REVOLUTIONARY PERSPECTIVES 8

Journal of the C.W.O.

HISTORY OF THE CWO
ANTIFASCISM: OGADEN WAR

PLUS
contents

Fascism and Anti-fascism .................................................. 1
The Ogaden War ............................................................... 2
Money, Credit and Crisis .................................................. 5
Money ................................................................. 5
Credit ................................................................. 9
The Crisis Mechanism .................................................... 10
Value, Price and Inflation ................................................ 14
The Crisis Mechanism and Perspectives for its Evolution ....... 20
Perspectives: Super-Capitalism and the National State ........ 26
Two Years of the CWO ..................................................... 29
Class Lines and Organisation (Aberdeen/Edinburgh seceders) .... 39
Class Lines and Organisation - A Reply from the Majority ....... 44
Open Letter to the International Communist Current ............. 55
Text for the Meeting of CWO and PIC: Liverpool, October 1975 .... 57

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Editorial: Fascism and Anti-fascism

WHICH IS THE BIGGEST MENACE?

"Hegel remarks somewhere that all the great events and characters of world history occur, so to speak, twice. He forgot to add: the first time as tragedy, the second as farce."

(Marx: The Eighteenth Brumaire of Louis Napoleon)

The current campaign by the fascist and racist National Front to hold marches in immigrant areas such as Lewisham, Ladywood and Tameside has brought a justifiably angry response from the local population. Equally quick to respond have been the usual rent-a-mob leftists, headed by the Socialist Workers' Party, who claim to see a parallel between these events and the Mosleyite marches of the Thirties. But the leftists outnumbered the fascists at Lewisham by four to one, so what threat is there? Whilst the ruling class dithers over whether or not it is "democratic" to prevent fascist marches, it is the leftists who stand to gain from inflating the "fascist menace".

Socialist Worker has now launched into a full "anti-fascist" campaign, claiming that we face a return to the 30's, to mass unemployment and to fascism. However, the only return to the 30's is in the tactics of the leftists. Then the Communist Parties of Europe formed Popular Fronts and anti-fascist alliances to fight for the interests of Russian imperialism. Today's state capitalists, finding that their politics are equally obnoxious to the working class as those of the Stalinists in the Thirties, now hope to win recruits (largely from the liberalism which characterises student politics) by appearing as the only organisation to stand up to the "fascist menace".

It is not complacency but a Marxist understanding of history, which allows the CWO to state categorically that the "fascist menace" is entirely the creation of the leftists. With the onset of capitalist decadence, with the end of capitalism's progressive period, so clearly marked by the opening of World War One, it became impossible for the working class to make an alliance with any section of the bourgeoisie. The immediate post-war period (1917-21) was the greatest period of class struggle in history when labour attempted to grasp international capital by the throat. However, by 1921 this revolutionary wave was physically defeated and in those countries, like Italy and Germany, where the bourgeoisie had received the biggest fright, fascism seemed to be their salvation, offering as it did, a mass movement which would destroy "the cancer of Bolshevism". Bolshevism itself however, had equally lost its revolutionary content and whilst in Russia state capitalism took the form of expropriation of private property, it was little different from fascism where the state controlled the whole economy, though leaving nominal ownership in the hands of the "captains of industry".

It is the crassest vulgarisation of historical method to maintain that the same situation exists today. Certainly, today's economic crisis is the worst capital has experienced since the Thirties, but in the Thirties the workers had been physically defeated, lumpenised by unemployment and had witnessed the capitulation of "their" organisations, trade unions, socialist and communist parties, to capitalism. Today the working class is confident and undefeated - an immediate attempt by the bourgeoisie to unleash its fascist "running dog" would only provoke what they have been struggling to avoid - an open confrontation with the working class. Moreover, the bourgeoisie have also learned from history that fascism means
war - hence it will be their last resort and fascism will only be a real danger if the working class is defeated and capitalism is left to find its own "solution" to economic crisis.

Meanwhile, the greater danger for the working class is "anti-fascism". In Spain in the 30's the working class suffered one of its most tragic defeats when it was diverted from the struggle against capitalism by uniting with the Republican bourgeoisie against the fascists. It is one thing for workers to die fighting for a better world - it is another for them to be used as cannon fodder in a bourgeois faction fight.

And this is exactly what today's leftists want. The whole "anti-fascist" movement is a dangerous sidetrack for the working class. It is not a step in the anti-capitalist struggle, but a deflection of it into class collaboration and opportunism.*

The Ogaden War

In the Horn of Africa the "socialist" state of Ethiopia and the "workers' state" of Somalia are destroying each other with the most sophisticated weapons capitalism can produce. This area, one of the most backward in the world, has a technology fitted to produce weapons little more sophisticated than the bow and arrow; indeed, behind the tanks and aircraft march peasants with wooden rifles! Clearly, more than local interests are involved in this conflict.

- The region of Ogaden, the area of conflict between Ethiopia and Somalia, is rich in oil and minerals.

* We will deal with the history of fascism and anti-fascism in a future issue.
The Horn of Africa is in a situation of strategic importance: astride the Red Sea guarding the access from the Mediterranean to the Indian Ocean (and the oil route to the Persian Gulf).

Clearly, the control of such an area is vital for the two imperialist rivals, the US and USSR. This struggle between Ethiopia and Somalia is just the latest episode in the life or death conflict between the two super-powers - as seen in Vietnam, the Middle East and Angola.

Ethiopia (90% of whose population is outside the money economy) has been undergoing its "socialist" revolution since 1974 when the armed forces, backed by the US, overthrew the Emperor Haile Selassie. The ruling clique, the Derg, was quick to implement "socialism" the time-honoured way by crushing any strikes or resistance from the country's tiny working class. The new regime was at first an important ally for the US - thus ensuring that the strip of coastline across the Red Sea from America's other ally in the area, Saudi Arabia, was made secure for the interests of American imperialism. Unfortunately for the US their new "socialist" allies were soon being threatened by a breakaway "national liberation movement" in Eritrea, an important region which hugs the Red Sea coastline and is Ethiopia's main outlet to the sea. The Eritrean Liberation Front (ELF), also "Marxist", was quickly backed by those other "Marxists" in Moscow.

The bitter struggle continues ... The US, determined not to back a loser, quickly armed a rival faction to the ELF - a royalist secessionist group which is also supported by Saudi Arabia. Thus, we have the farcical set-up, if the result in terms of human lives were not so tragic, of the opposing sides in a war being armed by the same super-power.

The war with Somalia is no less a case of imperialist "musical chairs". Armed by the USSR in return for a naval base at Mogadishu, and long their main ally in Africa, the Somalis have been winning the battle for the province of Ogaden - a region mainly inhabited by Somalis. Latest reports have confirmed that Somalia now holds about 90% of that region. To complicate matters even further, the Russians have started to supply arms to the Ethiopians who have broken off diplomatic relations with the US due to the support of the latter for the Eritreans. On the other hand, the Somalis, although still remaining within the Russian camp and still getting some weapons from them, are getting some supplies from the US and Saudi Arabia and their relationship with the USSR has been getting distinctly "cool".

When they appeared to be backing a winner, why should Russia make this unexpected move? To answer this we must first examine the long-term interests of both imperialist powers. The US is by far the stronger economically, but in military terms the gap is much narrower. So whilst her allies must be kept happy with supplies of arms, the US clearly gains more from a peaceful situation by supplying the economic aid which Russia is unable to provide to the same extent. Thus we have seen the US in Vietnam, in Egypt, in Angola making imperialist gains after they had lost the struggle militarily. It is in the interests of the Soviet bloc to continue the war for as long as possible; their imperialist interests being safe as long as their clients are dependent on them for arms. At the moment they are making no attempt to defuse the situation or to "mediate" in the Horn of Africa, just as they made no attempt to defuse the Middle East situation. For both sides, bush warfare like this and Angola, Vietnam, Sinai all provide testing grounds for weapons and strategies which are a rehearsal for a possible first round of "conventional" war in World War Three. Moreover, the USSR probably feels that an alliance with the Ethiopians will be of greater long-term advantage. The Somalis, with a population of two million, can only hold an advantage over the Ethiopians, with a population of about twenty million, at great cost to their backers. The Somalis could prove to be an embarrassing ally to the
West. Their territorial claims are not only for part of Ethiopia but also for a large area of north-eastern Kenya. As a result Kenya, up till now the staunchest supporter of the West in Black Africa, is now backing Russia in its support of Ethiopia!

The CWO has always stated clearly that in the twentieth century under decadent capitalism, "national liberation" is impossible. With the high organic composition of capital in the advanced countries, it is impossible for a new state to compete on the world market without massive injections of "aid" from the imperialist super-powers. That "national liberation" is merely the swapping of imperialist partners is shown today in the Horn of Africa. Who can the supporters of "national liberation" defend in this particular area? Each group claims to be "Marxist" or "socialist".

Somalia is a broker of imperialism laying expansionist claims for large territories; Ethiopia oppresses national minorities within the state. So far those members of the "left", the Trotskyists, etc. who are usually so quick to support the struggling peoples of the world against their imperialist aggressors have been remarkably quiet on the subject.

It should be clear that communists can give their "support" neither to "Marxist" Somalia in its attempt to "liberate" the Ogaden, nor the "Marxist" Eritrean Liberation Front in its struggle for "national self-determination", nor "socialist" Ethiopia in its fight against "imperialist" aggression. All of these are just the tools of US and Russian imperialism. The only liberation struggle for communists is the one fought internationally by the world's proletariat against the bourgeoisie. Until that struggle begins, until the suppliers of arms are overthrown by their own proletariat, the future for the inhabitants of such areas of conflict as the Horn of Africa must remain bleak. Once the revolution is underway in the more advanced areas of the world, the role of the tiny proletariat in the underdeveloped areas will be important in transforming those backward areas and in integrating them into the world community of freely associated producers.

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SPECIAL OFFER!

For a development of some of the themes raised by this editorial see:

'Africa: Natural Paradise or Capitalist Inferno?' in Workers Voice 17

'South Africa' in Workers Voice 20

'Capitalism in Black Africa' in Revolutionary Perspectives 6

The above issues can be purchased from the group address (see inside cover) for 60p post paid.
Unlike the crisis of 1929, which developed suddenly and led to a brutal and immediate fall in production, the present crisis is developing slowly, indeed it has already been with us for almost a decade. In order to establish a coherent set of perspectives for their work - and also to show that this slowness is not incompatible with the mortal nature of the crisis - communists must explain and predict the dynamics of the renewed capitalist slow-down. The following article is a further step in the CWO's contribution to this fundamental task.

Money, Credit and Crisis

"It would then have been self-evident from the outset that the evil of bourgeois society is not to be remedied by 'transforming' the banks, or founding a rational 'money system'"
(Marx: Grundrisse)

The capitalist crisis presents us with various phenomena: overproduction, underproduction, monetary crisis, class struggle and fluctuations of commodity prices. An analysis that tries to be scientific must demonstrate that they arise from the internal contradictions of capitalist production. Marx spent much effort trying to show that the cause of capitalism's problems lay not with declining agricultural productivity as Ricardo felt, nor with the effects of the class struggle as claimed by bourgeois and populist writers, nor yet with the overproduction of commodities as followers of Sismondi and Malthus claimed. Similarly, he tried to show that the advocates of the abolition of crisis via reforms of the monetary system, like Proudhon, were tilting at windmills.

In every renewal of class struggle and crisis these battles have to be fought out again in changed historical circumstances, against new adversaries. The CWO has already done such a task with the aficionados of overproduction, (1) (and in future will turn its attention to the class struggle and neo-Ricardian luminaries). Here we wish to show why the 'monetary' crisis simply reflects problems in capitalist production, caused by the falling rate of profit, and which cannot be overcome by changes in monetary arrangements.

