

- to cope with the confrontation now being prepared to remodel the country's social relations, essentially to implement the 'social refoundation' proposed by the MEDEF [the employers' organization - ed.].

- to lean on the institutions of the Fifth Republic in building the party of the president.

It is a turning point for the French right which notes the level of social and political instability and which draws all the consequences of the institutional changes which have happened in recent months.

This explains the prudence of the French leaders. Nonetheless, behind the 'rural', 'France profonde' image projected by Raffarin's team, the dominant classes of the country are preparing a new offensive against the labour movement.

After the parliamentary elections, Chirac and the traditional right have contained the crisis of April 21; now, the focus moves to the extra-parliamentary social and political relationship of forces.

The situation of the far right

Maxime Brunerie (right) would be assassin of Chirac, on FN march, 2000

After the parliamentary elections a number of commentators once again declared the far right to be buried. Wrongly. Certainly, the Front National fell back but there are two possible approaches to this.

a) The first stresses the raw electoral data; these reveal only a very limited overall progression of the far right vote. Le Pen's vote plus that of Megret [another far right candidate - ed.] was only just 600,000 more than the combined score of Le Pen and De Villiers [a right wing Catholic traditionalist - ed.] at the 1995 presidential election. Le Pen only beat Jospin by 200,000 votes. At the parliamentary elections of 2002, the far right lost 2 million votes.

From the strictly electoral viewpoint, this analysis underestimates totally the consolidation of the far right vote during the presidential elections; the FN confirmed its 1995 result in 2002, while in the second round of the presidential election it repeated its performance in the first round despite an extraordinary anti-fascist mobilization. More than 5 million people voted for Le Pen. As for the results in the 2002 parliamentary elections, they are in line with the average FN vote obtained over the last 15 years. The system of majority voting over two rounds and the dynamic of the useful vote also penalized the FN. In general this analysis leads to a relativisation of the consequences of the FN's vote.

b) The second approach, which we share, looks beyond the simple analysis of electoral movements. It relates the overall factors which have determined the political crisis: Le Pen's breakthrough should be related to the rejection of the governing parties after 20 years of neo-liberal policies carried out by successive

governments, to the explosion of abstention, the collapse of the traditional right (a loss of 4 million votes between 1995 and 2002) and the debacle of the left (a loss of 2.5 million votes between 1995 and 2002). The right, resting on the institutions of the Fifth Republic, has retaken the initiative after the parliamentary elections but nonetheless the far right's accumulation of electoral strength is such that in a conjuncture of crisis the fascist party becomes the nodal problem of the situation. That also explains the mass democratic and social eruption of youth and workers against the FN.

In this situation the tactics, proposals and attitude of revolutionaries should all be concentrated on the development of democratic and social resistance to the far right.

Certainly (and we have always said it) we are not in the 1930s, on the eve of a fascist seizure of power. Fascism was the counter-revolutionary response to the revolutionary rise of the working class in Europe.

At this stage, there is no mass fascist party taking to the streets to attack the workers' organizations. No significant fraction of big capital supports Le Pen's party.

However, the depth of the social crisis, the upheavals resulting from capitalist globalisation and the hypothesis of a European crisis combine together to create conditions favourable to the growth of the far right. 'Populist' or 'fascist', it could become one of the instruments of an authoritarian solution and no doubt a decisive strike force against workers and their organizations.

The qualitative transformations of the left

These recent elections have confirmed the tendencies at work on the French left for several years:

The left suffers from a real disengagement from a significant part of the masses, reflected in abstention, votes for the far left and unhappily for the FN also. In these conditions, contrary to the expectations of a number of PS and PCF leaders, there was not, in the second round of the parliamentary elections, any 'jump' by the people of the left to save a series of left deputies. Nonetheless, a significant part of the masses continue to vote for the traditional left and more exactly for the Socialist Party. These sectors are socially and politically heterogeneous; some continue to vote left to block the road to the right. Another section of the wage earners and the middle classes accept the neo-liberal theses, in the absence of a credible political alternative. If the PCF is collapsing and the ecologists are sagging, the PS remains the broadly dominant party on the left.

However, it's a PS which is changing. Social democracy is orientating increasingly towards social liberalism. The integration of social democracy in the state apparatus and the circles of industry and high finance have converted the essential players of the socialist apparatus to neo-liberalism. It is less and less 'the trade union bureaucrats and the café owners', to use Trotsky's phrase, who dominate the socialist apparatus, but increasingly technocrats and senior civil servants.

Jospin's orientation, presented as an alternative to the politics of the 'Third Way' of Blair and Giddens, has not carried much weight. The balance sheet of the Jospin government in the area of privatisation or flexibility of the workforce shows that the PS has adapted to the underlying tendency working through European social democracy as a whole. European construction has accentuated this integration in the structures of domination of the dominant classes. This evolution is not restricted to the political parties; it also involves a good part of the trade union movement integrated in the European Trades Union Confederation (ETUC).

That has not yet led to a rupture of political relations between social democracy and the history of the workers' movement; as we have shown a part of the mass electorate still follows this traditional left but the organic adaptation of the latter to neo-liberalism has gone through qualitative advances in the recent period. And the question now posed for social democracy is to adapt the theory, the programmatic corpus, to the policies implemented for some years. In short, does it follow Blair into a new ideological revision? Some socialist leaders - Fabius and Strauss Khan - answer in the positive. No doubt, there will be debates in the PS and the evolutions will depend also on the extent of social conflict, but the logic of the socialist apparatus pushes in this direction. That does not rule temporary 'left' positions which could be taken by the PS apparatus in response to a radicalisation of the situation.

Finally, this socio-political change is also reinforced by the logic of the institutions of the Fifth Republic. The alternation between conservative party and liberal left is now integrated by all the forces of the plural left. It is moreover this which led the Jospin government to itself take the initiative of the referendum on the five year Presidential term and the modification of the electoral calendar, giving pre-eminence to the Presidential election.

This 'presidentialization' of political life led the socialist leaders to accompany their social-liberal adaptation with a mechanism whereby the PS will be locked much more into its alliances. The formula of the plural left is now obsolete. The PS finds itself with considerably weakened allies. Thus the qualitative modifications of the workers' movement, the decline of the PCF and the limitations of the ecologists will lead the socialist leadership to retain formulae which push the PS to accentuate its place as central party, enlarge its social and political base to become the 'big party of the social-liberal left', the party of alternation on the left, and to relativize the question of alliances. The acceleration of the presidentialization of the regime creates an impulse to construct to left the equivalent of what the UMP is to the right.

Where will the leadership of the PS end up? What will the relationship between the allies and the central Party be? How will the Greens and the PCF position themselves in this

debate? These will be the decisive questions in the coming months.

Unhappily, this social-liberal evolution will not spare the allies of the PS, the PCF and the ecologists. The latter have limited the electoral damage to themselves. They occupy a specific place on the left, combining radical proposals on the societal level Â in defence of the rights of the undocumented immigrants, for example Â and acceptance of the social liberal framework in participating in the government of the plural left.

Thus, if the Greens have pushed forward certain discussions on ecological questions, they have not particularly distinguished themselves in relation to certain key questions like nuclear energy or genetically modified organisms. How to relaunch an activity of unitary mobilization on these themes, how to push forward the debate on the necessity of a new political approach where participation in the institutions is subordinated to the dynamic of the social movements, these are some capital questions to debate with the Greens.

The PCF has experienced a new electoral setback, in both the presidential and the parliamentary elections, which has not really been softened by the preservation of its parliamentary group in the assembly. Its result is now equivalent to that of the far left. The historic function of the PCF has been discussed since the collapse of the USSR. Its satellization by the PS has substantially sapped its 'national communist' bases. The USSR no longer exists, the PCF is no longer sufficiently distinct from the PS, what is the purpose of the PCF? That is the question posed by thousands of Communist voters and activists and beyond this thousands of activists in the social movements or other left and radical left political parties.

The historic decline of the PCF is irremediable. Defending the apparatus of the PCF cannot constitute a policy. The confirmation of an orientation subordinated to the PS, for some, or nostalgia for the PCF of yesteryear for other oppositionists, can only lead to an impasse. Falling back on a theoretical discussion reduced to the Communist project or the reconstruction of a 'Communist house' does not take into account the necessity of an overall recomposition on new axes.

A new anti-capitalist force cannot identify itself with a patching up operation linked to the apparatus of the PCF. What is needed is a break with the infernal logic of the debates inside the PCF which, for some, confuses unity with adaptation to social democracy and for others, confuse radicalism with nostalgia for a bygone Stalinism.

It is by drawing the lessons of Stalinism in all its dimensions, by returning to the balance sheet of participation in the government, by choosing the terrain of unity of action and reflecting on the proposals of rupture with the capitalist system that the construction of a unitary and radical current will be advanced.

After Olivier Besancenot's campaign, the LCR has met a certain echo among Communist activists. This new phase in the PCF's crisis demands a series of specific LCR initiatives: from proposals for common action and discussion with militants and sections of the PCF to participation in all the debates today going on in the 'Communist galaxy'.

And the far left?

The far left or the radical left can now be an entirely special political force in the French situation, even if the results of the far left in the parliamentary elections did not confirm those of the presidential contest. The candidacies of Laguiller, Besancenot and Gluckstein had obtained 10% of the votes in the first round of the presidential election, while the far left did not get more than 3% in the parliamentary election.

In a difficult election, this was the result of the system of majority voting over two rounds, which penalized the small political formations, exerting pressure for a 'useful vote' while encouraging abstention among those who, precisely, did not wish to vote 'usefully'. The far left also paid for its divisions, in some seats there were no less than five candidates of the radical or far left.

We should add a final commentary on our results; the fact that many voters did not yet make the connection between the candidate of the LCR in the presidential elections Â Olivier Besancenot Â and the candidates of the LCR in the parliamentary elections.

In this framework, two remarks should be made concerning the LCR's results in the parliamentary elections. The first is that in 1997 we presented and supported only 150 candidates who obtained nearly 80,000 votes. In 2002, the LCR presented 450 candidates who won nearly 330,000 votes. It represents clear progress.

Secondly, these parliamentary elections reveal a relationship of equilibrium between the score of the LCR and that of Lutte Ouvrière, to the benefit of the Ligue. Lutte Ouvrière has visibly been punished by a part of its electorate, which did not accept its sectarianism or the political approach of LO between the two rounds in the mobilization against Le Pen. In calling for a blank or spoiled vote in the second round and refusing to call for a vote against Le Pen, the leadership of LO was frontally opposed to the movement against the FN. As a result, a part of its electorate withdrew at the parliamentary elections.

It would be wrong to conclude after the parliamentary elections that the far left is out of the game. These elections are the most difficult ones for the far left, and also it is necessary to take account of the results over the long term. Since 1995, with the exception of the two parliamentary elections of 1997 and 2002, the far left has progressed with each contest, to reach 3 million voters in 2002.

The weakness of the current situation of the far left does not reside in its electoral results, completely exceptional in relationship to the membership of these parties, but in the limits of the political self-activity of the labour movement. These results, if they indicate a partial political reflection of the social struggles of the past decade, do not correspond to a qualitative

progression of anti-capitalist consciousness linked to the organic growth of 'class struggle' currents or parties in the country.

The radical left, in all its plurality, is developing in Europe today. A new political space is opening for this anti-capitalist left in Italy, Portugal, England and Scotland, Denmark and France. It results fundamentally from social resistance and neo-liberal offensives Â workers' and social struggles, movements against capitalist globalisation Â and qualitative changes in the traditional left. The social-liberal evolution of social democracy combined with the decline of the Communist parties frees a space to the left.

This space must not be left to the social liberals and the sectors of the masses for whom the struggles of a real left retain a meaning must not be abandoned; that is the meaning of '100 % à gauche' reference point of the candidates or municipal lists presented or supported by the LCR in these elections.

Beyond these references the construction of a new anti-capitalist force will turn around the following axes:

a) The 'centrality' of the social question. The relevance of a critical Marxism resides in the analysis of the contradictions of capitalism and the social struggles that the latter generate, of the extension of their themes, youth, feminists, ecologists, articulated with the contradictions of the labour-capital relationship. Far from seeking the 'elusive middle classes', we start from a broad definition of the proletariat: 'all those who are forced to sell their labour power', that is more than 2/3 of the active population: workers, employees, technicians, teachers, some managers, employed or jobless.

Why recall all this? Because one of the key problems of reconstruction of a social and political movement is to reconstruct a sense of social and political belonging or identity. They are said to be 'invisible', but the majority of the population is very much made up by the class of workers, even if this class is fragmented, differentiated, divided by situation and status. There is effectively a crisis of identity which is exploited by the far right, who substitute racial or nationalist references for social ones. This crisis of social identity is also seen at the political level where the disintegratory effects of Stalinism and social democracy at the level of political consciousness still weigh on the emergence of a new political force. It is the task of the revolutionaries and beyond that the anti-capitalists to reconstruct these class references. Hence the necessity of putting the accent on a series of experiences of struggle from Danone to the youth at MacDonald's, on the democracy and self-organization of the social struggles and movements. Hence also the importance of restoring some flesh to the socialist project by revitalizing a programme of revolutionary democracy. It is also this understanding that led us to the choice of a young worker as candidate in the presidential election. A 'young postman' whose discourse the popular classes could identify with.

b) The social question is also at the centre of the programmatic refoundation of an anti-capitalist left. This programme must combine the immediate demands of the struggles with transitional objectives which reverse the current socio- economic logic, giving priority to social needs rather than profit, objectives which subordinate property to social rights. To rearm the social movements over the long term, we must avoid self-limitation to the struggle against neo-liberalism, whether it is a hypothetical return to a capitalism with a human face or the definition of objectives compatible with the domination of the law of profit and the preservation of the bourgeois institutions.