MONEY

At first sight it is strange that pieces of paper or spheres of metal with no specific use-value should enable their holder to acquire the means of physical reproduction (food, clothing and shelter). This acceptability of money arises from the needs of commodity exchange based on the division of labour.

Marx gives three essential characteristics of money. It is a means of exchange, it is a unit of account and it is a store of value; should a

(1) See "The Accumulation of Contradictions, or the Economic Consequences of Rosa Luxemburg" in Revolutionary Perspectives 6.
specific material product possess all these qualities, it is money. Should any be lacking, it is not money.

"Money only circulates commodities which have already been ideally transformed into money, not only in the head of the individual, but in the conception held by society." (Grundrisse p.187)

The question is - how does this 'conception' arise?

In primitive society, the limited division of labour and production for direct needs, did not necessitate money. The tribal women did not sell the yarn they spun to the male weavers. Even when exchange was carried out on a sporadic basis with bordering tribes, this occurred on a barter basis, e.g. so much salt for so much iron. Here there is no medium of exchange (though there is a unit of account, labour time) and no money. Some tribes even amassed objects as a store of value, which were distributed in order to gain prestige, or office; but here no commodity exchange is involved and these objects are not money either. Exchange was such a small part of the activities of these tribes that to have devoted labour time to the production of a special object - money - to facilitate it would have been economic lunacy.

With the greater division of labour and more regular commodity production there is a need for a means of exchange. Barter has severe limits in extended commodity exchange. If someone desires to part with a particular object, the prospective 'buyer' may not have the object the 'seller' wishes to acquire in exchange. This does not matter if exchange is accidental, but with the growth of specialised crafts, the craftsmen must part with their product in order to live. Originally 'commodity money' came to serve this function, e.g. blocks of salt; money had now begun to work itself free of the barter system. 'Commodity money' was both a means of exchange and a unit of account, and to some extent a store of value. (Though some forms of 'commodity money' were only imperfectly so, for example cowrie shells which were more like fiat money.)

Money as a store of value only really emerges with the development of metallic money, culminating in the use of coined metal. This expresses the growing wealth of society which can devote social labour to the production of money, in turn an expression of the growing division of labour and polarisation of society into classes. With the development of agriculture and the rise of cities in China and the Near East, ingots of metal (e.g. iron) were used as the first money. However, despite possessing all three of our characteristics, they were used mainly for external state expenditures, and little circulated at lower levels of society.

In these despotic societies unstamped ingots had to be weighed on every transaction. A qualitative change occurred with the development of the city states in Greece and Asia Minor which depended for their existence on trading in products of small farmers and craftsmen. Money now had to be in a convenient and portable form and in varying denominations. Small size and longevity dictated the use of the metals gold, silver, and to a lesser extent, copper. To "guarantee" their value (weighing at every transaction would be a hindrance) they were backed by the state. Usually the head of the sovereign was emblazoned in return for a mintage charge. The origins of coined money can be pinpointed quite closely,

"The appearance of real money dates only from the end of the seventh and beginning of the sixth century B.C., first in the Greek cities of Asia Minor, then in Greece, where silver was
coined and in Lydia where first electrum (an alloy of silver and gold), then gold was minted in the reign of Croesus."


But money is not simply a means of circulation, it is itself a commodity.

In a society emerging from primitive communism, commodities were bartered according to the average social labour time necessary for their production; in Adam Smith's famous example, if on average it takes as long to catch a deer as it does to catch two beavers, then they would be directly exchangeable. The advantage of the use of money is that the deer hunter need only exchange his deer for one beaver and for coin, with which he can acquire pots from the potter, or indeed for coin alone, to be used as a store of value against future purchases.

The commodity value of the precious metals is no mysterious quality, as with other commodities it is determined by the labour time necessary for their production. Thus, if it takes on average two days to hunt a deer, one for a beaver and one to mine and coin 1 ounce of gold, then 1 deer = 2 ozs gold = 2 beavers.

In Ancient society (Greece, Rome) money still played a subordinate role in circulation; the great estates tended to be self-sufficient in agriculture, while much of the States' revenue was collected in kind, e.g., grain, metals. This was much truer of the period of feudalism in Europe, which followed the collapse of the ancient world. Then, money virtually disappeared, gold and silver tending to flow into illiquid form, e.g., the ornamentation of churches or nobles' plate, rather in the Inca fashion.

With the reappearance of trade and industry from about 1100, there re-emerged metallic money. By about 1400 this had necessitated the expansion of silver mining in Europe (which has no gold). The vast output of silver, coupled with the introduction of new techniques (mercury extraction) led to the speedy devaluation of silver against gold. Thus some gold began to flow from private hoards on to the market (the Reformation was the main example of this). But this was insufficient and the search for gold began! The Portuguese rounded the Cape as much for gold as for spices, and one of the main reasons behind the Iberian voyages of discovery was the search for gold (e.g., Columbus' discovery of gold in the Caribbean).

With the rise of manufacturing, and later industrial capitalism, the real basis of wealth, i.e., production, was clarified and expounded by writers such as Smith and Ricardo, who concentrated much of their fire on their mercantilist predecessors. They were able to see that money was a commodity like other commodities. An inflow of bullion into a country, without a corresponding increase in output of goods, would simply lead to a generalised rise in prices. Ricardo, moreover, realised that since the output of gold tended to be unpredictable over long periods, price fluctuations caused by this could be overcome by the gold simply being held by a central bank which would issue convertible paper currency according to the needs of commodity circulation. He argued that,

"A currency is in its most perfect state when it consists wholly of paper money, but of paper money of an equal value with the gold which it professes to represent." (Principles, page 361)

The development of paper money takes two forms; the bank note, and the bill of exchange. In the nineteenth century the need for more elastic means of payment led to the widespread use of bills of exchange, which assumed the
form of circulating money. The bills themselves were speculated in by discount houses who bought up the bills and traded in them; banks used bills of exchange as part of their short-term reserves, and thus at this time they were a real form of money, totally unbacked by gold. The notion advanced by Rosa Luxemburg, that all commodities must be turned into either bank notes backed by gold, or gold itself before the circulation of commodities can occur(1) was invalid even in the nineteenth century. Vast international transactions involving capital accumulation occurred without reference to gold or even bank notes. Marx gives the splendid example of the construction of the American railways,

"A portion of the accumulated loanable money capital is indeed merely an expression of industrial capital. For instance, when England, in 1857, had invested £80 million in American railways and other enterprises, this investment was transacted almost completely by the export of English commodities for which the Americans did not have to make payment in return. The English exporter drew bills of exchange for these commodities, on America, which the English stock subscribers bought and which were sent to America for the purchase of stock subscriptions." (Marx Capital Vol.3, page 478)

The banknote was the major development in money after Croesus. Initially banks issued a paper receipt, made payable to the depositor, and promising to pay him the gold he deposited on demand but gradually a standard banknote was produced which, from being a receipt, took on the functions of money, and began to circulate. It was accepted in payment of debts (means of exchange), it was a unit of account (based directly on gold), and it was, while confidence lasted, a store of value. This aspect was strengthened when the banknote became legal tender in 1811; till then debt payment could be demanded in gold or silver.

However, even though convertible on demand to gold, the early banknotes clearly lack a commodity value. From their introduction, the value of banknotes bore no relation to their costs of production. The banknote is 'flat' or fiduciary money, that is, money by the sanction of the law. But we should regard paper money at this time not in terms of its intrinsic value, but as the token of possession of so much gold, (in the way that a deed of sale represented so much ownership of commodities). This token in turn commanded the right to so much social labour (equivalent to the gold's production costs). The nineteenth century saw the gradual adoption of the gold standard. Britain was to all intents on this from 1815, while other countries with industrial might had adopted it by 1870. In this period gold (and also the currency of the dominant capitalist power, Britain whose pound was "as good as gold") was the main means of international trade. Each country issued a paper currency through its central bank, which was convertible to gold on demand. These note issues bore a fixed relationship to gold reserves, and gold content of currencies was stable,

"1820-1900 was a period of overall stability in the ratio of domestic currencies and metal money. Bank notes ... were convertible into gold at any moment." (Vilar, op.cit. page 322)

The issue of note increased when an influx of gold through foreign trade balance of payment surpluses occurred, and contracted in the reverse situation. International exchange rates were fixed according to the gold

(1) "However, the 'transfer' of accumulated surplus value from one branch of production to another can only occur in the form of money capital" (Rosa Luxemburg, The Anti-Critique, page 96)
contents of the various national currencies.

During the 1914-1918 war the gold standard was abandoned as paper money was issued to meet the costs of the war, but most countries struggled to restore it afterwards and it survived in a diluted form till 1931. However, in the face of the 1929 crisis, the gold standard was buried as states tried to steal Marches on each other by competitive devaluations; exchange rates were no longer determined by gold holdings. Similarly, convertibility was repudiated, allowing the use of the printing press to expand the money in circulation, and prompt economic 'recovery' through government backed public works and armaments programmes. This process was speeded up during the 1939-1945 war, and regularised afterwards in the Bretton Woods agreement.

The reorganisation of the world monetary order at Bretton Woods in 1944 bore all the hallmarks of Keynes' ideas, (though not going as far as he'd hoped). Keynes felt that economic crises could be overcome by government manipulations of the monetary supply. Thus currencies were no longer linked to gold, but indexed directly to each other, with a margin of manoeuvre, and governments could expand the money supply without restraint. The price of gold was fixed at $35 per oz, which means that during more than thirty years' inflation it has declined astronomically in value. The dollar rapidly took over the position of sterling in international trade. The position of the dollar is the result of the fact that a country will always accept payment in a 'strong' currency, but will reject that in a 'weak' or declining currency. The compulsion to acquire strong currencies for trade - at a price - is a tax on weaker capitals. Meanwhile sterling has declined inexorably, creating problems for those who held their reserves in sterling (the sterling balances problem) and to panic flights from it. Thus holders of gold and sterling suffered in the twenty-five years after Bretton Woods, and those of dollars benefitted. Moreover, capitalism has gone back to pre-history in the resurrection of barter deals, arranged directly between governments of national capitals. The bulk of transactions between the state capitalist bloc and the West are barter deals, and in the latter bloc they also occur (e.g. Iran's tanks for oil deal with Britain).

Domestically money is also mostly fiduciary money. Base coin and valueless paper circulate, but both are now subordinated to the bank cheque which accounts for almost 80% of transactions by value within the advanced capitalist nations. That is, 'book money' accounts for the majority of dealings in both the state capitalist areas, and in the 'mixed economies'. Paper money not only contains the possibility of being rejected by the system in a crisis - having lost the function of a store of value; it also breaches the bounds of the money supply which were raised by gold, and thus makes the crisis re-appear initially in a new form - that of currency depreciation.

**CREDIT**

As far back as the ancient world, credit was a powerful means for enforcing the enslavement of the petty producers. But credit like this is not banking, not finance capital. No new money is created; existing coin is merely apportioned in a different way. High interest rates were cause and effect of frequent default. Credit as usury, i.e. extortionate interest rates, was the dominant form from the birth of class society till the birth of capitalism. From the earliest times usury was denounced, e.g. by Aristotle, and in medieval Europe credit was generally restricted to Jews. Usurers' capital is highly conservative, essentially forcing the small producers deeper into misery, and not being the basis for expansion of the forces of production.
In parallel with usury another form of credit developed. Merchants naturally turned to gold and silver smiths when looking for somewhere to deposit their money. In return they received receipts for their deposits and were subject to small charges for the service. Here we have the origin of bank credit and paper money. The smith soon realised that only a small amount of the gold was called upon at any one time, and began to lend out at interest; in turn the deposit notes began to circulate among his trusted depositors as a means of payment, without resorting to physical gold transfers. By centralising scattered money supplies at several points, and expanding the money supply the rate of interest was forced down.

"The violent battle cry against usury, this demand for the subordination of interest bearing capital to industrial capital, is but the herald of ... the modern banking system, which on the one hand robs usurers' capital of its monopoly by concentrating all idle money reserves and throwing them on the money market, and on the other hand limits the monopoly of the precious metal itself by creating paper money." (Capital Vol. 3, page 603)

This was how Marx described the situation of seventeenth century England. The first 'real' bank was the Bank of England, founded by a consortium of merchants in 1694. They lent the King £1,200,000 and issued subscribers with notes in exchange. The Bank's notes became legal tender in 1812, and it was given a monopoly of the note issue in 1844 (except in Scotland).

The basic principle of banking is that at any one time for every £1 deposited, £10 may safely be lent at interest. This raises the possibility of devaluation of the currency by over-issue of paper money, and in the nineteenth century most states solved this problem by limiting the note issue to central banks. For example, Peel's Bank Act of 1844, based on Ricardo's theory of money tied the issue of notes directly to the Bank of England's gold holdings, dependent on the state of the balance of payments. Control of credit to industry via the so-called commercial banks was achieved by the 'bank rate' - the rate at which the central bank lent to the commercial banks. Notes at this time were convertible into gold, and very little unbacked paper circulated; the fiduciary element in the Bank's note issue totalled only £20 million in 1914! This was the credit system as it operated within national capitals up to World War One.

Internationally, banking arrangements were rudimentary. It was felt that the 'unseen hand' of the gold standard would automatically correct all imbalances. Loans between capitals were ad-hoc arrangements, generally between consortia of banks and central governments of the recipient countries.

In the twentieth century credit flows also take place between national consortia of banks and governments, or state-to-state loans, arranged and backed by the central bank of one country to that of another. Additionally important is credit through supra-national agencies like the IMF, EEC, etc., in which depositors can draw proportionate to their original deposits.

**THE CRISIS MECHANISM**

Just as money and credit have gone through various historical evolutions, so has the crisis mechanism of capitalism. Four main phases can be discerned:

1. The classic period of the 'trade cycle' 1812-1873; this was the crisis analysed by Marx.
2. The period of the so-called 'Great Depression', 1873-1896.
3. The cycle of war-depression-war, 1914-1945.
4. The structural crisis of capitalism since 1945, which in popular imagination till recently presented itself as the overcoming of the crisis of capitalism.

The Trade Cycle
Before the nineteenth century feudal and mercantile societies had undergone crises, caused by harvest failures, wars, population pressure, etc. But what was new about capitalism was that crises occurred regularly when none of these factors were pressing, though often they added to the problems and from 1820, the so-called decennial crisis became a regular feature of capitalism. This regularity - crises followed in 1829, 1838, 1847, 1857 and 1867 - started a search for the causes of the cycle. The crisis took the following form; after a period of frantic expansion in output, a collapse in bank credit occurred, and was followed by an industrial crisis of major intensity, leaving a large part of the productive forces unutilised. Recovery, however, followed after a short period, and production soon reached higher peaks.

The classic trade cycle was a phenomenon linked to the immaturity of capitalism at this time, when firms were generally small and family owned. The value composition of capital in this period is difficult to establish. Certainly the technology of the industrial revolution was simple, but compared to what went before it was very expensive; on the other hand the value of labour power was very low, so that the actual value composition of capital may have been fairly high. At any rate, the new methods led to a massive reduction in the prices of industrial goods, relative to those of still pre-capitalist raw material and food production. As a compensation for the pressure this put on profit levels, the world market was wide open before British industry, and its technical superiority allowed it to sell considerably above value in these areas.

In the early period of the boom profits were huge, as raw material prices would not have recovered from previous low levels, and the market was limitless. As the upswing proceeded and production increased, cut throat competition set in between the small capitalist units engaged in the market, and simultaneously rising wage and raw material costs eroded the rate of profit. (1) To ease the pressure on themselves (expressed by the accumulation of unpaid bills of exchange) capitalists were forced on to the money market. At the beginning of a boom, interest rates are low, as money capital is in low demand, but as the noose tightens, the rates rise quickly.

"If we observe the cycles in which modern industry moves ... we shall find that a low rate of interest generally corresponds to periods of prosperity and extra profit, a rise in interest rates separates prosperity and its reverse, and a maximum rate of interest up to a point of extreme usury corresponds to a period of crisis." (Capital Vol. 3, page 360)

As the rate of profit comes under pressure, investors will engage in speculation, e.g. in bills of exchange or in raw materials, since quick kills can be made in these areas, compared with the low return from industry as the cycle nears its close. The banks, thus facing demand from both industry and speculators for capital, will be forced to severely raise the rate of interest and tighten credit to control rising prices. This will have the effect of stimulating a chain of defaults, of unpaid bills of exchange, and the bankruptcy of the weakest capitalists, the speculators who did not get out in time, and of the weakest banks. Many

capitalists will be forced to sell out, and the commercial and banking sector will also be consolidated; thus the crisis is a powerful lever for the concentration of capital.

The slow centralisation of capital inside Britain, plus the gradual industrialisation of other countries like Germany and the USA, brought the law of value into operation on a world scale via international competition, which meant, however, that the crisis underwent certain modifications in the later nineteenth century.

The Great Depression

The period 1873-1896 was characterised by slow rates of industrial growth, underutilised plant and a large reserve army of unemployed, and falling prices for most products. Within this long period of semi-stagnation, mini booms and slumps certainly occurred, but none of them had the amplitude of the earlier trade cycles. These things caused Engels to remark (in a footnote to Marx's discussion of the 1857 crisis),

"As I have already stated elsewhere, a change has taken place here since the last major general crisis. The acute form of the periodic crisis with its former ten-year cycle, has given way to a more chronic, long-drawn-out alternation between a relatively short-lived and slight business improvement, and a relatively long, indecisive depression taking place in various industrial countries at different times." (Capital Vol. 3, page 489)

He explains this as follows,

"Since the last general crisis of 1867, many profound changes have taken place. The colossal expansion of the means of transportation and communication ... has made a real world market a fact. The former monopoly of England in industry had been challenged by a number of competing industrial countries; infinitely greater fields have been opened in all parts of the world for investment of surplus European capital, so that it is far more widely distributed and local over-speculation may be more easily overcome. By means of all this, most of the old breeding grounds of crisis and opportunities for their development have been eliminated or strongly reduced. At the same time, competition in the domestic market recedes before cartels and trusts, while in the foreign market it is restricted by protective tariffs." (op.cit.)

However, he concluded by saying,

"But these protective tariffs are nothing but preparations for the ultimate general industrial war, which shall decide who has supremacy on the world market. Thus every factor, which works against the repetition of the old crises, carries within itself the germ of a far more powerful future crisis." (op.cit.)

Though this was a period without a major slump, it was a period of falling prices, lowering rates of profit (See Revolutionary Perspectives 2 for table, page 35) and could not last indefinitely. The renewed period of capitalist expansion from 1896-1914, marked by the export of capital and increasing arms budgets, was one of rising prices, lowering unemployment, and wider swings than in the "Great Depression." After their breath in the previous epoch, the major capitals were now engaged in a major struggle for trade and areas of imperialist domination. In 1904-1905 there was an international recession greater than any seen for forty years. Without
The intervention of World War One there would probably have been wider and wider swings in the economy as the different national capitals duplicated on a higher level the mid-nineteenth century competition between family firms in the U.K.

The Inter-War Slump
In the period of capitalist decay, we cannot separate the political and economic spheres and see things in purely economic terms. Had the war been avoided in 1914, it would have occurred at another time. However, the effect of the war was to multiply greatly the problems of the international capitalist order; war and militarism, inseparable from capitalist decadence, greatly compound the contradictions of capitalism.

World War One was followed by a boom till 1921, then by eight years' stagnation reminiscent of the Great Depression (except in the USA where production boomed), and then by the Wall Street Crash of 1929. The following decade was one of mass unemployment and limited economic recovery, based on state capitalist methods. (See "The Economic Foundations of Capitalist Decadence" in Revolutionary Perspectives 2.)

The imperialist war created havoc with capitalist trade and credit agreements. During the war, countries like Japan, South Africa and Argentina had experienced a boom based on the needs of the major belligerents, and undergone industrialisation that meant, when the war ended, capital had been "overproduced" and that ferocious competition set in. Additionally, the economic collapse of Russia and her repudiation of war debts, along with the burdening of Germany with reparations beyond her reduced means, also added to the stagnation. But reparations were no terrible mistake, (as Keynes in one of his earliest pamphlets argued) Britain and France, the recipients of reparations, were themselves in massive debts to the USA, which had loaned them money to buy U.S. goods. Banned from earning dollars by exporting to the protected market of the USA, France and Britain had to sell much of their overseas investments in order to pay, which added to their decline.

In the USA, a boom based on wartime loans and the free hand given to U.S capitalism in the world, while the European capitals were tied up in World War One, continued till 1929. However, as rates of profit were forced down, with the rise in organic composition of capital at this time, money flowed out to look for quick returns in the biggest speculative bubble of all time. Huge sums were borrowed from the banks and invested in land (agricultural and commercial). But massive investment in agriculture had led to big rises in agricultural productivity in the 1920's, in a situation where the general economic stagnation reduced demand for agricultural exports. Falling economic returns in agriculture, led to falling land prices, bankruptcies and sellouts; the speculative bubble burst, unleashing the Wall Street Crash, a sudden withdrawal of bank credit, and the deepest crisis in the history of world capitalism. By 1933 world industrial output had fallen by 35%; in fact in the period 1914-1939 world output hardly grew at all; capitalism had reverted to a society whose productive forces expanded at a rate little faster than feudalism.

What concerns us here, is not so much the various state capitalist measures (nationalisations, cartels, tariffs, etc.) that were used in dealing with the crisis (The reason for these is explained in Revolutionary Perspectives 2 op.cit.), but rather the financial response that the crisis evoked. In its period of prosperity, the USA was willing to float loans to help Germany meet its reparations payments (e.g. the Dawes plan in 1924), but once the USA was itself in difficulties and contracting credit domestically,
this was also applied internationally. The U.S banks called in their short-term loans to Germany and Austria, precipitating the collapse of these countries' economies. The Bank of England survived the crash, as a result of its international position, but in both France and Britain severe cuts were made in state spending and bank credit tightened. Thus the great slump was like the old trade cycle writ large, with credit restrictions being the classic response to crisis, until around 1933/34.

The resolve of those who met at Bretton Woods in 1944 to reform the world monetary system, was "Never again!" As an alternative to crisis (and as a means for achieving some of the latter's salutary effects) inflation via credit expansion was now to be a permanent inbuilt factor in capitalism, that would circumvent crises. This had already happened in an empirical way before World War Two, with inflationary public works and armaments programmes in the main capitalist countries, but the salient features of the new policies will be clearer if we concentrate on post-1945 developments. Before we deal with inflation, we have to explain price itself.

VALUE, PRICE AND INFLATION

Just as money loses its mysteries on analysis, so does 'price'. The precious metals which came to perform money's functions, were measured by their weight; if an object was worth one pound of gold its price was £1. Leaving aside supply and demand, commodities exchange according to the socially necessary labour time involved in their production. The mason's output will exchange for an equivalent times output of the smith measured by the same of the gold digger.