The discussion on the question of banning layoffs or on participation in government relates to this debate. This programmatic discussion should also integrate a broad vision of the social question. It is not only about defending the interests of the workers in the workplace, but integrating all the dimensions of exploitation and oppression, first of all the struggle for the liberation of women. It is also about action against capitalist globalisation, the question of soft drugs which we raised in the presidential campaign or other societal or democratic themes.

c) Finally, building a new party means doing something new. This perspective cannot centre on developments inside the traditional organizations. Of course sectors of the PS, PC or ecologists can at given moments oppose their leadership, indeed break with their organizations. They can wish to change the left. We should be there, attentively, but the centre of gravity of a new force will be outside the old traditional organizations. It is about changing the left, to build a new force.

This was also one of the successes of the Besancenot campaign: affirming a clearly demarcated camp and in particular registering a clear delimitation from the plural left.

There are today two lefts, in action and in perspective, in this country. A social-liberal left satellized by the PS and composed of the parties of the ex-plural left and an anti-capitalist left. A left of fellow travellers with social-liberalism and a left of rupture with the capitalist system. Of course, some areas of unity of action between these lefts are indispensable to resist the attacks from the employersand government but the construction of a new force which can resist the right and the far right can only be done in total independence from the parties of the governmental left. A new political perspective cannot blur indispensable demands for social mobilization, the banning of layoffs for example or questions like participation in governments of the social-liberal type. Such a blurring is characteristic if the current projects floated by the Greens and the PCF, which allow these latter to maintain their links to the PS.

The LCR: passing to the stage of the small popular party

It is in this framework, that of the necessity of an anti-capitalist

alternative, that we must now adjust the construction of the LCR in the new period, effecting a deep seated change in the organization in the wake of the campaign of Olivier Besancenot.

a) First, by proposing united mass action. The question of the preparation and construction of unitary social mobilizations against the plans of the Chirac-Raffarin government is one of the priorities of the coming social and political period.

Pensions, layoffs, wages, privatisation. On each question, we must build a unitary front of workers and their organizations. Why not build a unitary national committee for the defense of pensions based on the local committees in the communes, workplaces and neighbourhoods? On the anti capitalist globalisation front, mobilization for the European Social Forum in Italy and preparation for the mobilizations against the holding of the G8 in France in 2003 will constitute the next important events. A spectre is haunting the right now that it has returned to power: the general strike of winter 1995. It's up to us to create the conditions for a new 'tous ensemble' ['all together'].

b) The LCR has called for the holding of forums to discuss the perspectives for the construction of a new anti-capitalist force. The political crisis which resulted from the first round of the presidential election has accelerated this perspective: faced with the liberal left which has failed, a new party is needed.

We have proposed to associate local activists or collectives with these forums. The discussion on this question is decisive for the future, both from the viewpoint of political content and form. On content, programme, strategy, breaking with capitalism and its institutions is central. These are the broad lines of Olivier Besancenot's campaign. On the forms, a new force can only result from a qualitative leap in the organization of radical and anti-capitalist forces.

Only a convergence of forces originating from the social movements, the young generations, left activists breaking from a bankrupt policy and revolutionaries can lead to new organizational structures Only such a convergence will go beyond current reality from an organization like the LCR. Events can accelerate the situation, but as things stand at present, this process will be long: it demands many debates and the confrontation of experiences. In this perspective, the LCR has taken the initiative of Forums which will be organized by its local activists but also by the currents, groups or activists interested in this discussion. These meetings will be an important chance to discuss, draw links, create the conditions of exchanges on immediate action and perspectives. In the immediate the LCR is available to participate in all the debates which will interest thousands of left activists. It will also pursue its unitary policy in relation to Lutte Ouvrière.

c) Finally the new political situation puts on the agenda a process of transformation of the LCR in the wake of Olivier Besancenot's campaign. The latter has attracted some hundreds of sympathizers and new members. The LCR must now open itself up and change so as to welcome them, stabilize and organize them. To pass from the stage of organization to that of small popular party, that is the objective for the Ligue in the coming months. This militant influx is essentially composed of youth, but also activists who have observed the Ligue for some years and who now make the step of joining, not forgetting those former militants who are resuming party involvement. Membership cards have been drawn up. They allow the formalization of the militant contract between member and organization. Meetings or educational sessions for new members have been organized nationwide. Dozens of new sections must be created to respond to the demands of groups of activists in the new towns. In short, we are confronted with a new stage in the construction of a revolutionary organization, a new Ligue.

The current situation and the tasks of revolutionaries

22 July 2002, by Ernesto Herrera

A climate of insurrection and popular disobedience has established itself in the region and although the intensity of its manifestation is not uniform, the scenario is one of instability and ungovernability.

The transitory character of this new period of the class struggle is beyond question, inasmuch as the struggle over what the new relationship of forces will be is far from arriving at an outcome.

In these conditions, imperialism is reorganizing its strategy of recolonization, launching an offensive combining political, economic and military factors with the goal of ensuring its domination. The militant forces of the Fourth International act decidedly in this new period of the class struggle. They share the reflections and the combat experiences of the social movements, the initiatives of the organizations of the Latin American left, as well as the dilemmas, impasses and challenges with which it is confronted. In the same way, the forces of the Fourth International participate in the (re) construction of a critical, democratic, liberating, socialist thought and the refoundation of an alternative program and a strategic horizon, with the perspective of a regrouping of the

radical left.

The text that follows is an introduction to the debate within the framework of the preparation of the Fourth International's next World Congress, its draft resolutions and the tasks that the period imposes on the revolutionary forces.

1. Reorganization of imperialist domination

1.1. The vote of condemnation in the UN (supported by the majority of Latin American governments) and Uruguay's breaking off of its diplomatic relations with Cuba; the coup d'etat in Venezuela; the deepening of the war in Colombia; and the economic destruction of Argentina so that the country can be bought up cheaply, to eliminate the Common Market of the South (MERCOSUR) and to impose the Free Trade Area of the Americas (FTAA), marks a new phase in US imperialism's offensive on the continent. With Mexico and Central America aligned in the North American Free Trade Agreement (NAFTA) and the Puebla-Panama Plan, with the Caribbean subjected to the absolute control of Washington, the main battle will now be waged in South America.

This offensive has been reinforced after the events of September 11, 2001 and the international campaign against 'terrorism'; but mainly after the opening of a revolutionary process in Argentina and the crisis in Venezuela.

FARC fighters

1.2. US policy in the Latin American region rests on three pillars: military deployment and the criminalisation of protest and social resistance - in the name of the fight against 'terrorism' or 'narcoterrorism'; a strategy of economic recolonisation via a complete 'trade liberalization' that seeks to guarantee and expand the investments of US companies and the plundering of natural resources through mega-projects (Amazonia, Patagonia, Central American Isthmus); a redefinition of the role of continental institutions like the Organization of American States (OAS) and the Inter-American Treaty of Reciprocal Assistance. This policy of 'hemispheric security' is intended to play the role of a shield given the crisis of legitimacy of the local dominant classes, and to act as a factor of stabilization in a scene of political-institutional ungovernability, social protest and, in certain cases, crisis of the system of domination.

1.3. In this context, the governing elites are subordinated and present a pathetic face of misfortune. Simply the contradictions with Brazil and Venezuela (who account for 42% of the GDP of Latin America) around the FTAA, agricultural subsidies, steel and oil, shake the relations of the United States with the governments of the region. Dependent on the imperialist economic shield (the US and European markets and the conditions of the international financial bodies like the IMF, World Bank, IADB), and tied to the rules of the WTO, the local bourgeois elites surrender or weakly demand a 'more just free trade'.

At the recent summit in Madrid, the Latin American governments received a slap in the face. Although they sought a 'solid bioregional strategic association' with the European Union, they were rejected because of a 'lack of integration and stability', whereas Argentina was told to take tougher measures of adjustment and reach agreement with the IMF. In the FTAA meetings in Caracas and Panama (May 2002), the United States insisted on forcing a convergence around its interests, at the same time that it was increasing its protectionist measures on agriculture. The imperialist demands centred on the 'liberalization of markets' in five fundamental areas: industrial goods, agriculture, services, government purchases and foreign direct investments. On government purchases, the United States demands that the rules of the FTAA are applied, not only at federal or national level, but also to state, provincial and municipal governments. In other words, 'governance' downwards.

The rules that are good for the globalisation of capital would be imposed down to the local level, once again depriving the people of sovereignty in defining their own paths of development. This new condition is aimed directly at the heart of any program of self-managed democracy and/or Participatory Budget. The increase in imperialist pressure takes place at a time when countries like Brazil and Argentina need to reduce their trade deficits to cover the payment of interest on the external debt and reduce their internal mega-debts; thus, a few months from the Brazilian elections, adding another condition on the future government.

1.4. The strategic reorganization of the United States takes place in a double perspective of accomplishment of a process of continental trade liberalization and repression of the popular movement. The military deployment is taking place in order to control - or more precisely force through - trade globalisation and the social disorders and revolts that it generates. The strategic importance of the Andean region makes it one of the priorities of US security policy.

Plan Colombia (rebaptised as the Andean Regional Initiative) occupies a central place in the counter insurgency strategy. The third biggest recipient of 'military' aid (after Israel and Egypt), the fourth biggest trade partner of the United States, and the fifth biggest Latin American economy, Colombia is a laboratory for large scale intervention.

While Uribe, a far right candidate with paramilitary links promises to involve a million civilians in the war, either armed or as 'toads' (informants), Bush is redoubling the bet. The 68 million additional dollars for the fight against 'narcoterrorism' have already been voted for and in 2003 there will be 98 million dollars to create an 'oil army' of mercenaries to take care of the Occidental Petroleum pipelines. In the 'backyard' and for reasons of security, the United States has decided it will not allow a 'failed State'. Still less in a region rich in oil, coal and mineral resources.

In such conditions, Plan Colombia is

not only aimed against the armed insurgency (particularly the FARC) and the social movement as a whole, but acts as a dissuasive mechanism against the popular resistance in Latin America. At the same time it opens up favourable scenarios for US multinational companies. And it is evident that Plan Colombia is not limited by borders or domains; that the US intervention will not stop in any country, or adjust to any other interest than those of the United States.

General Galtieri and henchmen

1.5 As part of this military intervention, the government of Panama is increasing its military presence in the Darién area and is using a clause in the agreement on the Canal that anticipates the possibility that Washington sends troops. Military bases have been set up in Aruba-Curazao, Manta (Ecuador), Comolapa (Salvador), Tegucigalpa and Palmerola (Honduras), Liberia (Costa Rica) and other military activity has included Nuevos Horizontes (Peru), the occupation of Vieques (Puerto Rico), Plan Dignidad in Bolivia, Operation Cabañas 2001 (Argentina), and the training of soldiers in Concepción (Paraguay). All this shapes the list of a bellicose regional schema that enjoys exclusive access to the base at Alcántara in Brazil. The US preoccupation with 'hemispheric insecurity' is expressed in the document of the Joint Chiefs of Staff of the US army - Joint Vision 2020- published in June 2001, reiterating the ominous doctrine of 'national security', the US military draws attention to the main centres of instability: the 'radical triangle' (Colombia, Ecuador, Venezuela), Peru, Panama and Argentina. The same goes for the document - United States Policy With Respect to the Andean Region - drawn up by the State Department on May 17, 2001, which envisages an injection of 'security' aid in the form of Foreign Military Financing and Military training and Education abroad The United States is mobilizing the CIA, the Drugs Enforcement Agency, the Pentagon, the coastguard service and the Southern Command to implement this policy of intervention.

1.6. The continental counterinsurgency strategy is accompanied by multilateral operations in the perspective of a Latin American intervention force - a kind of armed 'antiterrorist' body of the OAS itself. In effect, the institutional aspect of this reorganization is also developing. The OAS is being revitalized and is constructed as a paradigm of 'democratic solidarity' for the countries of the continent (Inter-American Democratic Charter, adopted in Lima soon after September 11, 2001) articulating 'the defence of human rights' and good 'regional governance'. Meanwhile, the repressive apparatuses are modernized, impunity for state terrorism is ensured and the 'social cleansing' of the 'disposable' subjects (as in Colombia, Guatemala, Chiapas, Argentina and Brazil) is part of the fight against 'organized crime', 'contraband', 'drug trafficking', the 'delinquency' of the 'illicit economy' of the 'dangerous classes'.

This inter-American 'governance' seeks to restore a right of interference, consigning to the wastebasket the principles of non-intervention and respect for national sovereignty, very much alive in countries whose whole history is marked by struggles against imperialism and foreign intervention.

1.7. Simultaneously, the crisis of legitimacy and governability of the bourgeois elites impose mechanisms and laws of social control and inroads on the democratic rights of 'civil society'. The 'democratic' State increasingly assumes a police, authoritarian character repressive of all manifestations of protest and disobedience.

Precisely, the crisis of the 'neo-liberal paradigm' as current phase of capitalist globalisation, and the failure in 'modernizing underdevelopment', is one of the key factors of this loss of legitimacy and cohesion of the dominant discourse. Even very broad sectors of the 'middle classes' can no longer be seduced with consumerist promises, on the contrary they pass to militant opposition through mobilization, protest votes, or abstention.

The crisis of legitimacy and governability has been a constant in recent years in Latin America, which brings out the political instability in the region. This crisis has completely overrun the waterline of 'representative democracy'. Institutionality has been broken by the democratic struggles of the masses, that in the past three years have overthrown presidents elected, re-elected or imposed by parliaments and congresses: Cubas Grau (Paraguay), Bucaran and Mahuad (Ecuador), Fujimori (Peru), De la Rúa and Rodriguez Saa (Argentina). It is another singularity of Latin America, where the popular movement has exercised the principle of revocability and direct democracy, setting aside the delegation of powers.