This fairly simple scheme operated throughout the bulk of the history of commodity production, but the formation of prices undergoes changes once industrial capital conquers the scene. We have dealt with this elsewhere, but to summarise, prices of goods tend towards their costs of production plus an average rate of profit, this price formation being achieved by competition. These cost prices, or prices of production obviously bear a close relation to the value of each individual commodity, but they are no longer identical with it. Anyway, Marx was not interested in erecting a vulgar price theory, but in analysing the value content of total social capital.

"This determination of price by value cannot be established empirically, it can only be deduced from the fact that all commodities are products of labour ... There is no observable 'transformation' of value into prices; and the value concept only has meaning with regard to total social capital."

(Mattick, Marx and Keynes, page 43)

It is evident that neither the whole of social capital need exist in monetary form, nor the whole total value of past and present production be equated with an equivalent mass of circulating precious metal. The accumulation of capital is not the accumulation of money capital, still less of precious metals. Illusions like this lay at the basis of Rosa Luxemburg's absurd theories of money. Accumulation is mainly that of capital values, i.e. of plant, raw materials, estates, to which deeds and titles represent ownership. Only the actual mass of commodities in circulation at any one time has any relation to the amount of money needed for the process of circulation. But neither is there a simple one-to-one relationship between the amount of commodity values in circulation, and the amount of 'liquidity' needed for their circulation,
"The velocity of circulation, hence the repetitions of the same function as a means of purchase and means of payment by the same piece of money in a given term, the mass of simultaneous purchases and sales, or payments, the sum of the prices of the circulating commodities, and finally the balance of payments to be settled in the same period, determine in either case the mass of circulating money, or currency." (Capital, Volume 3, page 445)

Though not all commodity values must exist as money values, the relationship between them is not arbitrary, but determined by various variables, some of which are mentioned above. Should this relationship be violated, price fluctuations will occur. Prices can change for a vast amount of reasons, the main being:

1. Temporary price fluctuations, due to supply and demand changes. These concern mainly agricultural items, which filter through the general price index. The recent rise in coffee prices is an example of this.
2. Falling prices, due to increasing labour productivity; this obtained throughout the nineteenth century for industrial goods; even today it occurs, e.g. the fall in electronic calculator prices.
3. Devaluation of gold and silver; new discoveries of these metals lead to increased productivity, and their devaluation; hence in a convertible money situation, prices will rise. Obviously, if gold and silver are becoming exhausted, the reverse will apply, i.e. falling prices for other goods.
4. Price changes due to devaluation of currency, i.e. reduction of the gold content of the unit monetary value by the state; this will lead to price rises. The extremely uncommon reverse will lead to falling prices. In a non-convertibility situation, it is not the gold content, but the volume of fiduciary currency in circulation in relation to value production in commodity terms, whose expansion would cause inflationary pressures.

Price rises caused by the upswing of the trade cycle, or demand factors are not inflation as such. Inflation is a generalised, and long term rise in prices, which has a geometrical cumulative effect.

Against vulgar quantity theorists we emphasise that the mere expansion of the money supply does not necessarily raise prices. If production expands faster than the money supply, prices may even fall in a period of rising gold output. Two centuries after the sixteenth century inflation world output of precious metals rose again (Mexican silver and Brazilian gold), but prices rose only slowly.

"In the eighteenth century, gold stocks grew on average at three times the sixteenth century rate. But European price increases do not seem to have brought about a revolution as they did in the sixteenth century… because European trade and production was developing at a much faster rate than in the sixteenth century."

(Vilar, History of Gold and Money, page 198-9)

Given an expanding money supply - whether of gold or credit money is here immaterial; prices can actually fall if the gains in industrial production outmatch it. This was actually the case in Britain in the period 1815-1850 when production boomed and the general price level fell; this is inexplicable if prices are reduced to the outcome of supply and demand factors (demand was always high), or simply to the level of gold output.

In the nineteenth century swings in prices occurred due to various factors; changes in the technology of gold mining (e.g. arsenic process) which increased output, or discovery of new gold fields. Prices also changed
through the developing productivity of labour, this always in a downward direction. Credit policies of banking and financial institutions, and agricultural fluctuations also altered price levels. However, the crucial factor to remember is that prices were actually lower in 1914 than in 1815. The nineteenth century overall was a period of steadily falling prices. (See the graph below).

Inflation as such did not exist in the nineteenth century; *inbuilt rising prices* were not a feature of capitalism in its heyday.

Capitalism's attempts to struggle back to the good old days after 1914, by renewal of the gold standard, held prices stable in the 1920's but did not prevent the tightening of credit and the general fall in output which signalled the crisis and which led to falling prices, especially for non-manufactured goods. What the crisis showed was that capitalism could no longer rejuvenate itself from the depths of the crisis by "automatic" means. This period of crisis, coupled with low prices shows the absurdity of seeing a solution to capitalism's problems in "price stability". Indeed, between the wars, capitalists saw low prices as a cause of the crisis, and bellowed for them to be raised.

When World War Two broke out the expansion of state-directed public works had lifted prices back to beyond their 1929 level. World War One had been a period of rising prices, but these fell back after 1918. What we now have to deal with is the failure of prices in World War Two to be cancelled out afterwards, indeed for the steady increase in prices since then, an increase that has continued even in periods of falling real output. The terminal nature of the capitalist disease is shown by the fact that falling output and rising prices are co-existent for the first time in history.

**Inflation Since the War**

Under the gold standard the extension of credit was limited by gold holdings and thus price rises were limited by the constraints on the money supply. It would not be impossible to demonetise gold, and have a stable, fiduciary money, thus overcoming the uncertainties of gold production. As long as this currency was related to the value of circulating commodities, no inflation would occur. Indeed, as gold is clearly a cost of production,
this would help raise the rate of profit on social capital. Marx noted this was happening, to some extent, in the nineteenth century.

"One of the principal costs of circulation is money in itself, being value in itself. It is economised through credit, in three ways, a) By dropping away entirely in a good many transactions. b) By the accelerated circulation of the circulating medium. c) Substitution of paper for gold money." (Capital, Volume 3, p.435-6)

But once the gold standard is breached there is no physical barrier to the expansion of the money supply (and hence of credit) in the face of the crisis. Paper money places in the hands of the state the means to meet its revenue needs, or at least its excess spending over what it takes in from taxation (deficit financing). The excess money is either spend directly by the state on goods and services or channelled to industry via the commercial banks to boost output. The only possible outcome of deficit financing is permanent inflation.

Although inflation is now chronic, it is not new; prices in western Europe rose 66% between 1947-1957, that is a compound increase of 5% per year. Since then the rate of inflation has tended to rise. Towards the end of the 1960's inflation was around 10% and today, for the most disadvantaged of the advanced capitals, 15% (Britain, Italy, Spain). Unlike in any previous period of capitalism's existence, prices have risen continually for over thirty years, without a single year in which the price index failed to register a rise, or even remained stable. Falling prices are now confined to agricultural commodities or unique lines of production, but otherwise, inflation is now a permanent and cumulative feature of capitalism.

**Trend of Consumer Prices**

![Trend of Consumer Prices Chart](image)

There are many theories advanced to explain inflation. On the one hand, we have those like the various national Communist Parties, who following on Lenin's Imperialism, the Highest Stage of Capitalism, see inflation as a plot by monopoly capital, perpetrated on the hapless public. Monopolies, since they face no competition, simply raise prices, and thus obtain super profits from their buyers. This is absurd. Even at an empirical level examination of the crisis today reveals low profit levels, not super profits as their theory would lead us to expect. Moreover, the bulk of capitalist output is sold, not to Lenin's consumer, but to other capitalist units, so one man's"super profit" is another's super-fleecing.
The ouvrierist reverse side of the coin to this theory, propounded by groups like GLAT, is that it's the workers who are pushing up prices by forcing up their wages by militant struggle (or by greediness, as the rightist peddlers of this version put it). In the first place, wage rises are almost inevitably outmatched by productivity increases, and the net effect of this is deflationary. In the cases where this does not occur, the effect is not to raise prices, but to lower profits, and thus keep the capitalist in a market where his labour costs are higher than his competitors; to raise prices would mean losing sales. Empirically this theory is rubbish; money wages after tax have not kept pace with inflation since 1968, and now even before tax deductions wage rises are lagging behind price rises, and prices are rising faster than ever!

Similarly, we have the idea that prices have risen since the burden of unproductive costs have to be added on to the supposed value of products, and this is the cause of inflation. Such a vulgar approach to price theory is that of the ICC (1) But unproductive costs have risen steadily since early capitalism, and did so in the nineteenth century, without prices rising. Only if productivity gains do not match unproductive expenditure will the capitalist be in trouble, and then he will feel pressure on his profits (raised prices simply mean that he is uncompetitive in the market). The relationship of price levels to unproductive labour is much more subtle, and is mediated by the economic policies of the capitalist state.

None of the price rises we have mentioned as occurring in nineteenth century capitalism as a result of agricultural, mining and other factors can be regarded as inflation. Inflation is a very specific form of price rise, based, not on the above factors, though they may be present and compound its occurrence, but on a systematic devaluation of the currencies of the various capitals.

Keynes thought himself very original, when in his General Theory in 1936, he advocated a non-metallic currency and unlimited expansion of credit via a low interest rate, especially in times of crisis. But one of the followers of Proudhon, Dariman, had already put forward the same ideas in the 1850's, blaming the greedy banks for suspending credit to producers when they needed it most. Marx retorts that the Bank, as a capitalist enterprise, naturally operates to protect its own interests, and that to continue unlimited credit expansion would be no panacea.

"The bank would not have increased the wealth of the nation through a stroke of magic, but would merely have undertaken a very ordinary operation to devalue its own paper." (Grundrisse, page 122)

The credit structure of the nineteenth century forbade such operations, and it was on the bedrock of this - the gold standard, that Keynes concentrated the bulk of his arguments. Once this was abandoned, the money supply could be limitlessly expanded in times of crisis, when credit normally contracted, and it was argued, that governments spending their paper would lead by a 'multiplier' effect to stimulating production. Industry would be encouraged to invest by holding down the rate of interest, and by the "euthanasia of the rentier" which would prevent parasitic capitalist layers absorbing the lion's share of surplus value. Keynes felt that the "nationalisation of credit" would eliminate the need for the nationalisation of production.

He realised that this process would be inflationary, but there would be compensation. Those on fixed incomes like pensioners would suffer permanent

(1) See for instance, the Internationalism/World Revolution pamphlet The Decadence of Capitalism, whose analysis of inflation is summed up by, "Inflations is the cancer of modern capitalism and unproductive expenses are its main source of nourishment" (page 32)
expropriation by inflation, but wage levels would be continuously eroded by rising prices, thus producing higher profits for industry and stimulating investment. Similarly, the national debt and international loans might pile up but these would suffer constant repudiation by means of currency depreciation. All these 'strokes of magic' would keep capitalism in a permanent state of boom, and banish crises forever. The twenty-five years after Bretton Woods showed little reason to argue with Keynesian remedies, which became the new orthodoxy. "We're all Keynesians now" became the watchword of the bourgeoisie of both right and left.

But the bourgeoisie is fickle; those Jeremiahs who opposed Keynes have suddenly found themselves greeted as the saviours of capital in its latest crisis. Chicago gangsters like Friedman have been awarded Nobel prizes for rediscovering the postulates of classical economics, and calls for balanced budgets, even a return to the gold standard, and criticisms of state capitalist measures have become the new orthodoxy of the 1970's. But the existence of the gold standard did not prevent crises before 1914, and neither (it is now clear) has Keynesianism banished them. To return to a credit mechanism based on gold would stop inflation, but it would also bring about a depression of 1930's proportions and untold social convulsions. However, so serious is inflation that the bourgeoisie pendulum is swinging towards the monetarists at the moment.