1.8. It is in this context that a 'multifunctional architecture'- at the economic, military and political level - is being constructed that would allow the relegitimation of imperialist supremacy. The objectives that figure on Washington's agenda appear clear: to crush the new rise of popular combativity, the breadth of civil disobedience, and the radical character of the social struggles; to reverse the revolutionary process opened in Argentina; to co-opt, neutralize or directly sabotage a possible Lula government in Brazil; to defeat the armed insurgency and ensure the supply of Colombian oil; to destabilize the government of Chávez - guilty of a nationalistic discourse and alliance with Havana; to crush the Zapatista resistance in Chiapas and that of the indigenous communities, peasants, settlers and trades unionists who are against the robbery represented by the Puebla-Panama Plan; to continue with the blockade and inflict final defeat on Cuba; to create conditions of 'democratic stability' that allow the safe entrance of US capital in the struggle over markets with the European Union.

2. An

overwhelming socio-economic crisis

2.1. The socio-economic crisis of the 'neo-liberal model' and the crisis of the projects of subordinated regional integration (MERCOSUR, CAN - Andean Community of Nations, Central American Common Market) was accelerated by the 1997-1998 financial crash and the offensive around the FTAA. Still we have not heard the last word with regard to the FTAA: on the one hand, due to the new (protectionist) conditions that the US Congress has imposed on Bush in the context of fast-track authority for trade agreements; on the other hand, due to the increased mobilization and social protest against the FTAA. At the same time, the gravity of the crisis not only demonstrates the destructive effects of the neo-liberal program of counter reforms, but also the brutal consequences of a genuinely neo-colonial project imposed on the Latin American countries. This is one of the causal factors behind the reorganization of the imperialist strategy of domination.

2.2. This 'new colonial pact' implies a gigantic transfer of diverse types of resources towards the big imperialist groups (industrial-commercial-financial companies) and towards a minority of its local partners. This project incorporates a monstrous corruption and a parasitism typical of a dominant class that has more confidence in a bank account opened in the United States, Switzerland or some tax haven, than in its own country. A transfer of wealth of such extent that it involves the destruction of whole social layers and an unprecedented degree of concentration of wealth, social disaster, financial- economic crises and increasingly prolonged recessions. The shock involves an industrial destruction of countries that - like Argentina - had a relative development. The blows of a globalisation of capital that forces the 'underdeveloped' countries to contract their economies in the logic of 'structural adjustment' and the payment of the external debt, to satisfy the trans-national demands of the imperialist countries and their trans-national groups, have destroyed the potential of the region. Virtually everything has been privatised and what remains is for sale: water and oil reserves, electricity, land, mines, ports, health services.

2.3. The structural causes of the economic crisis are accentuated with the imbalance of the four great transformations registered in the region: 1) the increase in the foreign debt from the 1980s onwards; 709,000 billion dollars (1999) while between 1982 and 1998 796,000 billion was paid in interest; the payment on the servicing of the debt jeopardizes the future of the nations since it is equivalent to 39% of GDP and 201% of exports; 2) the destruction of the industrial fabric in many countries, with the backward movement of industrial branches related to development (strategy of import substitution) and with the implantation of sectors closely linked to the export strategy of the big trans-national companies; 3) the deterioration of the terms of trade, that is the respective value of exports in relation to imports (trade deficit); 4) increased poverty and inequality: 44% of the Latin American population are poor, while 90 million people survive on less than two dollars daily, and 10% of the population account for more than 50% of the national income. If for the cynics of the World Economic Forum of Davos and New York, poverty is first of all 'lack of information', the data for the region exposes all the ideological deceits of the owners of money: in the era of the Internet, almost half the Latin American population does not have access to a telephone line and the average period spent in education is 5.2 years.

2.4 The global recession directly affects the Latin American periphery: the growth of exports fell from 12% to 2% in the last year, foreign investment contracted and the stagnation of growth of GDP at 0.5% (2001) could rise to 1.1% in the best of cases. The debacle is concentrated at the moment in Argentina. The external debt surpasses half of the GDP and is equivalent to five years of exports, a debt that has increased with the scandalous privatisations. The fall in GDP will reach 10% in 2002, in the last two years more than 3,000 companies have closed, unemployment touches 20% while 18 million are living in poverty (of which more than 4 million are destitute). Simultaneously, the costs of the devaluation have been paid by the wage earners, who have lost 40% of their spending power since December 2001. This gigantic robbery of resources, this net transfer of wealth, expropriation of income and privatisation of the State has nevertheless met a colossal response from the popular movement. And it chimes in with a new period of class struggle in South America.

3. The revival of popular struggle

3.1. We are witnessing a revival of popular mass struggles, a reorganization of the social movements and a reconstruction of class consciousness. In other words, the worst period of regression has been surpassed. Although there are still situations of fragmentation and confusion, this process of outright expansion of the boundaries of socialization of the diverse experiences of struggle has a broad and radical character, linking demands and programs that incorporate economic, social, political, democratic, ecological, cultural and ethnic components. This process was not halted by the ideological intoxication of the attack on the Twin Towers and the terrorist campaign of imperialism and the media. On the contrary, social polarization was accentuated following September 11, 2001. The 'argentinazo' and the popular revolt against the attempted coup d'etat in Venezuela, as much as the growth of massive protests, strikes and caceroleos in Uruguay, and the increasingly broad radical struggles in Paraguay and Bolivia, confirm this new period of class struggle.

Protest at the World Social Forum, Brazil

3.2. These struggles of the social movements raise programs and demands that take on an 'anti-neo-liberal' visibility, but they are situated within a concrete dynamic of the anti-imperialist and anti-capitalist character of the resistance. Movements and struggles like that of the Coordination for Defense of Water and Life in Cochabamba, the cocacoleros of Chapare and the peasant marches in Bolivia, the Ecuadorian CONAIE and the MST in Brazil, the Zapatistas in Chiapas, the mobilization impelled by the Democratic Council of the People in Paraguay, the teachers, students and mapuches in Chile, the popular settlers of Vieques, the public employees and popular movements in Colombia. The innumerable mobilizations of trades unionists, peasants (who have had in Via Campesina a fundamental motor), unemployed workers (the example of the piqueteros has extended to several countries) the black movement, women, activists for human rights and against impunity, students and neighbourhood activists, community radios, play the role of articulators of the different dimensions of this resistance that contains elements - still partial - of a counter-offensive.

What stands out in this new scenario is the 'resurgence' of the indigenous peoples, their organizations and demands. Indigenous peoples that rose against the commemoration of the 500th anniversary of the conquest of America. Also, the continuity of the armed insurgency in Colombia in the context of a war without lull and with tens of thousands of victims. This new period of struggles and radical democratic awareness explains, among other things, the (provisional) victory of the poor masses against the coup in Venezuela. Provisional to the extent that the populist-nationalism of Chávez does not assure the crushing of the counter revolutionary conspiracy, nor the autonomy of the Bolivarian Circles, nor the self-organization of the radically anti-imperialist forces that emerge inside the 'Bolivarian revolution'.

3.3. All these struggles Â they are not limited to the periphery of 'social exclusion' or 'deproletarianisation', nor can they be characterized as struggles of an amorphous and eclectic 'multitude' without class reference - include ever broader sectors of the exploited classes, link up with the growth of a movement of resistance to capitalist globalization, and the campaigns, networks of solidarity and big confrontations against the international financial institutions, confirming simultaneously the emergency of a renewed internationalism (whose massive expression has been seen from Seattle to the World Social Forum at Porto Alegre). It is in this antagonistic movement of class struggle that a new radical social left arises, that not only reflects and writes on 'the socialism of the future' or 'the other possible world' but also participates in the class struggle, carries out rebellions, challenges the relationship of forces, daily exercises the construction of a latent 'counter power'.

3.4. The argentinazo has accelerated this recomposition of the popular movement as well as its radicalisation. It represents a decisive historical event in the course of the class struggle in Latin America. And although one should not underestimate the capacity of the bourgeoisie and imperialism to organize a counter-revolutionary outcome, the force of the popular movement is slowly establishing new forms of rank and file democracy. There is a line that connects the mass struggle in Argentina (and Latin America as a whole) with the revolts of Seattle and Genoa, with the movement against capitalist globalisation, as well as with the insurgencies, the civil disobedience, the protests and, above all, with the formidable radicalisation of ever broader layers of youth on a world-wide scale. And, in the case of Latin America, of the women workers, unemployed, the heads of households, who play an essential role in the recomposition of a radical social left. The argentinazo has strengthened this anti-imperialist climate that is the main threat to the recolonisatory project that the United States has designed around the FTAA.

3.5. The argentinazo has meant a qualitative leap in this revival of the social movements, not only as articulators of the 'anti-neo-liberal' resistance, but in the perspective of construction of an anti-imperialist and anti-capitalist movement. In the same way, it has served as a key factor in the delegitimation of the neo-liberal programme and discourse. It is the opening of this revolutionary process, which questions as never before the trans-national role of the IMF and capital, the foreign debt, privatisation, and betrayal of the ruling elites. The multiform revolutionary process that has opened, of experience of direct and decentralized democracy, allows an interaction between the diverse structures that arise: piqueteros, neighbourhood assemblies, groups of small savers, workers in services and factories. This confluence narrows the traditional division between 'employees', 'unemployed' and 'middle-class'.

The experiences of the piquetero movement and neighbourhood assemblies allow the possibility of the construction of a revolutionary movement, a democratic popular power with a socialist perspective. The 'great revolt' has put on the agenda the question of a strategy that links resistance and the struggle for power, representative democracy and/or the principle of revocability, the 'saqueos' as acts of self-subsistence in food. Inclusive experiences of workers self-management, that is, of questioning of private property and the monopoly of the production process.

In Argentina, an immense mass, democratic and radical movement has subverted and dislocated all the mechanisms of political and institutional representation. To put in question the monopoly of capitalist state power and, potentially, express a possibility of advancing towards forms of dual power. In this sense, Trotsky's affirmation assumes its full vigour: 'the masses do not make the revolution with a preconceived plan of society but with a clear feeling of the impossibility of continuing to put up with the old society'.

4. Building an anti-capitalist left

4.1. In Latin America and in particular in South America, an exceptional

situation exists. It combines the intensity of a socio-economic crisis and a crisis of the 'neo-liberal model' with an institutional crisis (of governability) and a crisis of bourgeois political leadership. The process of counter-reform has lost all its political and ideological legitimacy, and the broad and radical nature of the popular struggles raises with more force the necessity of a 'programmatic refoundation' in an anti-imperialist and anti-capitalist sense.

In this context, both the united front and the unity of the left, like the construction of a revolutionary force with mass implantation and the capacity to lead, are fundamental and immediate tasks of the radical left. These tasks cannot be thought about in the solitude of the 'self-affirmation' of 'our identity'.

And the revolutionary Marxist nuclei in the different organizations, groups and currents of the Fourth International must choose, without hesitation, a political orientation of regrouping of the radical left, of unity of the revolutionary left.

4.2. The extreme polarization of acute class struggle sharpens both the relationships and the debates on the Latin American left around what strategy to follow. And, in particular, it opens a breach in the relationship between social resistance and alternative political project.

The question of articulating social resistance with political project in a strategic perspective of power is back on the agenda with more force and actuality. The unilateral reading of 'reform or revolution' today gives way to the urgency of reform and revolution, for the 'transformation of the prevailing order', as Rosa Luxemburg proposed.

The distance between a radical left, whose confrontational nature is indubitable, and another left which - although continuing to have a broad social base and also of resistance - is located in a strategic horizon focused on the institutions, becomes more evident.

As the time that the first accentuates its 'resistant' and para-institutional characteristics, the second consolidates itself in terms of municipal governments, parliaments and, in some cases, as national electoral option. While it retreats at the programmatic level and adapts itself (in a still conflictual manner) to the rules of the system of domination, it polarizes with the right on the question of 'models of country'. This course is confirmed in the main organizations that make up the Sao Paulo Forum.

4.3. In the left that predominates in the big parties and fronts, a political strategy of class conciliation, 'agreement' and alliances with 'progressive' or directly liberal business sectors. This 'progresismo' increasingly resembles the social liberalism of the 'plural left'. It is the case with the PT, the Frente Amplio and the FSLN.

Caught up in the syndrome 'neither De la Rúa, nor Chávez, but neither Allende', the majority leaderships advance a program of 'alternative model of development', with emphasis on 'the social' in the 'eradication of poverty' to overcome 'the heavy neo-liberal inheritance': indebtedness, denationalisation, unemployment, poverty, a productive structure dominated by trans-national capital.

Nevertheless, in their programs we see neither a debt moratorium, nor the taking back into state ownership of the public companies that have been privatised and the privatised social security funds, nor a tax reform expropriating capital, nor a break with the conditions imposed by the international financial bodies, nor protectionist policies with a certain disconnectionfrom the 'globalising' logic. Nor do they involve a strategy of democratic rupture' or 'democratic revolution'. What prevails in the vision of the majority leadership is a reformism without 'structural reforms' (in the anti-capitalist sense that Ernest Mandel ascribed to such reforms).

In the majority left there predominates a 'redistributive' vision without radical measures of redistribution of income and wealth.

4.4 Nevertheless, in Latin America the dimension of the crisis and imperialist dominance has acquired such magnitude that the space for 'progresismo' has evaporated. The disastrous experience of the government of the Alliance in Argentina is the best example. And when there appears a timid process of nationalism and social populism, as in Venezuela, the right, the reactionary sectors of the Church, the military and the multinationals, with imperialism behind them, organize destabilization.

This counter revolutionary operation - of a type which is already spoken of if the Frente Amplio wins in Uruguay - will intensify if the PT gains a victory in Brazil. The right cannot count on force to prevent an electoral triumph by Lula, but it can bring down his government: through destabilization and sabotage, or through complete denaturation. At the moment, the multinationals and the 'investors' speak of 'waiting for six months before making decisions' if faced with a PT government. In this context, the evolution of the PT leadership and Lula, has stopped being 'contradictory', and consolidates itself towards 'social agreement' and a programme of developmentalist 'maturity' without any point of rupture with the logic imposed by capitalist globalisation and imperialism.

4.5 A programmatic 'refoundation' of the Latin American left cannot be carried out in isolation from the 'concrete tasks' in a period of radicalisation of the class struggle. That is, of intervention in the social struggles for 'another possible world'... without capitalism; of linking with the radicalising popular sectors that are in practice questioning private property and constructing alternatives to 'market democracy'; of the battle against the posibilismo that today permeates the majority leaderships of the left and the defeatism and loss of self-esteem that permeates the Marxist and revolutionary forces.

This 'transitional program' takes up questions like the character assumed by economic recolonisation and the question of national sovereignty (concrete anti-imperialism); the reformulation of processes of regional integration as alternative to the FTAA (a project for genuine development);

the non-payment of the debt; the fight against privatisation; the question of political democracy, of re-appropriation of the confiscated rights, as well as the character, scope and limits of an orientation of participatory democracy at local or municipal level (the Latin American left governs capital cities as well as small towns in Brazil, Uruguay, Mexico, El Salvador, Ecuador, Peru, or Colombia); the relation between urban and rural struggles; the relation between social resistance and political organization; the new forms acquired by the 'subjects' that are reproduced in the heat of the fragmentation of the working class (piqueteros, popular assemblies, land and housing squatters, experiences of self-defence, districts which fight for services, spaces for the young, women who organize self-sufficiency, the different experiences of the barter economy); the policies of social and political alliances (in the context of a programmatic proposal of a united front); the options for construction of organizations of the revolutionary left.

4.6 To construct in the present context a revolutionary force with mass implantation and leadership capacity assumes an immediate character, precisely because the crisis itself accelerates on every front. Without that leading force, the vitality of the social resistance and the radicalisation of a political vanguard enter an impasse, reducing the transforming potentiality to a simple vindication of the 'rebel'.

Commandante Marcos - at an impasse?

In Mexico, the Zapatista movement could not translate its capacity of mobilization in the Consultas and Marches into a political alternative of the left. There was no modification of the relationship of forces. The theory of the 'indefinite anti-power' or 'changing the world without taking power' has produced neither a process of radical reforms, nor a revolutionary process. In any case, the political crisis of all the formation and parties in Mexico - accentuated with the election of Fox - points to a recomposition, realignments and the emergence of new options. In this framework, in order to rise to the height of the circumstances, there must be a recomposition and refoundation of the revolutionary and socialist left. A regrouping that transcends the impasse of Zapatismo, and the declining efforts of a 'Cardenista left' that seeks to transform a PRD mired in the logic of institutionalism, clientelism, conciliation, corruption, and compromised with 'governability'.

In Argentina, the lack of this leading force is the main factor holding things back. The different 'Trotskyisms' (with the partial exception of the MAS), use the 'revolutionary crisis' and the various scenarios of popular struggle, workers' self-organization and direct popular democracy, to impose themselves on the neighbourhood assemblies, create their collaterals in the piquetero movement and recruit new militants. Without taking concrete steps towards a project of unity of the anti-capitalist left with 'Autodeterminación y Libertad' (Zamora).

This favours, partially, the projects of 'horizontality' and questioning of the political organizations of the 'traditional' left. In Ecuador, the crisis and rupture of Pachakutik, and the conciliatory tendencies that have appeared in the CONAIE, have prevented the enormous insurrectionary potentiality of the social movement from being capitalized on.

In Colombia - in the middle of a war - the Frente Social y Político takes its distance from the militarist strategy of the FARC and the ELN - and approaches a strengthened version of social democracy after the electoral constitution of the Polo Democrático.

The right turn of the Frente Amplio has left almost in isolation a Corriente de Izquierda which, in spite of its weaknesses and internal contradictions, maintains a horizon of questioning of reformism from a radical perspective.

4.7 Furthermore, the construction of this leading force is, also, decisive to dispute with the strategy and programme of reformism and the social democratic and social-liberal tendencies on the left. And, in particular, to prepare the popular movement for the confrontation with the bourgeois right and imperialism. Because if we say that there is a new rise of popular mobilization and a sharpening of the class struggle, we also recognize the counter tendencies: democratic authoritarianism, democratic regressions, selective or massive repression, destabilization of left or populist-nationalist governments, counter revolutionary outcomes.

This leading force is fundamental to impel a process of massive self-organization whose universal characteristic responds to periods of intense and prolonged mobilization. Also to organize the self-defence of the struggles and to criticize the reformist illusions of the institutional 'change' without confrontation and violence.

4.8 We are in favour of the construction of the 'hard core' of the left and the movements of antagonism and resistance. This perspective cannot be constructed on the basis of a 'small group pathology' nor by supplanting strategic thought and audacious initiatives for the defence of 'our Fourth Internationalist identity'. The frameworks and militants of the Fourth International committed to playing a role in the construction of this leading force face a double task.

On the one hand, to contribute to maintaining and strengthening the unity of the left and popular (in a broad sense) forces; they take part in the (re) construction of a left camp as alternative to the conciliatory currents in formations of broad unity (PT, Frente Amplio, Frente Social y Político). At the same time, they do not lose sight of the hypothesis of crisis and rupture of this broad left to the extent that their program and strategy simultaneously comes up against the radicalism of the social resistance and the popular demands.

Simultaneously, and although with different rhythms and dimensions, they act with a perspective of regroupment of the revolutionary left as expression of the radicalism of the social resistance. This perspective of

radical political regroupment is expressed in new experiences like the Corriente de Izquierda (Uruguay), Presentes por el Socialismo (Colombia) the Frente Socialista (Puerto Rico) and the Convergencia Popular Socialista (Paraguay).

4.9 In this social context of crisis and struggle, the forces of the Fourth International have an active role. They promote and in many cases they organize these daily popular struggles. They participate in all the mobilizations, campaigns of solidarity, networks and forums that express the different experiences of resistance, as well as spaces of reflection of the social experiences and programmatic elaboration as is the case with the World Social Forum; but also in ATTAC, the World March of Women, opposition to the FTAA, the campaign for non-payment of the debt, against Plan Colombia, the Sao Paulo Forum, in class struggle trade union currents and co-ordinations of social movements (Argentina, Colombia, Chile, Paraguay, Puerto Rico, Mexico, Uruguay).

These experiences also allow the enrichment of the political and programmatic accumulation of the Fourth International itself, as long as it is able to establish a relation of give and take, of interchange, proposals and common tasks for reflection and action.

This perspective of regroupment of the radical and anti-capitalist forces demands that we locate our accumulated experience in a dimension of revolutionary pluralism, that transcends our own organizational borders.

A perspective that is located in a period where political and social confrontations are accelerating. As much as the crises and the self-critical recompositions of revolutionary currents, including some originating from the diverse 'Trotskyisms'. From this follows the necessity of creating networks and agreements that allow the socialization of the different experiences and political-strategic options; and the necessity of opening our 'instances' and abandoning microclimates of paralysing 'self affirmation'.
It is true that 'our tasks' are located in a context plagued with difficulties like approaching in a timely and systematic manner the new problems of analysis, of tactical options, programmatic redefinitions and strategic approaches. And in a situation where our institutional visibility (with the exception of Brazil) is very weak.

Thus, the organizations of the Fourth International are constructed in situations where tensions and ruptures have not been absent, and by processes where nuclei of militants with experience and continuity are combined with militants who come from other traditions and experiences of struggle, or with the incorporation of radical young people who dynamise reflection and action. To tune into or to administer this diversity generates conflicts and confusions on the political options to take. Nevertheless, our forces in the continent continue to be involved as much in the struggles of the social movements as in the anti-imperialist and anti-capitalist political combats.

The people vs neo-liberalism

22 July 2002, by Adolfo Giménez

Mass rally against the regime

For ten days there had been blockades of the main roads of the country, culminating with a partial agreement with the government that conceded five of the six points raised by the Congreso Democrático del Pueblo [Democratic Congress of the People - CDP], but left unsettled the derogation of the law on privatisation, as well as the freedom of a hundred demonstrators who had been detained in San Patricio, in the department of Misiones, 230 kilometres from the capital.

This is the biggest mobilization by the popular movement since the period of transition [from the dictatorship of Alfredo Stroessner which had ruled the country for several decades - ed.] initiated in 1989. The deep economic and political crisis that the country has experienced, combined with the government's unpopularity due to its corruption and incompetence led to this outburst of popular protest, headed by the organized peasant's movement.

It was an explosion that could be seen coming months ago because of the acute crisis in which the state entered because of a lack of resources to meet its expenditure and the serious consequences of the Argentine crisis (Argentina has reduced its trade with Paraguay by 80 percent while Paraguay's exports have fallen by 50 percent), in addition to the strong impact on the local economy of increases in the exchange rate of the US dollar (1 dollar = 05400 guaraníes) and the price of fuel.

The CDP is made up of the two most important blocs of the popular organizations which have arisen after the crisis and quasi-disappearance of the trade union federations, destroyed by corruption and bureaucratism: the Plenaria Popular, which originated out of the kidnapping by para-police groups of two activists from the Movimiento Patria Libre (MPL), Juan Arróm and Anuncio Martí, and the Front against the Alienation of Public Property [Frente contra la Enajenación de los Bienes Públicos], which began as a struggle against the 'reform' of the public bank.

These two organizations include in their ranks the two main peasant organizations in the country, the National Coordinating Board of Peasant Organizations [La Mesa Coordinadora Nacional de Organizaciones Campesinas

(MCNOC)] and the National Peasant Federation [Federación Nacional Campesina (FNC)].

The initial axes of unity and struggle were rejection of the government's antiterrorist law, the proposed reform of the public bank, the privatisation of the roads, the application of VAT on fishing, the derogation of the law on privatisation and the fight against corruption and impunity

The government representatives at the negotiations table indicated they would accept all the points, except for the one on privatisation - the process of selling off of the national telephone company Copaco was to begin on June 14, to be followed by the anticipated privatisation of the health services company, Essap.

When reaching this first agreement, the CDP decided to lift the road blockades but to maintain the state of mobilization until the Senate approved the derogation of law 1615.

However, the sell off of public property has already advanced deeply in the economic structure of the country. In recent years the air company LAPSA, the iron and steel company Acepar, the alcohol company APAL, the merchant fleet of the Estado Flomerpasa have been sold and, copying the Argentine example, after the telephone company the privatisation of the health service, drinkable water, electricity, social insurance, mail and customs and roads is planned. A complete package to satisfy trans-national capital, the IMF and its corrupt local operators. The process of privatisation has been characterized by an absolute lack of clarity and corruption.

The crisis of the dominant block seemed insoluble; the deepening of the economic deterioration to a level never seen before (unemployment and underemployment is around 34 percent, 25 percent of the peasant population is in extreme poverty), the pressure of the United States and the IMF for the application of adjustment plans and privatisations, the absolute incapacity and immorality of the government of González Macchi and the consequences of the Argentina crisis made an explosion in Paraguay almost inevitable.

In April of this year Convergencia Popular Socialista (CPS), a component of the Plenaria Popular, said the following in an analysis of the national situation: 'After the heroic days of struggle of the Paraguayan March (1999) there were mobilizations in the following years that, nevertheless, did not reach the same level. The Arrom-Martí case woke up a spontaneous movement that was translated into Plenaria Popular. Nonetheless since then it has not been possible to articulate a unitary and massive mobilization of popular, democratic and left organizations to repudiate the government and neo-liberalism.

'In this same period, however, peasant mobilizations scored important successes because they for the first time managed to deal with representatives of the government at a negotiations table to discuss concrete projects for the countryside. However - like the mobilizations of unions, workers in health and education, and the homeless - they were notable to rally other sectors of the population around unifying slogans. There is still l a lack of a national campaign against the alienation of public property, the foreign debt, the wastefulness, corruption and incapacity of the state organisms, economic decay, the lack of health and education, the indigenous problem, the violation of human rights and so on. The national situation has still not touched bottom point because it can - dramatically - get worse".

The mobilization managed to overcome a first important obstacle in obtaining the unity of the popular camp and the left, in a combination of democratic popular struggle and spontaneous self-organization of the masses that is going to extend. The fight as it extends, is deepened. A national strike with the participation of the organizations that are not part of the CDP is now being prepared.

In these circumstances sectors of the dominant bloc are openly discussing the possibility of bringing about a change of government (which logically excludes the CDP), for which they are looking to the support of the military who are ready to come to the aid of the police in case the protest demonstrations 'overspill'. In these circumstances, the CDP is forced to deepen its plan of struggle and its internal political agreements.

For the future, anything can be still predicted. The combativity and the example of struggle of the popular movement are unquestionable. After the first agreement obtained with the government some groups of piqueteros refused to lift the road blockades and they only did so with the commitment to continue fighting until the sale of the Copaco company had been halted.

Everything seems to indicate that a final battle will occur, between a broad conglomerate of popular democratic and left organizations and a debilitated government and disarticulated dominant bloc. The latter's political parties are searching for a way out, with some difficulty given that their representatives - as always - look to the US embassy for advice on seeking a very, very problematic consensus. The rebellion in Argentina and the possible victory of Lula in Brazil will wake up many people, while the failure of Mercosur and the attacks embodied in the FTAA and Plan Colombia will open the doors to a prolonged struggle of the popular camp.

Triumph of the popular movement

22 July 2002, by Adolfo Giménez

Nevertheless, this situation of euphoria does not mean that the situation will tranquillise soon because in confrontations this afternoon in Coronel Oviedo, a peasant named Calixto Cabral was shot dead by the police and five others were wounded.

The leadership of the CDP is meeting now to determine the steps to follow in the coming days. The six points raised in the days of protest days were won through the struggle and sacrifice of thousands of people mobilized across the country.