The dangers of inflation now outweigh its advantages for capitalism. In the first place, differing rates of inflation have led to exchange rates chaos. To facilitate international trade, after World War Two, currencies became indexed to each other rather than to gold as previously. But the strength of each economy (of which inflation is a negative index) naturally varies over time. The IMF originally allowed for fluctuations of ± 2% with a maximum of 10% if all countries agreed. This held reasonably well in the long post-war boom, but ran into trouble from the mid 1960's. Exchange rates have freed themselves from this strait-jacket - which basically favoured the undervalued currencies of stronger capitals like Japan and Germany, and following the example of Britain in 1973 and Italy afterwards, most countries now allow their currencies to float. This raises the prospect of bankruptcy of international capitals if their currency declines too far, as well as greatly increasing speculative pressures, and posing problems for settling of accounts between different countries.

Related to this danger is that of hyper-inflation. We have noted that the rate of inflation has shown an underlying tendency to rise over the decades, should this get out of hand, it would lead to actual disinvestment, as the gap between purchase and sale would mean that less, in real terms, was coming into a firm/country than its products cost to make. In a long term hyper-inflation would render all capital values worthless, and paralyse the economy as in Germany in 1923. Capitalism could survive and mount rescue operations were this limited to one country. If it were general, it could not, and it is fear of hyper-inflation that is inhibiting the adoption of economic 'recovery' policies.

Inflation also poses the Alice in Wonderland problem of a negative interest rate: Proudhon's petty bourgeois utopia of free credit has actually been achieved! Quite simply, to deposit money with a bank today, or buying stocks or bonds, carries a loss rather than a gain for the lender, yields being less than inflation. Conversely, to borrow, in an inflationary situation means that repayments are actually less than the money borrowed! This at least is the case in the U.K. This is a problem for those who hold bank deposits or stocks, but for capital as a whole it is a means whereby the majority are expropriated in order to subsidise
big business. These facts mean that people tend to abandon money for goods, which adds a twist to the demand-induced spiral of inflation.

But this is no solution to capital's problems; even if capitalists are getting free credit, this still may not mean that industry can accumulate enough surplus value to pay the money back and expand production. If the rate of profit, and consequent mass of profit, is falling faster than the repudiation of debts as a result of a negative interest rate, then this will simply slow down the impact of the crisis.

Normally, if a firm has to pay bills, or labour costs, and it cannot generate surplus value to repay even a lower 'real' debt, then one would have the bankruptcy of the firm, devaluation of its capital, and sackings of its workers. Today, if the firm is an important one for the national economy, and it cannot raise enough bank loans to keep going, either the state will write off its debts, spreading this through the whole of society via its powers of taxation (e.g. Chrysler or Ferranti), or simply nationalise it, and pay its debts, with an additional inflow of modernising capital (e.g. British Leyland, Rolls Royce). But these tactics are clearly limited by the overall profitability of social capital, and the relationship of one firm to one bank of the past is now mirrored by that of the national capital to the state. Clearly the point of fracture has moved from the individual firm to that of the state as a whole.

THE CRISIS MECHANISM AND PERSPECTIVES FOR ITS EVOLUTION

Today, the impact of the crisis is determined by the national and international credit system. This in no way suggests that these arrangements can overcome the problems of capitalism; simply that the form in which we can expect the crisis to develop is different from the past. We cannot expect the crisis to be precipitated by the collapse of a series of leading companies, and the spread of this through the economy by a series of defaulted payments and bank collapses, accompanied by credit restrictions. Certain industries may be wiped out (e.g. textiles in the U.K.), minor banks or commercial houses may fall, but any vital unit of industry or commerce will be salvaged by the national government, either by nationalisation or by wiping out debts. This means that there is a strong tendency for the equalisation of the crisis over different sectors and industries.

But the present moves towards equalisation of the crisis does not mean that the central contradiction of capitalist production - the tendential fall in the rate of profit, has been overcome. Competition still forces capitalists (state or private) to increase productivity by replacing men (the price of whose labour we call variable capital or v) with more expensive machinery and plant (constant capital or c). But as new wealth is created solely by the exploitation of labour which produces value above what it receives as wages (this unpaid labour we call surplus value or s), then obviously the rate of profit (s/c + v) will fall as the constant capital rises in relation to the variable capital. This fall in the rate of profit can only be offset by an increase in the mass of profit (i.e. by getting more surplus value out of the working class) but eventually constant capital will be so large that the surplus value produced will be insufficient to fund further accumulation. This is the crisis point when the process of capital accumulation slows, contracts, and declines.

What we are actually seeing now is the prolongation of the credit mechanism into the crisis; this has inflationary effects. The fall in the rate of profit is masked by the rise in prices of the goods on the market; at the old level of money in circulation these would have been
largely unsold. Credit extension allows the continuing circulation of goods apparently at the customary profit levels, when an actual decline in the real rate of profit has occurred. In all states the central bank is a lever of government policy; holding the state's reserves, creating the currency, and as banker to the government it can be used to control the flow of credit, by altering the bank's reserve ratios or the bank rate (now minimum lending rate). The former is the proportion of deposits to credit created (usually varying from 8 to 12%). The bank rate is the rate at which the central banks lend to the commercial banks from the newly created currency; this in turn determines the rate of interest charged to industrial users. Other measures used to limit or control credit are the special deposits banks are called on to make with the state banks, which are then excluded from their reserve ratios.

Such a situation which makes the commercial banks the running boys of the central bank, and therefore of the government, has its compensations. The central bank is pledged to act as a "lender of the last resort" to the commercial banks when they are in difficulties. This is an undertaking by the state that none of the major banks will be allowed to fail in a severe crisis; the full weight of the state and its reserves of gold and currencies will be thrown behind them. This means that, when looking for a 'rupture' in the system, we must turn to the level of the state.

The State in the Capitalist Crisis.
The role assumed by the state as the "defender of the last resort", not only of the political but also of the economic structures of capitalism, has two important consequences; devaluation of the currency and accumulation of the national debt.

The devaluation of the currency by means of payments channelled through the bank credit system to pay for government-induced, non-profitable, i.e. non-capitalised expenditure, is the inevitable result of deficit financing. This simply reduces the fiat value of the paper currency. The deeper in crisis any national capital is, the more such methods will be resorted to, and the greater the level of inflation. Thus the rate of inflation can be taken as an inverse indication of the levels of profit rates in the various national capitals. Like the rate of profit and its fall, devaluation of the currency produces its own counter-tendencies, such as the erosion of wages and expropriation of investors.

The other effect of deficit financing is the accumulation of the national debt, and the increase in the costs of its servicing; though this too produces counter-tendencies. The national debt is the money owed by the state to holders of its bonds and securities and its servicing is the interest paid on these. Here we have a clear case of 'fictitious' capital; the state simply issues pieces of paper, saying it will repay their face value, plus interest at a certain future date. This represents no new production of value which is requiring additional means of circulation. Traditionally such floats of fictitious capital have been issued in wars (war bonds) but increasingly others, such as savings bonds, government securities, etc. have been issued in the twentieth century. The national debt in Britain is now £78,000,000,000 and its servicing accounts for 10% of the government's expenditure, that is, roughly 5% of the GNP. It is argued by Keynesians that the accumulation of the national debt is irrelevant, and simply represents a transfer of the "wealth" of the country from the 'taxpayer' to the holders of bonds - usually banks, finance houses, the bourgeoisie, etc. For example,

"Incurring a national debt today leaves to posterity a contractual transfer and reshuffling of the national income of the time, that is all ..." (F. Hirsh Money International, page 184)
Such a brilliant 'discovery' is, like all Keynes' ideas, neither new nor brilliant. Against the classical economists who were haunted by the national debt, Marx realised that it was a means of transferring income from the mass of the population to finance capital.

"The accumulation of the capital of the national debt, (is) merely an increase in a class of state creditors, who have the privilege of a firm claim upon a certain proportion of the tax revenue."

(Grundrisse, page 476)

Indeed, in a crisis-free period, when the rate of profit is high the national debt certainly does have merits for capitalism. But this is no longer true in a situation of severe crisis; the national debt is now a burden on the national capital as a whole, both domestically and internationally. Holders of bonds are no longer in possession of a tax right upon the mass of the population, but are themselves being forcibly taxed for the needs of the national capital as a whole; the national debt is now another form of equalisation. In a situation where there is a high inflation rate, government bonds, though redeemed at a higher nominal value than what was originally paid for them, are actually redeemed at a lower real value. Similarly, there is no real yearly interest paid, if this is lower than the rate of inflation.

"Controlled inflation is already the continuous, if slow, repudiation of all debts, including the national debt. It spreads the expense of non-profitable, government induced production over a long time and over the whole of society." (Mattick, Marx and Keynes, page 187)

In a sense there are no real alternatives to holders of capital than the national debt, other than investing in low profitability industrial companies, or in banks where there is in effect a negative interest rate. The only real possibility is actual capital outflows, which the state can try to control via exchange regulations. To overcome its problems the state can offer index linked bonds or short term bonds at huge rates of interest, but these may only solve short term capital flow problems by increasing the servicing problem. Foreign debt holders can usually overcome the problem of inflation by holding the national debt in stronger currencies, in which they are repaid; this may mean that instead of a negative, they are receiving a double interest rate as sterling falls. Part of the huge capital inflows to London since the fall of the pound are due to this factor. And of course, not even the most rabid Keynesians would claim that this form of debt servicing was beneficial.

"In the case of overseas holdings of debts, however, the position is different. The payment of interest on these (is) a charge on the balance of payments." (Peters, Private and Public Finance, page 137)

Though deficit financing creates problems, the national capital will be able to continue as long as the state itself is solvent. Have we then, found the point of rupture where a crisis will break out? Increasing indebtedness of the national capital at home, coupled with increasing balance of payments problems due to currency depreciation, reflecting the weakness of its capital structure?

Were the crisis of capitalism one of a superabundance of commodities, reaching the market, and did imperialist blocs not exist, this is what we could expect to see today. Feroacious competition over a "saturated world market" would lead to attempts by capitals to increase the competitiveness at state level by means of competitive rounds of currency devaluations, erection of trade barriers and currency controls, and the limitations of
credit flows from one capital to another. Collapse of capitals would be greeted with glee by their rivals who would then seize their domestic and foreign markets. Thus, we would be faced with a rather lop-sided crisis, with the weakest capitals going to the wall, and the stronger then being able to stage a recovery on their corpses.

As the draft of this text was begun, there was held in London a meeting of the finance ministers of the major IMF countries, and as it was being completed the 'dialogue' between industrialised and third world 'countries was beginning. No one will claim that this represents an overcoming of the national boundaries of capitalism, or a cessation of competition. On the other hand, to dismiss these and similar arrangements as merely window dressing, means that predictions about the evolution of the crisis will be worthless. The whole history of capitalism since 1945 has been towards the internationalisation of capital. Though in the long run this is an impossible project, it can 'phase in' and determine the form of the future crisis.

The collapse of any national capital would have disastrous, not beneficial effects on those who survive. Should, for example, Britain or Italy fall, the stronger capitals would have to write off as bad debts their enormous investments in these two areas. Similarly, major export markets in these countries would disappear over night, and cheap imports from them (e.g. U.K components for Japanese cars) would disappear. In addition, the existence of imperialist blocs (not just rival national capitals) raises the threat of weakening one bloc by the collapse of a single state (e.g. Britain's threat to pull its troops out of Germany if the IMF loan was refused), or even the incorporation of the collapsed capital in to the opposing bloc (e.g. the recent possibility of Italy going into the Soviet orbit).