In the capital a thousand demonstrators remain in front of the Congress building. Tomorrow the members of a caravan in the city of Caacupé, 45 kilometres from the capital, will arrive in Asunción. Police and military forces are maintaining barriers at different points to prevent the passage of the demonstrators.

The main leaders of the CDP reject any speculation that the protests have some relation with ex- general Lino Oviedo, exiled in Brazil, condemned for an attempted coup and accused of being behind the assassination of vice-president Luis Maria Argaña in March 1999, or with any other parliamentary political sector trying to assume power by means of a 'political game' or conspiracy behind the backs of the people.

Various democratic politicians, human rights activists and social organizations have announced that they will again ask for the impeachment of González Macchi, rejected already on two occasions by Parliament for lack of sufficient votes.

The economy after the boom: a diagnosis

22 July 2002, by Robert Brenner

The reason, at the most general level, that the world economy, including its leading, US component, appears to face fairly bleak prospects is that it failed during the 1990s expansion to definitively transcend the long economic downturn that had been plaguing it from the early 1970s through the early 1990s. Over-capacity and over-production leading to reduced profitability in the international manufacturing sector - and the failure of successive attempts of governments and corporations to successfully respond to this - have been fundamentally responsible for continuing stagnation on a system-wide scale, and there is as yet little clear evidence that the problem has been overcome. The sharp fall of the rate of profit between 1965 and 1973, and its failure to recover, made for the slowed growth of investment and output over the following two decades throughout most of the world economy, issuing in much reduced productivity and wage growth, as well as high levels of unemployment.

A significant rise of the manufacturing profit rate between 1985 and 1995 did, initially, provide a real basis for the U.S. boom of the 1990s. But the rise in U.S. profitability and, eventually, U.S. economic growth, was paralleled by - and to some extent caused - falling profitability and deep recession in most of the rest of the advanced capitalist world, including Japan and western Europe, during the first half of the 1990s. The sharp slowdown in much of the advanced capitalist world, and the ensuing threat of disruptive crisis, obliged a fundamental reversal of the US policy from a weak to a strong dollar in 1995. This, in turn, limited the U.S. surge, and, and over the second half of the 1990s the manufacturing profit rate fell significantly and, with it, the fundamental basis of the US economic revival.

But even as corporate profitability began to fall between 1995 and 2000 - and in the face of this decline - the stock market took off on the greatest run-up in its history, massively increasing the on-paper assets of corporations and by the rising dollar. The 'wealth effect' of rising share prices thus replaced the revival of manufacturing profitability as the economy's main engine. Corporations found that their overvalued stocks gave them access to almost unlimited financing. On this basis, they were able to sustain a powerful investment boom, and the 1990s expansion was enabled to continue.

Nevertheless, the growing gaps that opened up between rising stock prices and accelerated economic growth on the one hand and falling profitability on the other could not long persist. From the middle of 2000, one after another of the corporations that had led the boom, especially in technology, media, and telecommunications (TMT) confronted disastrous declines in profits, and the stock market crashed. The wealth effect of rising share prices now went into reverse: corporations found it much more difficult to raise money and were forced to cut back on investment, setting the economy on a downward course.

But the overriding problem was the mammoth overhang of excess capacity that corporations had built up during the stock market run up, when they had made use of their of their hugely increased paper wealth to make vast additions to their plant and equipment that could in no way be justified by their rate of return, since profit rates were already falling. Too much capacity made for too much production, and corporations were unable to sell their output at prices that allowed them adequate (if any) profits. Manufacturing profitability, already having fallen significantly between 1997 and 2000, plunged in 2000-2001, making for a profound crisis of the manufacturing sector. This set in motion the classical

downward spiral in which declining investment (declining orders for means of production) makes for rising unemployment, which leads to declining consumption demand, which leads to both increased bankruptcies and rising debt defaults, which put further downward pressure on investment, and so forth.

As the U.S. recession deepened, the growth of U.S. demand fell sharply, and the rest of the world economy, profoundly dependent upon U.S. imports, followed the United States downward. As the international economy contracted, U.S. export growth fell drastically, exacerbating the U.S. downturn. A mutually-reinforcing international downturn ensued, with the drop-off in U.S. investment and economic growth from the year mid-1999-mid-2000 to the year mid-2000-mid-2001 the greatest in U.S. post-war history.

Over the course of 2001, the U.S. Federal Reserve brought down interest rates at record-breaking speed and to an unprecedented extent. As a result, household debt exploded upward allowing consumers to continue to increase their spending at a rapid rate. Corporations were thus encouraged to restore their inventories. The frightening tailspin of the economy was stemmed at least for the time being and GDP rose notably during the first quarter of 2002.

Nevertheless, corporate profitability remained at its lowest level in almost two decades, investment continued to plunge alarmingly, exports and the trade/current account deficit continued in crisis, and—reflecting all of this - the stock market was unable to launch a recovery. The outcome thus remained very much in doubt. It is the task of this paper to provide the basis for a firmer understanding of what might be expected next.

Legends of the boom: the official story

The standard account of the US boom makes the "new economy" its point of departure. It focuses on the supposedly unique genius of the U.S. economy. If other countries would only follow the U.S. model, it implies, problems of the world economy would vanish. Nevertheless, this account can derive its rosy picture by focusing only on the five boom years between 1995 and 2000, with no historical context or comparisons; by ignoring the fatal underlying weaknesses of the boom of those years; and by abstracting the US economy from the world system as a whole, to which it was inextricably tied and the problems of which ultimately brought it down.

The new economy as ideology of the stock market run-up

In the official version, enshrined in the Council of Economic Advisers' Economic Report of the President 2001 (issued in early 2001!), as well as the speeches of Alan Greenspan (available at the Federal Reserve website), the U.S. economy relied on its open markets and its entrepreneurial/financial institutions - particularly its highly developed venture capital companies, its high tech start-ups, and above all its stock market - to launch an epoch making revolution in information technology and achieve a definitive break from the long downturn. The long stagnation of the 1970s and 1980s was thus supposedly the result of a sudden (unexplained and unevidenced) exhaustion of innovation following the post-war boom, which was ostensibly responsible for the long-term slowdown in productivity growth. But with the equally sudden availability of New Economy technologies in the early 1990s, so the story goes, firms that could mobilize the necessary 'intangible capital' - in the form of inventiveness, skill, organization and so forth - were presented with unprecedented potential profits. Venture capital companies were thus ostensibly motivated to fund high-risk, high-tech start-ups by their potential for yielding generous rewards, when their stocks went on sale at initial public offerings (IPOs) to enthusiastic investors willing to pay top dollar for shares in what promised to be endlessly profitable info-tech enterprises. Banks were willing to provide these ventures with loans for the same reason.

As Fed Chairman Greenspan never tired of explaining, the promise of New Economy productivity gains thus raised the expected rate of profit, driving up equity prices. Corporations' rising share values allowed them - especially those in the field of technology, media, and telecommunications - easier access to finance, enabling them to boost investment (the "wealth effect"). More rapid capital accumulation made possible further leaps forward in technology, enabling productivity growth to rise even higher. The latter raised potential profits, thus equity prices, thus investment still more, issuing in what Chairman Greenspan termed a 'virtuous cycle' of economic expansion, centred on the stock market and venture capital. In this narrative, the stunning return on Netscape Corporation's Initial Public Offering in August 1995 announced the vast potential of the New Economy. It thereby set off the mutually supportive stock market run up and economic boom. The synergy between stock market and real economy produced what the Council of Economic Advisers insists on calling the 'extraordinary gains in performance' of 1995-2000. (Economic Report of the President 2001, p.23)

The bubble-driven boom

In fact, U.S. economic performance during the height of the boom, from 1995 through 2000, though better than during any other five-year period since the start of the long stagnation in 1973, was anything but extraordinary. In terms of the usual indices, U.S. economic performance in the five years period between 1995 and 2000 did not quite match that in the twenty-five years between 1948 and 1973—and productivity growth, supposedly the source of a U.S. economic breakthrough, was 15 per cent lower.

The U.S. Economy: 1948-1973 versus 1995-2000

(average annual per cent increase, except for unemployment rate)

	1948-1973	1995-2000
GDP	4.0	4.1
Non-Farm Business Net Capital Stock	3.5	3.8
Non-Farm Business Labour Productivity	2.9	2.5
Non-Farm Business Real Hourly Wages	2.8	2.0
Inflation/Consumer Price Index	2.4	2.4
Unemployment Rate (average)	4.2	4.7

Still, had the US boom of the 1990s possessed a firm basis and proved able to sustain itself, it might very well have brought about the definitive transcendence of the long downturn, both at home and internationally. But, the salient fact about the US economic expansion, especially from 1995 through 2000, was that it was ever more dependent upon the stock market frenzy, rather than vice versa, because it proceeded without support from underlying profits. The US's distinctive entrepreneurial-financial institutions, with indispensable assistance from the US Federal Reserve, produced not so much a boom as a bubble.

Venture capital firms did provide a great deal of funding to high technology start-up companies. But their contribution was minimal, until the last years of the 1990s, when the equity price run-up was approaching its peak. At that point, venture capital firms did not have to depend for their returns on these companies actual productive potential or negligible ability to yield profits. They could profit instead from the insanely inflated returns that were being generated by the sale of companies' shares at their Initial Public Offerings. (Economic Report of the President 2001)

Equity investors more broadly did help finance some of these start-ups, as well as other more established information technology companies, by buying their shares. But they did so not because these companies had delivered high profits on the basis of their powerful technologies, but rather because their stock prices were skyrocketing into the stratosphere, driven by speculation. Most E-businesses failed ever to make a profit; and even the leading technology, media, and telecommunications companies (TMT) companies at the heart of the 'New Economy' could not achieve profits that remotely kept up with their equity prices. Corporations did launch a huge investment boom and were thereby able to raise productivity growth. They could do so, however, only because their inflated share prices made access to capital so easy, not because the New Economy had raised profit-making possibilities. A growing gap between stock prices and profits at once drove the expansion, constituted its fatal flaw, and brought it to a screeching halt in 2000-2001, and this is a point to which it will be necessary to return.

The US economy could not, in the last analysis, sustain its profitability and momentum beyond mid-2000 because it remained inextricably bound up with a global economy that remained plagued by stagnation, which resulted from the perpetuation, and exacerbation, of over-capacity and over-production. The underlying weakness of the total system and its US component was manifested in that fact that, during the course of the business cycle of the 1990s, the economic performance of the advanced capitalist economies taken together was, by all of the standard measures - growth of GDP, per capita income, labour productivity and real wages, as well as level of unemployment - no better than that during the 1980s. The latter was itself less good than that of the 1970s, which did not, of course approach that of the 1960s and 1950s.

Another way of saying this is that, even as neo-liberal, market enabling measures have been ever more comprehensively implemented since around 1980, the economy of the capitalist core has been decreasingly able to deliver the goods, especially to the broad ranks of its population. For the advanced capitalist world as a whole, wage growth during the last decade fell to the lowest level of the post-war period, unemployment rates hovered at or near their post-war peaks (outside of the US), and the welfare state contracted, if at varying speeds. All this was the case, moreover, despite the enormous stimulus artificially imparted to the world economy by the bubble-driven US boom.

Declining Economic Dynamism

(average annual per cent change)

GDP

	1960/69	1969/79	1979/90	1990/95	1995/2000	1990/2000
US	4.6	3.3	2.9	2.4	4.1	3.2
Japan	10.2	5.2	4.6	1.7	0.8	1.3
Germany	4.4	3.6	2.15	2.0	1.7	1.9
Euro 12	5.3	3.7	2.4	1.6	2.5	2.0
G7	5.1	3.6	3.0	2.5	1.9	3.1

GDP per capita

	1960/69	1969/79	1979/90	1990/95	1995/2000	1990/2000
US	3.3	2.5	1.9	1.3	3.4	2.35
Japan	9.0	3.4	4.0	1.1	1.1	1.1
Germany	3.5	2.8	1.9	7.0	1.6	4.3
G-7	3.8a	2.1b	1.9	1.2	2.5	1.8

Labour Productivity Total Economy (GDP/worker)

	1960/69	1969/79	1979/90	1990/95	1995/2000	1990/2000
US	2.5	1.3	1.15	1.2	2.3	1.8
Japan	8.6	4.4	3.0	0.7	1.2	0.9
Germany	4.3	3.0	1.5	2.1	1.2	1.7
Euro 11	5.2	3.2	1.9	1.9	1.3	1.6
G7	4.8a	2.8b	2.55	1.7		

Real Compensation Total Economy (per employee)

	1960/69	1969/79	1979/90	1990/95	1995/2000	1990/2000
US	9.7	2.7	0.7	0.6	1.9	1.3
Japan	7.3	5.0	1.6	0.8	0.2	0.5
Germany	5.1	4.3	1.1	2.0	-0.1	0.95
Euro 11	5.6	4.0	0.8	1.0	0.3	0.6

Unemployment Rate

	1960/69	1969/79	1979/90	1990/95	1995/2000	1990/2000
US	4.8	6.21	7.1	5.9	4.6	5.25
Japan	1.4	1.7	2.5	2.9	4.1	3.5
Germany	0.8	2.05	5.77	8.2	8.6	8.2
Euro 15	2.3	4.6	9.1	9.8	9.9	9.9
G7	3.1a	4.9b	6.8	6.7	6.4	6.6

Non-Residential Capital Stock (private business economy)

	1960/69	1969/79	1979/90	1990/95	1995/2000	1990/2000
US (net)	3.9	3.8	3.0	2.0	3.8	2.9
Japan (gross)	11.3	9.5	6.9	4.5	5.3d	5.0
Germany (gross)	6.6	4.5	3.0	3.1c		
G7 (gross)	4.8	4.6	3.9			

Notes: a - (1960-73) b - (1973-79) c - (1990-93) d - (1995-98)

US revival, international stagnation, 1985-1995

Because the global economy during the past decade proved unable to decisively transcend the long downturn, the long downturn must remain the point of departure for understanding its recent and future trajectory. In this respect, the actual story runs more or less in the opposite direction to the official one. There is thus little evidence indicating a fall-off of the rate of technological advance, of the appearance of new inventions, in the 1970s and 1980s. There is, however, irrefutable evidence in these years of continuing, deeply reduced profitability, especially in the U.S. and international manufacturing sector. The latter goes a long way toward accounting for the long-term slowdown of capital accumulation, and it is slowed investment that must bear a large part of the responsibility for the long-term system-wide slowdown of innovation and productivity growth.

The long downturn

Briefly, and schematically speaking, in the later 1960s and early 1970s, the intensification of international competition, driven especially by the stepped-up entry of lower cost producers based especially in Japan but also in western Europe, brought the long post-war boom to an end. It did so by making for system-wide over-capacity and over-production and precipitously falling profit rates in manufacturing system-wide, which were largely responsible for a major decline in profitability for the advanced capitalist economies as a whole. Sharp reductions in the manufacturing profit rate hit the US first during the second half of the 1960s, bringing down aggregate manufacturing profitability for the G-7 economies taken together. With the deep devaluation of the dollar of the early 1970s, and corresponding appreciations of the yen and mark, Japan and Germany came to shoulder a significant share of the overall profitability fall.

During the course of the 1970s, over-capacity and over-production actually worsened. Firms across the world economy tended to try to respond to profitability and competitiveness problems by stepping up investment in their own lines, rather than switching to new ones. This was because they possessed huge amounts of "proprietary capital" - ties to suppliers and customers and above all technological capability - that they would not have been able to make use of in other industries. But the result was to re-produce, and exacerbate, the initial problem. At the same time, firms based in the newly-developing economies of East Asia - and to some extent Brazil, Mexico, and others as well - found they could enter certain lines at a profit despite over-capacity, and this exacerbated the initial situation. Only the public subsidies to demand that resulted from Keynesian deficit spending throughout the decade of the 1970s prevented the onset of deep crisis.

At the start of the 1980s, in the interest of fighting inflation and restoring profit rates, the US, and other advanced capitalist states, sought to combat the international over-capacity and over-production that was the legacy of the Keynesian era by introducing high interest rates and deep austerity. These measures were designed, in the first instance, to raise unemployment so as to reduce wage growth. But they were aimed as well to shake out the great ledge of high-cost, low profit means of production that was holding down profitability. Nevertheless, the immediate result of their implementation was the outbreak of the debt-crisis in the third world, accompanied by serious recession that threatened depression in the US. Keynesianism had to be re-introduced with a vengeance, in the form of Reagan’s massive military spending and tax cuts for the rich.

The combination of tight money and high government deficits that prevailed in the US was indispensable in keeping the advanced capitalist economies turning over. This was especially because most of these economies had introduced harsh wage and social spending cutbacks that reduced domestic demand, rendering them increasingly reliant upon exports and, in the last analysis, the stimulus provided by US spending. Nevertheless, the US policy mix also slowed the shakeout of redundant and high cost plant and equipment and labour that was still required to restore profitability and - most important - it drove up real interest rates. The advanced capitalist states were clearly unwilling to sustain the sort of severe depression that had, in the past, served to eliminate superfluous means of production and labour and to provide the foundation for a new upturn. But the price of economic stability was record-high costs of borrowing, which, in combination with still reduced profit rates, reined in capital accumulation and economic growth, which remained heavily dependent upon government deficits, through the end of the decade.

With the potential for good returns from investment in new plant and equipment so sharply reduced, capital lurched during the course of the 1980s sharply in the direction of finance. But with the real economy producing such small surpluses, it was not easy to profit through lending or speculation, except with the direct or indirect help of governments - as, for example, via government borrowing at high rates of interest or by exploiting the opportunities for corruption that came with government de-regulation and privatisation programs. By the end of the decade, a huge bubble in commercial real estate had gone bust. The leveraged mergers and acquisitions craze, no doubt the defining aspect of the 1980s financial expansion, had also collapsed in ignominy. Deeply indebted corporations and profoundly exposed banks were thus left in precarious condition, very much exacerbating and extending the recession that hit in 1990. Economic stagnation thus perpetuated itself into the first few years of the 1990s.

US manufacturing recovery

Against the background of still much-reduced rates of return and slowed growth internationally, between 1986 and 1995 the US manufacturing sector, and thereby the private economy as a whole, achieved a striking recovery of profitability and, ultimately, vitality. It did so by taking a leaf from the book of its leading international rivals in Germany and Japan, achieving a powerful revival of international competitiveness and exports. But US manufacturers did not increase their competitiveness and profitability by means of stepped up investment in aid of rising productivity - at least not until very late in the game. They did so instead by means of the classical capitalist mechanisms of shakeout of high cost, low profit means of production and re-distribution of income away from both labour and their overseas rivals.

In the extended cyclical downturns of the first half of the 1980s and the first third of the 1990s, US corporations shed huge masses of high-cost, low profit means of production and, especially labour, and thereby began a revival of manufacturing productivity growth without the assistance of investment growth. They benefited, too, by holding real wages virtually constant during the decade after 1985 and taking advantage of Reagan administration tax breaks that enabled them to sharply reduce the share of taxes in profits. Over the same period, they were also able to profit mightily from the devaluation of the dollar by 40-60 per cent with respect to the mark and yen. This realignment of currencies was detonated in 1985, when the US obliged its main allies and rivals to agree to the Plaza Accord, which called for bringing down the dollar from the heights it had reached during the first half of the decade. Finally, from the time it entered office in 1993, the Clinton administration sought to balance the budget. In this way, it reduced the growth of aggregate demand and thereby helped somewhat to bring down both inflation and long term interest rates, further improving competitiveness while also putting further downward pressure on wages.

Between 1985 and 1995, the US manufacturing sector increased its rate of profit by about two-thirds. It thereby succeeded in raising profitability for the private economy as a whole above its level of 1973 for the first time in more than 20 years. The take-off of US manufacturing profitability was deeply dependent upon an extraordinary recovery of US manufacturing competitiveness, and exports rose more quickly over the decade than they had during any previous ten year period in the post-war epoch. The most important outcome was the transcendence of the long period of manufacturing investment stagnation. From around 1994, capital accumulation sped up and productivity growth leaped forward, amplifying the rise in profitability and setting off the expansion of the 1990s.

Japanese and West European manufacturing impasse

In an ideal world of mutually complementary specialized productions, the revitalization of the US economy might have ended up propelling the world economy into a new era of growth. But, before the mid-1990s, in the actual world of manufacturing over-capacity and redundant production, the US recovery not only imparted little increased dynamism to the world economy, but came to a large extent at the expense of the economies of its leading competitors and trading partners, especially Japan and Germany. This was because, right up until the end of 1993, it took place against a background of continuing international over-capacity and over-production in manufacturing.

US producers thus secured their gains in profitability primarily by means of the falling dollar and essentially flat real wages, as well as reduced corporate taxation, but without the benefit of much increase in investment. In what turned out to be pretty much a zero-sum game, they raised their rates of return by reducing costs so as to successfully appropriate market share from their rivals, while imposing upon them their lower prices. But they generated in the process relatively little increase in demand, either investment demand or consumer demand, for their rivals' products. When the US government moved in 1993 to balance the budget, the growth of US-generated demand in the world market received an additional negative shock.

As the opposite side of the same coin, from 1985 the manufacturing economies of Japan, Germany, and elsewhere in western Europe faced an ever intensifying squeeze. Their rising currencies, as well as their relatively fast wage growth, made for declining competitiveness, thus increased downward pressure on already reduced manufacturing profit rates and capital accumulation. Meanwhile, the declining growth of investment, consumer, and government demand throughout the global economy issued in stagnating purchasing power for their goods at home and abroad, most especially in the US. These economies could thus avoid neither intensifying problems during the second half of the 1980s, nor severe crisis during the first half of the 1990s, and, from 1991, they entered into their worst recessions of the post-war epoch. By mid-decade, as the yen rose to 79 per dollar, its highest level of the post-war epoch, Japanese manufacturers could barely make a profit, and the Japanese economy began to freeze up.

The stock market bubble as engine of the expansion, 1995-2000

Alan Greenspan, chair of the US Federal Reserve

By spring 1995, the rising yen had begun to threaten international economic stability. The US government, recently traumatized by

the Mexican Peso Crisis with its associated Tequila Effect, felt it had no choice but to bail-out the Japanese manufacturing economy. It did so in much the same way that the Japanese and German governments had bailed out a crisis-bound US manufacturing economy in 1985 - by engineering, in collaboration with the other G-3 powers, a new rise of its currency. The so-called reverse Plaza Accord of summer 1995 marked a turning point for the world economy, as the ensuing ascent of the dollar, as well as the East Asian currencies tied to it, and parallel decline of the yen and the mark, initiated a epochal shift away from the pattern of international economic development that had prevailed for the previous decade.

Declining profitability, rising equity prices

As the dollar began to rise from the latter part of 1995 after a decade-long descent, the weight of continuing international over-capacity and over-production in manufacturing shifted away from Japan and west Europe and back toward the US. The revalued currency thus immediately cut short that extended rise of US manufacturing competitiveness that had underpinned the US profitability revival. In 1996 and 1997, the US manufacturing expansion did manage to sustain itself, as output shot up, productivity growth accelerated, and costs of production fell impressively. Nonetheless, US manufacturing lost vitality, because squeezed between the intense downward pressure on prices that was resulting from the surfeit of international manufacturing supply and its own rise in relative costs that was resulting from the rising currency. Indeed, had US manufacturers not succeeded in actually reducing real wages in these couple of years, manufacturing profitability would have started to fall right then. As it was, a serious fall-off wouldnotbe long incoming.

Meanwhile, in 1995, under the terms of the Reverse Plaza Accord by which the G-3 powers had agreed tothe great turnaround of the dollar/yen/markexchange rates, the US, German, and especially the Japanese government let loose a huge flood of funds onto US money markets to drive up the dollar, mainly through the purchase of US Treasury instruments. East Asian governments, as well as hedge fund speculators from around the world, followed suit. As a result, USlong term interest rates fell sharply, at the same time as the Federal Reserve pushed down short term interest rates (to help combat the Mexican Peso crisis).

The enormous easing on financial markets that thus took place in 1995, as well as the rise of the dollar itself, detonated the great stock market run-up. Hitherto - between 1980 and 1995 - US equity prices had risen significantly, but no more than had corporate profits. Up to 1995, in other words, the rise of the stock market had been fully justified by the underlying increase of corporate profits. But, henceforth, equity prices left corporate profits in the dust, especially as the manufacturing profit rate ceased to rise and turned down, and the biggest stock market bubble in US history blew up.

If the international financial shifts of 1995 set off the stock market run up, Alan Greenspan and the corporations themselves perpetuated it. By late 1996, Greenspan was publicly voicing worry about the "irrational exuberance" of share prices. But he was clearly even more concerned, in private, about the possible stumbling of the US economy, especially as the dollar rose and economic growth at first proved hesitant. Greenspan thus made no attempt to control the enormous increase of liquidity that resulted from the influx of foreign money and his own reduction of interest rates. In fact, aside from a one-quarter point increase in early 1997, Greenspan failed to raise interest rates between the beginning of 1995 and the middle of 1999, with the result that during the second half of the decade the money supply increased at quadruple the rate it had during the first half. Greenspan’s loose money regime had the effect of pushing up the stock market further and, not accidentally, stoking the "wealth effect"-i.e. endowing corporations and households with the increased paper wealth that allowed them to borrow more easily, as well as, in the case of the corporations, to issue shares at inflated prices, and on that basis to step up their investment and consumption, buttressing the economic expansion.

US corporations were quick to exploit the easy money gifted by Alan Greenspan. Between 1995 and 2000, they increased their borrowing as a fraction of corporate GDP to record levels, not mainly to fund expenditures on new plant and equipment, but primarily to cover the cost of buying back their own shares. In this way, they avoided the tedious process of creating shareholder value through actually producing goods and services at a profit, and directly drove up the price of their shares for the benefit of their stockholders, as well as their corporate executives who were heavily remunerated with stock options. US corporations were the largest net purchasers on the stock market between 1995 and 2000.

The wealth effect of rising equity prices

The runaway stock market allowed the US expansion to continue and accelerate in the years between 1995 and 2000, even as the downward pressure on the manufacturing profit rate came to deprive the expansion of its initial solid foundation. As the paper value of their assets inflated far beyond any possible underlying economic value, corporations were endowed with vast alternative sources of virtually costless funding, aside from profits. They could issue over-valued shares; they could also secure endless supplies of credit by using the inflated value of their assets essentially as collateral. They were thus able to maintain, even increase, the rate of growth of their expenditures on new plant and equipment, despite the diminishing relative contribution of profits. Thanks to this "wealth effect," the expansion achieved increasing vitality.

Limits to the wealth effect

Nevertheless, an economic expansion driven by skyrocketing share prices in the face of stagnating or fall profits had a limited future. The downward tendency of profits was bound to register in the stock market, sooner or later. Once equity prices began to fall, moreover, the wealth effect would go into reverse, and an economy faced with ever-greater over-capacity would plunge.

The international crisis of 1997-1998

Nor were profitability problems and asset bubbles confined, at this juncture, to the US. Between 1985 and 1995, the East Asian manufacturing economies had achieved extraordinary export-based growth, heavily on the basis of the fall in the value of their currencies. These devalued currencies, which were pegged to the declining dollar, endowed these economies with huge gains in competitiveness, and market share, with respect to their Japanese rivals. They also obliged Japanese manufacturers to re-locate much of their low end production to East Asia and to re-orient, in turn, a good part of their capital and intermediate goods exports in that direction as well. But, beginning in 1995, the tables were turned. The same rising dollar that that was both undercutting US manufacturing profitability and helping to drive US equity prices upward also pulled East Asian currencies skyward. The economies of East Asia thus began to experience the same dual trend toward declining manufacturing competitiveness leading to downward pressure on manufacturing profitability, on the one hand, and to an inflow of foreign funds leading to upward pressure on asset prices, on the other, as did the US.