Capitalism is more internationalised today than at any time in the past. The expansion of world trade since the war has far outstripped the expansion of production, reflecting the decline in tariff and other barriers agreed by GATT since 1944. These are at their lowest ebb since the good old days of free trade. The export of capital has reached dizzying proportions with the rise of the huge multinational corporations whose interests are tied up with several national capitals. This internationalisation of capital is reflected in the adjustments in the international money and credit system since World War Two which mean that equalisation will be taken much further than in the past, and the transformation of the present depression into a slump will be preceded by a long period during which there will have been a tendency for the major capitals to have the foundations of their economies undermined. Unlike a view based on overproduction of commodities, this means that the crisis will hit with comparative intensity at all the major capitals. The long term options for capital are:
1) An ascending curve of hyper-inflation.
2) Draconian credit restrictions and a massive slump.

In the meantime the bourgeoisie will try to ride two horses, combining moderate inflation, with a reserve unemployed army, and low growth rates. However, it is important to understand that this 'equalisation' takes place within the capitalist and imperialist framework. That is, measures to stave off the collapse of client capitals are still over-compensated by 'unequal exchange'. For example, the cost to the USA of bailing out Britain is still less than the profit flows of US corporations back to America, or the surplus value realised by US exporters in the UK. Similarly, with Russia and economic "aid" to Comecon. This picture is confirmed by the economic rewards gained by securing vital raw materials by the extension of 'aid' to underdeveloped areas (e.g. Zaire). Even
where such equalisation fails to yield an immediate profit, it is still carried out with the hope of recouping itself through long-term profits, when the recipient economy revives. There are exceptional cases (e.g. Egypt) where 'equalisation' is just money thrown away, but again such cases have to be evaluated in the light of the overall imperialist world struggle, and its politico-military imperatives.

International Credit Today - the IMF.
The International Monetary Fund was set up at Bretton Woods in 1944. Its international aims were the attempt to avoid the transmission of economic problems by beggar-my-neighbour policies, such as tariff barriers and competitive devaluations, and the restriction of international credit. Governments in severe economic difficulties could avail themselves of IMF credits, on condition that protectionist tendencies were avoided, and domestic austerity measures imposed. By these measures a gradual equilibrium would result in which balance of payments difficulties were eliminated. What this ignores, of course, is that one man's deficit is another's surplus; Japan and Germany were deficit nations in the 1950's and are surplus ones today, with the reverse being true for Britain, France, etc. In addition to the IMF, the World Bank was established, largely to organise credits for the underdeveloped areas; most of these went into infrastructural projects to speed up the flow of raw materials to the industrialised areas. Keynes also favoured the creation of an international currency for world trade, payments to be made via an international clearing union (like domestic clearing houses), and eventually hoped all countries would deposit their reserves with the World Bank.

The IMF's original scheme of fixed exchange rates is already dead and buried. This did not take into account the changes in structure of different capitals, altering the 'value' of their currencies. While the IMF could sanction devaluations by weaker capitals, it could do little to enforce the revaluation of undervalued currencies such as the Yen or the Mark, whose undervaluation led to export booms for their countries in the 1960's. Following the abolition of exchange rates fixity, the "snake" system, of allowing fluctuations within certain limits, was adopted. Again, the folly of assuming monetary arrangements can solve what are discrepancies of capital structure is apparent; the charge to national capitals of holding up the value of their currencies was a drain on their reserves of gold and currency, and the reason for the near bankruptcy of Italy and the UK. But the preservation of the reserves and allowing of the currency to fall, adds further twists to the spiral of inflation. For capitalism, it is now a situation of "choose your poison".

For capitals today, it is preferable to apply for IMF loans to hold up the value of the currency (like the recent $4 bn. loan to the UK) than to either spend the reserves on this, or to devalue the currency in the hope of rectifying the balance of payments situation. A devaluation is a risky business, and no easy solution to payments deficits. To succeed, the expansion in export earning must exceed the devaluation; one of 10% which brought a 5% surge in exports would actually worsen the payments problem. Additionally, the devaluation increases inflationary pressures at home, and also raises the cost of imports. Attempts to control the latter would lead to retaliation.

"The depreciation of a national currency makes capital not only more profitable, but also more competitive internationally. However, as the power to devalue is given to all independent nations, the devaluation of money in some countries leads to devaluation in others. In the end, it will again be the real capital structure, and not the money structure, which determines the relative competitive capacities of different nations."

(Mattick, Marx and Keynes, page183)
As an alternative to devaluations and reserve outflows, there is the credit powers of, among others, the IMF. Application to use these is no new development of the 1970's, as the following list shows,

1962-3 Britain borrowed from IMF as reserves declined due to fear of devaluation.
1964 USA drew on its IMF credit $125 m.
1964 Britain borrowed from Central Banks, and then borrowed from IMF to pay this back.
1964-8 Britain borrowed £1,000 m. from IMF to cover deficit in current account.
1968 Canada in crisis; IMF rescue.
1969 France devalued and later drew on IMF credit of $1,000 m.

(Based on Peow, International Monetary Co-operation 1945-65)

There is no chance of any country of importance being refused access to IMF funds, and these carry great advantages. In addition to the loan to Britain mentioned above, there was that to Italy when that country was bankrupt in 1974, amounting to $1.6 bn. (this was supplemented, as are other loans, by support from Central Banks, EEC support fund, etc., but for the sake of simplicity we are concentrating on the IMF). This form of international loan actually functions as a transfer of surplus value from stronger to weaker capitals. Since the interest rates (8% for IMF loans) in no way cover costs of administration and inflation. This process of equalisation functions in other ways, always giving less than the weaker capitals demand, and granted by the stronger with great protest. Within the EEC we have the fact that the green pound - the rate at which Britain buys EEC food - has been pegged at the level of the pound before its fall for over a year, representing a massive subsidy on Britain's food bill. We also have the regional grants from the EEC to countries like Ireland, Italy and the UK from their central funds (largely a tax on German capitalism). The recent international conferences on the future of shipbuilding have seen limited restrictions by Japan on their own production. In fair competition Japan could take 90% of the world market but has limited itself to about 50% over the next few years. The recent north-south dialogue has brought less than the weaker capitals aimed at, but debt relief and a fund to stabilise commodity prices will at least prevent their imminent economic collapse. Again, while we wish to exaggerate none of these facts or tendencies and claim the emergence of a "supra-capitalism", their existence is important, and confirms that the extension of credit from the stronger to the weaker capitals in the face of the crisis will mean that,

1) No major capital will collapse in the near future.
2) Tendencies towards autarchy, trade wars, etc. are not in the offing.

Indeed, the existence of these measures, and the ability of the dominant capitals to fund them, illustrates the immaturity of the economic crisis today.

At first the IMF acted rather like a good solid nineteenth century bank! Drawings that capital could make were strictly proportional to their deposits with the IMF central fund. But, as by the late 1960's most of these had been exhausted by the weaker capitals, at Rio de Janeiro in 1967 a new boost was given to inflationary tendencies by the creation of Special Drawing Rights (SDR's). These were in no way backed by deposits from the countries in question, and were simply an inflationary addition to the world's monetary supply. In each of the years 1971, 2, 3 a total of $9,500 m. SDR's was created, to be drawn on by capitals in difficulty. These would certainly have been met by Keynes with approval since they are very close to the Bancor units he advocated thirty years before. But
to solve the problems of capital stagnation by creation of more fictitious capital is utopian.

"Just as deficit financing on the national scale finds its rationale in the postponement effect ... so the managed international money supply is thought to postpone a monetary crisis, and by doing so perhaps avoid it altogether. ... As it is, however, the postponement of monetary crisis only makes sense on the assumption, contrary to all evidence, that there is a tendency towards external equilibrium which will work itself out, given a chance to do so." (Mattick, op. cit. p. 226)

We naturally assert that there are no tendencies towards equilibrium in the international economy, unless it be that of stagnation. But it is undoubtedly the case that the international credit arrangements (supplemented by other factors) have so far prevented the fall of any major capital in difficulties, just as the state of the latter has prevented the collapse of its key domestic sectors. At the level of the lesser countries, we see the same thing occurring. For example, the rescue operations mounted for a country like Zaire which had defaulted; and even a totally derelict economy like Egypt has received blood transfusions of credit from OPEC and IMF sources that stand little chance of being recovered.

PERSPECTIVES: SUPER CAPITALISM AND THE NATIONAL STATE

Even empiricism can bring a certain amount of fleeting insight to an issue. After years of treating its readers to predictions of imminent trade wars and autarchy (logical Luxemburgism) World Revolution has suddenly discovered equalisation of the crisis at an international level - though the other ICC sections 'autarchically' go their own way. World Revolution 12 speaks of loans from the US to weaker capitals staving off their collapse, as well as the enforcement of reflation in Japan and Germany. The reasons for such measures ...? The immanence of World War 3, which requires a strengthening of the western bloc! The insights from these vulgarisers of Marxist economics fall a little behind those of the Financial Times.

But even if WR does not learn from history, the bourgeoisie does, and the fact that 1929 occurred makes them determined that it will not be repeated. The enactment of autarchic measures (tariffs, international credit restrictions, competitive devaluations) would swiftly lead to an economic catastrophe which capitalism could face with little optimism. Thus, though in the long run, they may be unable to avoid such measures, in the short run every weapon in their arsenal will be used to postpone it, and the key weapon in this is international credit expansion. Evidence for the phenomenal expansion of this is not difficult to find,

"The IMF has just published a special study of international lending, estimating that the volume of international loans rose by 40% last year, or by $95 bn. " (Guardian 9.6.77)

Though the bulk of this lending has been through the US banks, the qualitative role played by the IMF has increased; since its loans are tied to political and economic policies acceptable to US imperialism.

"Even a modest loan from the IMF can have a large-multiplier effect, by opening up other credit facilities ... countries may be driven to seek loans from the IMF to improve their credit standing." (S. Brittan, Financial Times 21.4.77)

In fact, on an international level, Keynesianism is sweeping all before
it, with a strengthening of the IMF, creation and expansion of SDR's which the US wants to see gradually replace gold, and a general extension of credit in the face of the crisis - a direct contrast to 1929-39.

Aside from the oft-quoted accounts of Italy, 1974 and Britain, 1976, the indebtedness of capitals such as Brazil, Mexico and Canada has increased enormously. In fact,

"The largest current account deficits have remained those of the non-oil developing countries (which) jumped from $11 bn. in 1973 to $38 bn. in 1975" (Financial Times "Survey of World Banking" 25.4.77)

Loans to prevent the collapse of Portuguese capitalism have been arranged by the IMF, and now that the elections have produced a 'safe' government in Spain, we can expect the same process there, i.e. opening of cheaper channels of credit than the Eurodollar market. In pursuing these policies, capital is obliged to throw good money after bad. The bulk of the $10 bn. each that Brazil and Mexico owe to US banks falls due next year; while for Britain - whose borrowings are over $20 bn.,

". . . repayments will be heaviest in 1979-84, with a peak in 1981; in these six years a total of over $17 bn. has to be repaid."

(IMF Economic Progress Report No. 86, May 1977)

The only method that will be able to allow these debts to be repaid is robbing Peter to pay Paul, i.e. further credit expansion. Peru and Zaire have recently defaulted for the second time on their foreign debts and rescue packages are hurriedly being patched together for them.