The chain reaction did not stop there. Between 1985 and 1995, in response to the high yen, Japanese producers had reoriented production to East Asia, increasing capital goods exports to the region, while re-locating lower end manufacturing there. When the yen fell from 1995 in the wake of the reverse Plaza Accord, Japanese producers were able to regain domestic market share from their East Asian rivals and force them out of third markets. But, the resulting crisis of East Asian manufacturing could not but boomerang against the Japanese economy, for it deprived Japanese corporations and banks of what had only recently become their best markets. By 1998, Japan had returned to recession.

Nor did the US economy prove invulnerable. In the wake of the bursting of equity price, land, and construction bubbles and the consequent flight of money from the region, the East Asian crisis broke out in earnest in 1997-1998 and was quickly exacerbated by Japan's return to negative growth. US producers lost market share in East Asia and Japan and were hurt by low cost East Asian goods in their overseas and domestic markets. In 1998 and 1999, US exports, having risen at an unprecedented pace for the better part of a decade, suddenly ceased to grow at all, while imports continued to increase at their previous accelerated pace. In the face of such pressure, the US corporate manufacturing profit rate fell by 17 per cent between 1997 and 2000 and was totally responsible for a corresponding decline in the non-financial corporate profit rate of 9 per cent in this period (the non-manufacturing non-financial corporate profit rate did not fall at all).

Meanwhile, starting from mid-1998, US corporate equities began to fall sharply, in response to a decline of corporate profits under the dual pressure of the crisis in East Asia and the inflated dollar. In the wake of the ensuing Russian default and Brazilian crisis, the US descended, in early Autumn 1998, into its most serious economic-financial crisis of the post war epoch. But, if the US went into recession, much of the rest of the world economy, so dependent upon the US market, might be headed for depression.

The Fed sustains the bubble and the bubble sustains the boom

In September-October 1998, with global financial markets freezing up, Alan Greenspan and the Federal Reserve engineered their famous bail-out of the LTMC hedge fund and lowered interest rates on three occasions. They did so, in the first instance, in order to stop the stock market's descent and combat a crisis that threatened to bring down the international financial system. But Greenspan's goal was not merely short term, to head off equity market and financial market collapse. It was to assure equity investors that he wanted share prices to rise so that the "wealth effect" of the stock market's continuing ascent could keep the US, and world, economy turning over.

What Greenspan was attempting might usefully be called "stock market Keynesianism". In traditional Keynesian policy, demand was "subsidized" by means of the federal government's incurring rising public deficits by spending more than it took in taxes. By contrast, in Greenspan's version, demand would be increased by means of corporations' and rich households' taking on rising private deficits, encouraged to spend beyond their means by the increased paper wealth that was represented by the increased value of their stocks. By 1997-8, the US campaign to balance the budget had reduced deficit spending to zero, and recourse to traditional Keynesian methods was ruled out. In order to stoke investment and consumer demand and thereby counter-balance the worsening decline in manufacturing competitiveness, exports, and profitability, the Fed thus had little choice but to force up the stock market, further increasing the economy's dependence upon the wealth effect.

WorldCom logo

By virtue of his material reassurances to the equity markets, as well as his paeans to the New Economy, Alan Greenspan pretty much achieved his goals, with epoch making results. Between the end of 1998 and the middle of 2000, the stock market run-up and in turn the US economic boom entered their most fevered phase. With equity prices reaching their highest levels, despite simultaneous fall-off of profitability, corporations all across the economy - especially those in telecommunications, media, and technology (TMT), which enjoyed a disproportionate share of the stock-market increase - gained access to funds practically for free. On this basis, they unleashed a further wave of growth, capital accumulation, and productivity increase, accelerating the expansion still further.

Last but not least, the huge rise in US demand that resulted from the speeding up of the expansion, plus the still rising dollar, rescued the world economy from its crisis of 1997-1998, and incited a new international economic upturn in 1999-2000. The impact of the very rapid growth of US imports was most evident in East Asia, where the unprecedented call for high tech components practically single-handedly drove the NICs, as well to some extent as Japan, from deep recession to rapid growth. But it was also indispensable, for western Europe, where US demand for cars, machine tools, and other products made possible the rapid comebacks of both the German and Italian economies, while the low currency eased Euro area producers' access to third markets.

From stock market crash to recession

The stock market was running over a cliff, but, like the proverbial cartoon character, so long as equity investors refused to look down, to concern themselves about corporate profitability, it could continue to move upward. In the last several years of the decade, the fall in profitability was, for a time, partially mitigated by big productivity gains secured by manufacturers by means of increased investment growth financed on the basis of their inflated stock values. It was also partially countered by stepped-up consumption growth on the part of the wealthiest 20 per cent of US households, who enjoyed a full 90 per cent of the increase in wealth represented by stock market run-up and were, by themselves, responsible for the historically unprecedented rundown of the US personal savings rate over the course of the 1990s. Nevertheless, the facts that, in these years, even despite accelerated productivity and consumption growth, manufacturing profitability fell significantly and capacity utilization failed to rise, indicate that the build up of excess capacity had already assumed major proportions even as the boom reached its zenith.

WorldCom bosses putting on a brave face

The stock market finally began to fall from spring 2000 and then, more definitively, from late summer 2000, when a seemingly endless run of dismal corporate profit reports dramatically deflated equity prices. A huge multitude of e-commerce firms that had never shown a profit collapsed first, as they simply ran out of funds. But, soon the crash consumed almost all of the leading lights of the TMT sector (technology, media, telecommunications), including such stock market darlings as equipment makers Cisco, Lucent, and Nortel and components producers JDS Uniphase and Sycamore. Perhaps a third of total asset values extant in early 2000 have by now gone up in smoke.

As a result of the fall in equity prices, the wealth effect has gone sharply into reverse. With their on-paper assets sharply reduced, firms and households not only have found find it more difficult to borrow, but less attractive to do so, especially since the growing threats of bankruptcy and unemployment have led them to look to repair their over-burdened balance sheets. In turn, they have naturally cut back expenditures on capital and consumer goods. But with investment growth falling, productivity growth has had to drop too, putting further downward pressure on profitability.

Above all, the economy has found itself in possession of great masses of plant, equipment, and software, which can in no way be realized, especially as the growth of consumption has plummeted. The resulting over-capacity had succeeded in 2001 in reducing absolute profits (net of interest) in the manufacturing sector by 60 per cent from their 1997 high point, while bringing down the profit rate in the non-financial corporate sector as a whole 25 per cent below its 1997 peak.

Under the impact of the reverse wealth effect and in the face of mammoth excess capacity, the growth of output and of investment fell faster than in any other comparable period since World War II, GDP growth declining from 5.2 per cent in the year ending at mid-2000 to 0.8 per cent (on an annualised basis) in the first half of 2001 and non-residential investment growth from 11 per cent to minus 7.4 per cent over the same interval. It is the collapse of investment in the face of manufacturing over-capacity and plummeting profitability that is at the heart of the recession.

Manufacturing employment and output began to fall immediately and profoundly, in the wake of the stock market crash and profitability decline, hours worked in manufacturing dropping by an astounding 12 per cent from their peak in 1997 to the first quarter of 2002. But it was only from around the middle of 2001 that the US economy as a whole began to fully register the profound shrinkage of its markets that has followed upon these fall-offs of growth and capital accumulation and to take the standard measures of self-preservation. Since that point, US non-manufacturing corporations have been lopping off great swathes of their productive capacity, and, in particular, their labour forces, in an effort to restore competitiveness and balance sheets, placing huge pressure on their rivals to respond in kind. The aggregate effect has been to set off a powerful downward spiral in which falling investment and consumption has led to rising layoffs, bankruptcies and loan defaults, making for further sharp falls in demand, creating the pressure

for deepening recession..

Industry slows down

As the US entered recession, the rest of the world followed in virtual lock step. The stock market's last upward thrust had performed the indispensable function of rescuing not only the US, but also the world economy, from the international economic crisis of 1997-1998 originating in East Asia. But with US equity prices and investment collapsing, especially in high technology, the film began to run in reverse. Under the impact of plummeting US imports, the economies of East Asia, Japan, and perhaps western Europe, thus lost steam faster than that of the US. As they did, US export growth has fell even faster. A mutually-reinforcing international recessionary process was the result.

Can expansionary policies stem the tide?

To stem the economy's frightening plunge over the course of 2001, the Federal Reserve lowered interest rates extremely sharply and extremely rapidly. The idea of course was to encourage spending by making the real cost of borrowing exceedingly cheap.

Nevertheless, it should have been evident from the start that this policy would have little direct effect on capital accumulation, the ultimate key to any recovery. Corporations already possessed far too much too much plant and equipment, so had no desire to invest. They therefore wouldn't borrow no matter how cheap it was to do so. In this sense, the Fed was, in Keynes' famous phrase, 'pushing on a string.'

The historic reduction in interest rates has, however, been quite successful, in its main short-term goal -i.e. to spur consumer spending. Super-cheap credit thus has provoked an extraordinary increase of household borrowing, especially by means of the re-financing of home mortgages, even as unemployment has steadily increased. Rising personal consumption has thus single-handedly saved the economy, at least for the moment. In 2001 and the first quarter of 2002 the growth of household borrowing increased faster than at any time during the debt-driven 1990s. This allowed personal consumption expenditures to grow by 3.1 per cent in 2001, and by a whopping 6 per cent in the fourth quarter of 2001. In response to this increase in spending on the part of consumers, corporations began rebuilding the inventories that they allowed to run down as the downturn deepened, and GDP has responded accordingly. It is the causal chain running from the growth of household borrowing, to the growth of consumer expenditures, to the growth of inventories that has been primarily responsible for the major step-up of GDP growth in the fourth quarter 2001 and first quarter of 2002.

Yet, precisely because the recovery has thus been almost solely dependent upon the rapid growth of consumer spending, and behind that, consumer debt, its foundations are very shaky. Non-residential investment growth, the key to economic health, has fallen like a stone - from an average annual rate of 14 per cent in the first half of 2000, to 4 per cent in the second half of 2000, to minus 3.2 per cent in 2001. Export growth has also collapsed - from 11 per cent in the first half of 2000, to 3.3 per cent in the second half of 2000, to minus 4.5 per cent in 2001 (although it began to recover a bit in the first quarter of 2002).

The downward thrust of both investment and exports was responsible for the downward spiral that gripped the economy until late in 2001. It is of course the aim of policy makers to keep consumer spending driving the economy until investment and exports can revive, with investment hopefully recovering under the stimulus of continually rising consumer purchases. But the worry is that the overhang of excess plant and equipment that has been responsible for declining profits will continue to forestall any new burst in investment: indeed, in the first quarter of 2002, non-residential investment fell even faster, by a further 6.8 per cent (on an annual basis). As to exports, although they can be expected to rise to the extent that the US upturn stimulates growth across the rest of the world economy, it is virtually certain that they will lag far behind imports, given how great is the US economy's propensity to consume. This is sure to put ever increasing pressure on the already record-high US current account deficit. (see below).

How long reduced interest rates can drive consumer spending is itself a critical question. In 2001, the growth of household borrowing as a percentage of GDP reached its highest point since 1980 (except for 1985) and household debt as a percentage of GDP hit its highest level ever, almost 25 per cent above that in 1990. It therefore seems quite possible that, especially in the face of a still worsening employment situation, households will soon have to cut back on their taking on of new debt and thus reduce their spending. That household consumption rose in the first quarter of 2002 at only half the rate it did in the last quarter of 2001 may perhaps indicate that such a slowdown is already in progress. If it is, the nascent upturn is likely to peter out.

Against this background of profound uncertainty, the enormous 'imbalances' that are legacy of the bubble of the late 1990s loom like dark clouds.

i) The record ascent not only of household, but especially corporate, borrowing was central to the boom. But as declining prospects and bankruptcies have loomed ever larger, corporations have sharply cut back their borrowing to reduce their vulnerability. Should this continue to happen on a large scale, a big prop to investment will go by the wayside.

ii) In 2001, the US trade and current account deficits were again at an all-time high, for the third year in a row. Up until recently, overseas investors have been more than willing to fund

these deficits, making huge direct investments in the U.S., as well as enormous purchases of U.S. corporate equities and U.S. corporate bonds. But as the U.S. economy in recession has continued to disappoint expectations and the stock market has continued to languish, the rest of the world appears finally to be finding U.S. assets relatively less attractive. In 2001, although foreign purchases of bonds held up, foreign direct investment to buy or establish US businesses fell by a huge 60.4 per cent, while purchases of US shares by the rest of the world declined by more than 35 per cent and another 45 per cent (on an annual basis) in the first quarter of 2002.

As a result of this disenchantment with US assets, pressure on the currency has mounted and, as this is being written (mid-June 2002), the dollar has fallen sharply, especially against the euro. Were these trends to continue, the Fed could soon be faced with an excruciating choice: either let the dollar fall and risk a wholesale liquidation of U.S. properties by foreign investors that could not only wreak havoc in the asset markets, but also set off a real run on the dollar; or raise interest rates and risk pushing the economy back into recession.

iii) Equity prices have obviously fallen a great deal, in response to the worsening business outlook. But paradoxically, their decline has failed to bring stock values back into line with profits, because profits have, in many cases, dropped as far. At the end of 2001, S&P500 index had fallen by more than one third, but the price-earning ratio of the corporations represented there was no lower than it had been at its peak in mid-2000. The same goes for the NASDAQ. Stocks thus remain highly overpriced, and the stock market would therefore appear to have a way further to fall.

To make matters much worse, a stunning succession of accounting scandals have wracked a growing number of the country's leading corporations. These have been marked by top managers' systematic cover-up of company expenses and corresponding inflation of company profits, as well as their personal appropriation of company assets. Many of the firms affected were only recently among the top high-tech stars of the equity markets, including not only Enron, but the telecommunications giants Global Crossing, Quest, and World.com, not to mention Merck drugs and Adelphia cable. These frauds are in no way accidental, but are the unavoidable by-product of a bubble economy that lacked a real base in profits.

Because the stock market run-up was the main force keeping the economy turning over in the face of falling profit rates during the last years of the 1990s, federal officials had every interest in averting their eyes from corporate accounting practices. By the same token, since company executives were driven to maximize "shareholder value" - especially as much of their pay tended to come in the form of stock options - they were under tremendous pressure to conceal the reality of dismal, and declining returns as long as possible. But, they could not of course do so forever, and the inevitable disclosures have devastated investors' confidence and with good reason.

According to a recent report by SmartstockInvestor.com, the corporations listed on the NASDAQ 100 announced profits for the first three quarters of 2001 of 19 billion dollars to shareholders and the media. They did so on the basis of the so-called "pro forma" standards that they are legally allowed to use for this purpose. However, these same 100 companies were could not avoid communicating losses of 82.3 billion dollars for the same period to the Securities and Exchange Commission. This is because, for their profit reports to the SEC, they are legally required to use the rigorous Generally Accepted Accounting Principles (GAAP). Were the stock market to continue to fall, with the economic recovery so fragile, the effect on business confidence and the economy more generally would likely be very depressing, opening up the possibility of a mutually reinforcing downward spiral of both the dollar and asset prices.

Clouded prospects

The bottom line is that the rate of profit, the ultimate key to any recovery, remains very depressed, and the forces that drove it up during the 1990s are gone. In 2001, manufacturing corporate profits fell to their lowest level since 1986. At the same time, the non-financial corporate profit rate fell to its lowest level since 1981. Nevertheless, the dollar remains relatively quite high, keeping down the international competitiveness of US producers, and making any manufacturing profit rate recovery exceedingly difficult. And, of course, the wealth of effect of the stock market boom no longer inflates demand or makes investment nearly costless.

Even as economic growth has accelerated to almost six per cent in the first quarter of 2002, the Federal Reserve has so far failed to raise interest rate, a sign that it is anything but confident that the economy is taking off and the recovery is secure. By the same token, the stock market has continued to stagger, falling back down near its depressed levels of autumn 2001 in the wake of 9/11. Clearly, big business has serious doubts about the consumer-led upturn. Alan Greenspan has declared the recession over. But the economy is far from out of the woods.

The philosophy of revolution

22 July 2002, by Paul Le Blanc

It was the German philosopher G.W.F. Hegel (1770-1831) who developed a way of comprehending reality, a method of analysis, hailed by the Russian revolutionary Herzen as "the algebra of revolution." Known as dialectics, this philosophical orientation profoundly affected Karl Marx and Frederick Engels, and was developed as an essential component of the revolutionary Marxist tradition. It has often been shrugged off - with a grimace or a laugh - as impossibly dense. But Rees's study demonstrates that such a dismissal can undermine the ability to understand the world among those who wish to change it.

It is truly unfortunate that - far from being widely recognized as the valuable contribution it is - this book has had little publicity in Marxist and left-wing journals. Perhaps Rees's involvement in the British Socialist Workers Party is seen as sufficient reason by some for ignoring him, but this is hardly a narrow "party" tract. It is a book of enduring value. One of the few reviews to appear so far, in the important Marxist journal Historical Materialism, distorts what Rees says in order to make him look foolish and dismiss his work. The reviewer (who is capable of much better) counts among the author's "sins" the fact that he finds important philosophical contributions in the work of Frederick Engels, Rosa Luxemburg, V.I. Lenin, Leon Trotsky, and Georg Lukacs - and that Rees is critical of one of the reviewer's favorite thinkers, the late Raya Dunayevskaya, who engaged in interesting Hegel and Marx scholarship and headed a still-existing "Marxist-Humanist" current.

Rees makes positive reference to her work but criticizes what he sees as her attempt "to more or less apply Hegel's categories to the modern world" in a manner that results in an over-abundance of "abstract generalization" (p. 108). In his opinion, Hegel's version of dialectics is vitally important, but also fundamentally flawed; his method had to be re-worked to be effectively utilized by Marx and others to advance revolutionary analysis and struggle. Some might respond that he is too critical of Hegel, while others might complain that he gives the German philosopher too much credit. But the primary focus of the book is less on the Hegel/Marx relation and more, as the sub-title suggests, on the place of the dialectic in "the classical Marxist tradition." Rees provides an admirably clear, stimulating, and well-documented survey discussing Marx and Engels, Luxemburg, Lenin, Trotsky, Gramsci, Lukacs, not to mention Eduard Bernstein, Karl Kautsky, George Plekhanov, Antonio Labriola, and others. This is a volume that should be in the personal library of all socialist scholars and activists.

Hegel and Beyond

Rees highlights Hegel's immense intellectual labors, which were powerfully influenced by the French Revolution and the Industrial Revolution. They combined a deep commitment to human freedom with a profoundly historical sensibility embracing the notion that reality unfolds and moves forward through the interaction of contradictory tendencies. Each of these tendencies contain elements of "truth" that can only be understood adequately as part of a complex, multi-faceted, always-evolving totality. Hegel developed concepts and categories to help comprehend the almost impossibly complex, dynamic, contradictory reality in which all of us are enmeshed.

On the other hand, Rees is critical of Hegel's philosophical idealism that gives primacy to the intellectual constructs, with actual realities represented as manifestations of the abstract principles contained in the realm of ideas. "Starting from the necessity of conceptual thought," Rees tells us, "Hegel ended with a system in which one category automatically produces another until a whole system results which, it is claimed, 'must' be an adequate account of reality"(p. 109). He explains: "The basically idealist thrust of his philosophy did not simply result in his claim that ideas were the moving force in the world. Ironically, it also forced him into crude, deterministic assertions about the empirical world as well" (p. 65). This contributed to a growing conservatism in the older Hegel that, for example, tended to idealize the "necessity" of the authoritarian Prussian state under which he lived.

One could add, however, that an emphasis on the opposite - the primacy of objective material realities and the secondary importance of the "subjective" element - can lead to another form of non-revolutionary determinism. This comes through in some of the formulations of the Second International's influential "pope of Marxism," Karl Kautsky, who emphasized that it was the "objective realities" of the capitalist economy, not the "subjective realities" associated with the ideas and activities of the labor movement, that would bring about the socialist revolution. Such seemingly hardheaded, "scientific" fatalism and determinism has all-too-often passed for profound Marxist wisdom. This can cause working-class militants to passively wait for revolutionary inevitabilities which, as the history of the twentieth century demonstrates, never materialize.

In contrast, Marx and Engels had seen the objective and subjective factors as an interacting unity of opposites, with the working class itself (thanks to the role in the labor process and the quality of human consciousness) combining subjective and objective. "Once this notion, the unity of subject and object, has vanished … the working class is no longer seen as the identical subject-object of history," Rees argues. "That is, it is no longer seen as a class whose struggle transforms it from being an exploited class lacking in socialist consciousness and unable to control the society that it produces into a class capable of

consciously fighting to banish exploitation and able to run society according to its own needs" (p. 140).

This is precisely the element that is built into the mass strike conceptions of Luxemburg, the theory of permanent revolution of Trotsky, and the understanding of the party/mass struggle dialectic of Lenin (further elaborated by the Hegelian Leninists Lukacs and Gramsci).

"Mysteries" of the Marxist Dialectic

Rees's book helps to de-mystify something about which much complicated (and also simplistic) nonsense has been propagated. While making a passing reference to "the characteristic Hegelian triad of thesis, antithesis, and synthesis," he is scornful of the idea that the Hegelian dialectic can be reduced to this "eternal trichotomy," and he approvingly quotes Plekhanov that "it does not at all play in Hegel's work the part which is attributed to it by people who have not the least idea of the philosophy of that thinker" (pp. 39, 146, 241).

Rees is more inclined to accept (as "useful reminders of forms in which dialectical contradictions sometimes work themselves out") the three "laws" identified by Engels: unity of opposites; transformation of quantity into quality; and negation of the negation. The unity of opposites involves the dynamic linkage between interpenetrating yet contradictory elements - for example, the relationship between workers and capitalists as essential components of the capitalist system. The transformation of quantity into quality involves the process by which gradual "numerical" alterations can result in qualitative change - water turning from a liquid into a solid or gas depending on the rise or fall of the temperature, or an escalating number of workers and workplaces being involved in a strike changing a situation from an economic dispute to a politically-charged general strike to a social revolution. The negation of the negation involves the development of some aspect of reality in which its original state is overcome or transcended (negation), but rather than being simply obliterated, the elements of the original aspect of reality are preserved (negation of the negation) in the process of transformation - for example, a liberal's fundamental belief in human rights and freedom of expression being preserved in his or her rejection of liberalism for socialism, or a revolution overcoming the old society while at the same time preserving and raising to a new level elements of the old society.

Rees emphasizes, however, that these three "laws" are "not the only way that dialectical development can take place" and that by no means do they constitute some "supra-historical master key." He clearly prefers a different way of explaining the dialectical method, emphasizing "three principles: totality, change, and contradiction. Taken separately these principles do not constitute a dialectical approach. Only when they are taken together do they become dialectical." He adds that "the parts and the whole are not reducible to each other. The parts and the whole mutually condition, or mediate, each other" (pp. 5, 7, 8-10).

He emphasizes that Marx's materialist conception of history is grounded in this analytical approach: "Society is taken to be in a process of constant change. Such change involves the totality of relations - economic, political, ideological, and cultural - of which the society is composed. This process of total change is a result of internal contradictions, manifested as class antagonism, which reconstitute society anew by both transforming and renewing the forces that first gave rise to the initial contradiction" (p. 83).

At the same time, Rees explains, the dialectical method in Marx's hands does not consist of "a progression of self-generating categories," but instead that he continually refined and revised his dialectical analysis through "constant empirical verification," understanding that "real contradictions are ... more diverse and complex, and change more rapidly, than the concepts that express them, even when these are dialectical concepts especially designed to capture complexity and change. Constant empirical work is therefore essential to renew both the concrete analyses and the dialectical concepts that are generalized from these analyses." Lenin described this as Marx's method in Capital: "Testing by facts or by practice respectively, is to be found in each step of the analysis" (pp. 110, 113).

Permanent Revolution

After discussing Hegel's thought and how Marx and Engels transformed it, The Algebra of Revolution provides an account of "the crisis of Marxism" that arose in the Second International in the early twentieth century as the revisionism of Bernstein and the "orthodoxy" of Kautsky - each in their own way - set aside dialectics, in a manner that complements setting aside Marx's revolutionary strategic perspective.

From this chapter we gain a sense of the tragedy of the "father of Russian Marxism" George Plekhanov, whose keen appreciation of Hegel's thought is undermined by a dogmatically linear (as opposed to open and contradictory) notion of social development. The glory of Rosa Luxemburg is that her approach to social development and revolutionary struggle is permeated with the dialectical approach that made her "most capable of meeting new challenges...conducting new analyses and of distinguishing the fundamental from the merely phenomenal" (pp. 164-165).

Chapters on "Lenin and philosophy" and "the legacy of Lukacs" suggest that in the traditions of revolutionary Bolshevism and the heroic Communism of the early 1920s we can find a high point in the development of Marxist dialectics. A chapter on Trotsky continues in a similar vein, providing one of the most complete and satisfactory discussions of Trotsky's understanding and

utilization of dialectical thought. In discussing Trotsky's distinctive perspective on permanent revolution, Rees comments that "Trotsky's theory was a brilliant application of the dialectical method to new historical circumstances." His summary is worth reflecting over:

'The theory of permanent revolution marked an important break with the determinism of the Second International. Later it became the cornerstone of Trotsky's fight against Stalin's fatalistic theory of "socialism in one country." In both cases, Trotsky argued that for a backward country to be ripe for socialist revolution it did not have to go through all the stages of capitalist development that characterized the history of the advanced capitalist powers. Trotsky's theory, the law of combined and uneven development, stressed that any analysis of the revolutionary potentiality of backward countries must start from the totality of capitalist development on a world scale. Here it was clear that the material conditions for a socialist society existed, even if they did not exist in each part of the world system taken in isolation. If a revolution was to be successful in a backward country, then it must spread to other parts of the system and so tap their material wealth. Thus seeing the interconnectedness of the different parts of the totality was also the key to Trotsky's analysis. To realize this potential, the working class would have to battle consciously for the leadership of the revolution' (p. 283).

Rees concludes his study with the obvious but essential notion that the Marxist dialectic revolves around "an appreciation of the revolutionary potential of the working class," and that any effort to renew Marxist philosophy is actually inseparable from the task of overcoming late-twentieth-century defeats of the working class through rebuilding the working-class movement. He adds that "a revolutionary organization remains the indispensable tool for overcoming the unevenness in working-class consciousness, maximizing the effectiveness of working-class struggle, recalling the lessons of past victories and defeats, and educating and leading workers in struggle" (p. 301).

We are faced with the urgent question, however, of how these truths can be understood and applied in the unique historical circumstances at the dawn of our new century. Any mechanistic effort to superimpose "orthodox" formulas from earlier historical contexts onto the new and fluid realities would be a violation of the dialectical method Rees so ably discusses in this fine book. A simplistic effort to proclaim a revolutionary working class party, even if done in the name of revolutionary dialectics, is guaranteed to be fruitless. Such things must evolve organically from the actual class struggles of the real world in which we live. The question is: how can that process be advanced by thoughtful activists? Armed with the theoretical tools surveyed in The Algebra of Revolution, designed for those committed to developing revolutionary analyses and strategies, activists of today and tomorrow - one can hope - will be better able to understand the world in order to change it.