At first sight, this may seem to contradict the view adopted in the text, that the advocates of sound money are for the moment gaining the ears of the bourgeoisie. However, the policy at the moment could be summed up as "Friedman at home, Keynes internationally!" Governments are introducing generally deflationary budgets at home and implementing austerity programmes, while internationally inflationary credit expansion is being pursued. "Friedman at home", calls for a period of right-wing governments, or of 'moderate' social-democratic ones. Thus we have seen the ousting of social-democratic regimes recently in Sweden, Australia, Israel and elsewhere, and the imminent departure of those in Germany and Britain has only been avoided by adopting the economic ideology of the right-wing of capitalism. Again, contrary to the profundities of World Revolution, this is not the result of "a hit and miss element, the whims of an amorphous electorate" (World Revolution 12, page 10), when capital really needs left-wing regimes, but it expresses capital's real needs.

Conclusion
The real crunch for capitalism will come when its international equilibrium mechanisms at the financial level are themselves facing bankruptcy, which will reflect the further decline of the capitals which are strongest at present, and their growing inability to support the weaker ones. Occasionally, straws in the wind can be discerned,

"The problem at present is that the IMF's resources are now very limited - only about $4 bn. in useable convertible currencies - after recent large calls."

(Financial Times "Survey on World Banking", 25.4.77 page 14)

But the reserves of real (OPEC) and fictitious (SDR's etc.) capital on
which the sick men of capitalism can draw are still large enough for us to say that the end of capitalism is not yet in sight.

Nevertheless, capitalism cannot break the boundaries of the national state, which was the framework for its development. Attempts to form an international capital, with a common World Bank, and to eliminate tendencies towards the 'nationalising' of capital are a capitalist Utopia, as Bukharin pointed out as long ago as 1915 in his *Imperialism and World Economy*. But the memory of the crisis of 1929 means that capital will strive for as long as possible to achieve this Utopia with the result that for the present it is moving in a totally opposite direction to that which will be forced upon it when the crisis "bottoms out".

As the crisis deepens, the tendencies towards equalisation will be stepped up by the stronger capitals (USA, JAPAN, etc.) in order to prevent political and economic consequences like autarchy or deflection to the Eastern bloc. But as the crisis "bottoms out" the surplus value will no longer be available for such measures and the stronger powers (in order to keep their own economies afloat) will be forced to repudiate the measures of "equalisation" which have mitigated the basic imperialist relationship, and will be forced to implement autarchic measures, linked to the creation of a war economy. In this period will be posed the stark alternatives of war or proletarian revolution. But, as yet, we are a long way off such a situation.

The level of the crisis explains the low level of the class struggle in the last few years. When the crisis first hit after the years of "prosperity" the class reacted with great combativity to what it saw as a temporary situation. But the crisis as a "normal state" has undermined this initial militancy, and the stabilisation since 1974 has ensured that so far it has not been re-born at a higher level.

The perspective for coming years is one of long periods of economic stagnation, punctuated with short periods of inflationary mini-booms, in which there is little fall in levels of unemployment, and where living standards will continue to fall. As long as the major capitals keep their nerve (and as long as no local war erupts into a major imperialist war) capitalism can stagger on in its inflationary depression for the time being. Such a perspective, with its gradual erosion of living standards, and high but not chronic levels of unemployment, coupled with intense local (albeit manageable) crises which will raise social tensions to fever pitch, possibly offers the best of all perspectives for the maturation of class consciousness. In the long run the tendencies towards equalisation of the crisis cannot overcome capital's fundamental accumulation problem - that of the decline in the rate of profit - but they do mean that the effects of the crisis will not be restricted to the peripheries of capital and will strike its heartlands with equal intensity. This kind of "equalisation" can only benefit the future proletarian revolution.
TWO YEARS OF THE CWO

It was said of Bakunin that, in terms of the proximity of the revolution, he used to mistake the third month of pregnancy for the ninth. The same might be said of the bulk of groups, aspiring to revolutionary positions, which have been thrown up by the years of crisis and class struggle since 1967 (and also of their apocalyptic analysis of that crisis itself). It is now a platitud to say that we live in a pre-revolutionary period, that for the first time in over half a century, the social revolution is again on the agenda, and that the regroupment of communists round coherent positions, in order to prefigure the future class party of the proletariat, is a vital task today. However, just as the development of the crisis and class struggle was not (and could not have been) unilinear since 1967, so neither are the possibilities of regroupment and growth for communist groups on an uninterruptedly ascending curve. Thus, through we agree that the general historical period is one "which is basically favourable to the regroupment of revolutionary forces"(1), the specific features of the present cycle of accumulation and class struggle are, on the contrary, markedly unfavourable, and in fact encourage various politically and organisationally disintegratory tendencies.

The specific period we are in began late in 1974, when international capital momentarily stabilised itself, after the most severe crisis in several decades(2), and when, after the epic heights of 1968-74, the class struggle subsided to much lower levels, punctuated it true by outbreaks here and there of great intensity. Periods of hiatus such as the present are favourable to the growth of confusionist ideologies, and thus hinder the regroupment of revolutionaries and undermine the strength of those already existing. The CWO has not been exempt from the pressures of the present period. Just as during the time immediately before World War One, which was in many ways a pre-revolutionary time, splits and disintegration hit many groups. One need only recall the Bolsheviks, reduced by 1910 to a few dozen members; the CWO too has its battles with Populists, "legal" Marxists, advocates of economism, and neo-Mensheviks cast in a new guise. How did groups like the Bolsheviks and Tribunists survive into periods more favourable? The existence of a clear political line, and a sound body of theoretical work, were the guarantees that, in periods of rising class activity, they could assume their historical tasks.

Since we do not try to attract people by pretending to be a bigger group than we in fact are, but instead only try to win them on the basis of our political ideas, and since we feel that a public revelation of our internal discussions can help to clarify the actual problems facing revolutionaries, we are publishing here some documents from the history (and pre-history) of the CWO. To put these in their context is the task of the following introduction. Normally the CWO is reluctant to take

(1) "CWO and Lessons of Regroupment" ICC International Review 9, page 16. The present article is in part a reply to the misconceptions of the above text.
(2) See Revolutionary Perspectives 3, "Perspectives for the Coming Period" and the accompanying article on credit in this issue for an explanation of the present stage of the crisis.
time off from the establishment of a clear political perspective based on theoretical work. However, to write one's own history becomes imperative when hostile political tendencies are already embarked upon the job.

**PRE-HISTORY AND FORMATION OF THE CWO**

The CWO was formed in September, 1975 from two groups which had broken from counter-revolutionary organisations some years previously and which had gradually linked up with the left-communist traditions of the German, Dutch and Italian Left. One of these two groups was Workers' Voice (Liverpool), which had come to a critique of its Trotskyist origins, partly through experience as a "group of workers", and partly through a study of the left-communists after World War One, particularly the British group of Pankhurst around Workers' Dreadnought. The other group was Revolutionary Perspectives, whose elements had left Solidarity on the basis of an attempt to come to a Marxist analysis of the economic crisis, heavily influenced by the French councilist group, Lutte de Classe (GLAT). These groups met Council Communism (later World Revolution) - which had also broken from Solidarity - in Liverpool, where the latter echoed the analysis put forward by Revolution Internationale of France, who also participated. While WR evolved rapidly, and on occasion instantaneously, towards RI, the other groups slowly developed their political coherence. RP, for example, worked itself free of the councilism and ouvrierism of the GLAT; the latter meanwhile refused to participate in the discussion in Britain, denouncing them as "RI-inspired jamborees". Since they had no conception of the role of a communist organisation, or the need for a party, they clearly saw no point in being involved in early steps towards its formation.

At this time RP worked very closely with WR, distributing their material (publications and leaflets), holding many joint meetings with them, and addressing a spate of texts to them on such issues as economics, the state, the Russian Revolution. Additionally, RP attended the foundation congress of the ICC in January, 1975 in Paris. In the ICC/RP debate in these years certain facts stand out:

1) Although a much smaller group, RP's approach to the debate was much more serious than that of the ICC and the bulk of our texts only produced an unwillingness - or inability - to reply, from those to whom they were addressed. Even WR are now prepared to admit, "When differences between the groups emerged, the Current did not always respond in a politically adequate manner."

(International Review 9, page 21)

2) The reasons for this were, and are the same. The ICC attributed our texts to a spurious desire to establish differences with them over unreal issues, so that we could continue an independent existence; that is, our desire for discussion and regroupment was never taken seriously. Thus WR could only react tactically; after months of vitriol, some discreet charm was applied. This also failed and the conclusion was that RP was hopeless. The obvious and principled method of approach, i.e. to answer our political texts, hardly seems to have crossed their minds.

At this time Workers' Voice, torn between the different levels of coherence and commitment of its members, retreated beyond the Mersey to protect its own identity, and broke with the ICC on the basis of an inadequate critique of the latter's views on the state in the period of transition (see Workers Voice 13). Even though it shared WV's views on
the state issue, and having many other criticisms of the ICC, RP tried to convince WV to keep discussing with the ICC until all avenues were exhausted, and tried to persuade them to attend the foundation congress of the ICC. As we put it,

"... instead of abruptly withdrawing from discussion, and refusing even to debate with members of the I.T (forerunner of ICC), we feel you should have engaged WR/RI in debate to convince them of their errors ... We feel that you should have attended the Paris meeting, prepared to defend Marx's views on the period of transition, to hear what those of the I.T are and then decided whether they are a class question or not." (From a letter of RP to WV, December, 1974) (1)

At this time WV regarded RP as a bit tainted by the ICC, and relations between us were distinctly cool.

However, the continued inability of the ICC (specifically WR) to deal with our views as other than psychological aberrations had its effect on RP. At the 1975 Paris conference—the discussion on the period of transition, for which we had prepared texts; failed to take place, and as our unanswered texts on other issues, such as economics, heaped up, in order to force the hand of the ICC, we drew up the Open Letter to the ICC (see below); by public circulation of this, we hoped to force a serious political reply from them. But the text was greeted with an outburst of paranoid paranoia. WR insisted that we withdraw it before discussion could continue as it "slandered" the Current; and from the ICC as a whole we received a letter amalgamating us with all other ICC baiters, like the modernist Tendence, and "regretfully concluded";

"that R.P seems to be the latest in a series of groups in Britain which have evolved towards a break with our current." (Letter of ICC to RP, 30.4.75)

The ICC's claim that it was clearly the pole of regroupment at this time, and amazement that a group like the CWO could actually claim greater coherence on certain points, is rather undermined by its own admission of condition during this period. In International Review 9 we are told that the ICC took a long time,

"to assimilate the reality of its existence (and it) understood the organizational question last of all" (page 18),

to make matters worse,

"it was difficult for other groups to see it as a pole of regroupment, when it had no common platform and no unified organizational structure" (page 21)

In other words, despite not knowing why it existed, how to organize itself, or what its programme was, the ICC's claim to be the kernel of a future communist party could only be denied by sectarians!

We replied to this letter by pointing out that though differences made fusion with the ICC impossible, we hoped that they would still overcome their errors in the heat of the class struggle, and continued,

(1) WR have several times announced that RP never criticised the WV Statement. But the above letter was circulated to several groups, WR included. It is hard to see how we could have done so "publicly" at this time, since we had no press!

*These were later published in Workers Voice 14 and 15
"Contrary to what you imply in your letter, past disagreements were never raised as a pretext for breaking with the Current ... Only with the latest issue, that of the evaluation of ... the period of transition was there any suggestion that the debate could be over class positions.

This self-proclaimed role as a pole of regroupment and historical continuity means that you inevitably enter any debate with the a priori lines laid down that influence can only be in one direction ... the result of all this is a dogmatic refusal to seriously and scientifically consider your protagonists positions ... (You) refuse to accept that our views represent serious political criticism, instead they are described as efforts to maintain small group identity." (Letter of RP to ICC, 28.5.75)

The thoroughly opportunist nature of the ICC's political 'debates' was shown by their continued failure to respond to our positions until the CWO was formed and a 'rival' existed. This produced two texts (World Revolution 5 and 6 as did the Liverpool split one year later, when some recruits were scented. Until very recently the ICC have not replied politically to any of our texts, and in fact, by declaring the issues which separated us "open questions", effectively ended discussion at this time. Even our subsequent accusation that they supported counter-revolution in the past and its re-enactment in the future provoked no response.

Meanwhile, WV had emerged from a period of stagnation and inactivity, and appeared to have transcended their political confusions, when they produced their Platform, For Communism, in the summer of 1975. Despite various inadequacies, this was deemed a basis for regroupment discussions between RP and WV. At the actual regroupment meeting, WV accepted in toto (or seemed to) the criticisms of their Platform made by RP, and also accepted without criticism, the document, Theses on Organization (1) which had been written by RP in order to "flush out" any residual councilist or ouvrierist tendencies in WV. Thus regroupment took place almost entirely on the programmatic views of RP.

The regroupment was not entered into without misgivings on the part of RP; specifically, it was felt that not all of the group agreed with the Platform, or indeed saw its relevance. But it was felt that as the majority did so, any deviation would be swiftly dealt with, and to provide for such an event a combined Platform was soon drawn up, as the basis for CWO membership. (2) RP felt that, unless regroupment took place, those in WV who had attained coherence would be dragged back into the ouvrierist swamp.

In retrospect it is clear that this perspective was wrong. Rather than accepting dubious elements in order to "save" the best elements in WV, it would have been better to allow them to test out their new-found coherence of For Communism in isolation for a while. This might have led to their collapse, but the more coherent elements could have been individually regrouped with RP. But as Hegel said, "The owl of Minerva only flies once dusk has fallen" - wisdom comes after the event. The regroupment was neither "incomplete" nor "unreal", but was a grave error which assumed that a coherent programme, formally produced by a group, implied internal coherence in that group.

(1) Published in Workers Voice 16; copies still available.
(2) Platform of the CWO
THE FIRST YEAR OF THE CWO AND THE LIVERPOOL SECSSION

The idea that coherence in the programme guaranteed coherence in the membership appeared to be justified for a few months, and seemed to have validated the regroupment, which began to draw in other individuals in the UK and act as a focal point internationally. The group functioned well, and no political divergencies occurred.

However, very quickly after January, 1976, the Liverpool section began to disintegrate politically and physically. In a series of incidents the Liverpool section put their identity as a self-styled "group of workers" above that of a CWO section, and began to operate in a quasi-autonomous fashion in order to conceal this. (1) Local contacts, for example, were shielded from meeting the CWO as a whole, and on one famous occasion a member in Liverpool had been expelled for a month before the rest of the CWO knew about it!

Soon it became clear that more than incompetence or an addiction to localism lay behind such events. In the context of a temporary relaxation of the crisis in early 1976, the re-employment of many of the members, and a trickle of sectional strikes on Merseyside, the Liverpool section - as always overestimating the cosmic significance of Liverpool - began to feel that the "class was on the move". Some casual statements Liverpool made about the "abstentionist" position of the CWO, while others (naturally "intellectuals" of the worst sort) began to formulate a critique of intellectualism, and argued that class instinct was the sure way to political clarity. Matters came rapidly to a head, when the latter produced a discussion text attacking implicitly all that the CWO stands for. Decadence was declared to be irrelevant, and moral indignation at exploitation given as the basis of communist politics. Among other immortal pieces, it stated,

"The basis of our politics should be that we oppose capitalism because it is a system in which surplus labour is stolen from the working class ... Whilst the inability of capitalism to develop the productive forces ... is an obvious failure, this is not the field for our main thrust of attack on the system ...(the CWO) lays too much emphasis on the failure of capitalism to develop the productive forces." (2) (Our emphasis - CWO)

Liverpool defended the "right" of these elements to produce such a text, and totally failed to refute it, either agreeing with it, or being ignorant of its anti-communist implications. This was the background to the Aberdeen document, Crisis in the CWO to which Liverpool made no reply. Neither did they reply to the text which had been in circulation at this time on intervention, and which finally appeared as Communist Work and the CWO(3). True to their ostrich traditions, they dealt with the political problems by ignoring them and continued as a local club of "workers". After refusing to attend the regular CWO meeting, to which they were invited to put forward their views, they dribbled out of the CWO to drown in self-reflection in the Mersey.

(1) The problem of emerging "workers' groups" is a difficult one, as RP experience with WV showed (not that WV really were a "workers' group" which had emerged directly from struggle, as their mythology liked to imply; mainly they were workers who had come their separate ways out of leftism; but the image dreamt up conditioned their reactions). A future text will deal with the issue of "workers' groups".
(3) See Revolutionary Perspectives 5 (copies available).
Internationally, the same initial enthusiasm soon gave way to problems for the CWO. Since WV had pursued international work sporadically, if at all, and then on a personal level, the CWO's work in this sphere was a carry over of the discussions which had been built up by the old RP.

When RP broke from the ICC in early 1975, it appeared that the ICC was in the process of decomposition, having suffered several serious splits in a short while, in France, Spain and the USA. The prospect of further splits, given the existence of divergencies within its ranks, e.g. in Italy and the USA, seemed a real possibility. Additionally, many groups were appearing on the horizon which had serious differences with the ICC, and which refused to regard it as a legitimate "pole of regroupment", e.g. Union Ouvriere, Combate; not to mention the two groups with whom the CWO had the longest discussion, PIC (France) and RWG, later PCG (USA). At this point there seemed a real possibility of a coherent international tendency emerging and the CWO directed its energies to this end in a principled way.

Our closest relations were with the RWG in the USA, which had also broken with the ICC over the question of the state in the transition period and over what it saw as the Current's "academicism" (here they had sympathies with the PIC). Our main criticism of RWG stemmed from their total inability to analyse seriously the economic crisis, and to build from this a coherent set of perspectives for their own work. Over-reacting to the Current's preoccupation with 'building the organization', they saw a revolutionary group as simply an interventionist agency, to speed up class consciousness. Given the slow maturity of the crisis globally, a process which RWG could not understand, and given the immaturity of the crisis in the USA in particular, it was not surprising that RWG should find the US working class "unrevolutionary". This pessimism about the preparedness of the class for an imminent final battle conditioned their whole political reflex. Terrified lest capital unleash World War Three before they could rally the class round their banners, they flung themselves into the production of regular, agitational papers, at a time when their numbers were incapable of supporting this. Despite this, we were successful in issuing joint leaflets with RWG, and in writing texts for each other's papers. The CWO felt that if we could convince them to be more modest in their ambitions (flowing from a correct perspective on the crisis), then fusion would be possible. Volumes of correspondence (not always well received) were sent by the CWO on these issues. When the RWG suddenly dissolved itself because they "found themselves incapable of carrying out the tasks of a revolutionary organization" (Letter of 24.10.75, circulated to CWO/PIC/ICC), the CWO sent a long letter in reply which stated,

"Nowhere in this letter is there any analysis of why the RWG failed, nowhere have you subjected your own past practice to criticism. ... The RWG tried to run before it could walk, at a time when it had only three members it tried to produce a monthly paper sold predominantly at factories. ... This preoccupation with the paper led to a lack of important theoretical work, such as economics, (RWG) should reject the voluntarism and panic which flows from the economic analyses of PIC and the ICC, which see catastrophes, revolutions and world wars round every corner, and which leads to the feeling that a modest activity at the moment is useless."

(Letter of CWO to ex-RWG, 5.11.75)

Surprisingly, the RWG resurfaced as the PCG, and joint work continued for some time. But it was clear that demoralisation had set in and
their political development became increasingly aberrant, every letter from them being full of new "discoveries". Additionally, no real change of perspectives occurred. If anything, these became more apocalyptic,

"This crisis will not bottom out, capitalism is definitely in its last days. ... War itself will interrupt the downward fall of capitalism by putting humanity out of its misery."

(PCG letter to CWO, 3.12.75)

Hardly surprising that such perspectives produced paralysis and despair. While the CWO was trying to get to grips with the latest PCG change of line (e.g. that our definition of the working class was counter-revolutionary), PCG suddenly announced that they had joined with another group in Chicago whose existence we did not even know about! Admitting that this may "surprise" us, they also gave out that this regroupment had occurred on the basis of minimum points. After briefly publishing a journal called Forward, the new group once again disappeared, after having denounced the CWO as bourgeois for asserting the Russian revolution was proletarian! The experience of this group reinforces the necessity for a coherent economic analysis, and a line of action based on clear perspectives for the crisis.

This lesson was once again brought home, in a less dramatic way, with the French group, Pour un Intervention Communiste (PIC). This group, as Luxemburgists, held similar conceptions of frenetic intervention as the RWG, except that those of the PIC were directed towards leftist demonstrations and fêtes, as well as grandiose attempts to build workers' cells in factories, support committees for this and that cause, campaigns on issues like Portugal, etc. Similarly, they played down the importance of theoretical work and of building the germs of a communist organization now on an international scale. The CWO, on the other hand, saw nothing incompatible with the most serious theoretical work and an active orientation to the class, which we alone, in spite of all the chantings of the interventionists, actually managed to achieve. Joint activities with the PIC floundered on our differing views of the crisis and intervention, and in order to emphasise how important these were, we drew up a text "On the Implications of Luxemburgism", for a joint PIC/CWO meeting in October, 1975. This text has been denounced as sectarian by the PIC, the ICC - and now the latest group of CWO seceders. Actually it is a principled effort to convince the PIC that our failures on joint action were the result of economic differences, and the much-quoted and misinterpreted final paragraph is not a formal demand for them to give up Luxemburgism, but an assertion of our view that joint action - still less regroupment - is impossible, given such differing perspectives. To have done otherwise would have been opportunist. Though never coming to an open break with the PIC, their liquidationism into ever more confusionist "committees", and resurrection of anti-party stances in their positions (paralleled with their regressions on the Russian revolution) confirm, rather than deny, the urgency contained in the CWO's critique of them. The text in question is printed below for the reader to judge.(1)

With groups with whom we had less contact, such as Combate, Union Ouvrière and International Revolution of Gothenburg, our relations floundered on their inability to answer political critiques we made of them. For example, we wrote a long letter to Combate criticising their support of national liberation struggles, the MPLA; we added:

(1) It should be read in conjunction with "The Economic Consequences of Rosa Luxemburg" in Revolutionary Perspectives 6, copies still available.
"In fact you give your support to all the 'liberation' movements in the ex-colonies of Portugal. Such a policy is in the last analysis support for Russian imperialism and its allies. ... We hope the tragic and deepening barbarism in Angola forces Combate to change its position on the MPLA, and on the question of national liberation in general." (Letter to Combate, 29.12.75)

We received an indignant reply from Combate who denied that they supported national liberation movements. Citations from their publications produced an embarrassed admission, but they responded by saying that only because we were bourgeois intellectuals did we want to discuss such things; instead of political dialogue they preferred swapping stories about workers' struggles.

We had similarly written many letters criticising Union Ouvriere, and in good faith reprinted some of their publications; our puzzlement as to why we received no reply was solved when we discovered that, not only were our letters not being circulated, or translated, but they never got beyond the guru of the group! It would be impossible to correct all the distortions and outright lies in the ICC International Review 9 text. A propos UO, the idea that our relationship with them ended in "embarrassed silence" (page 22) cannot, however, be by-passed. When their demise became apparent, we publicly circulated our letter to them, criticising their positions (dated September, 1975). To this was added "Epitaph for Union Ouvriere", which mercilessly criticised their views,

"The farcical element in the evolution of UO reached a peak in their issue no. 18 (Theses) ... UO's innovations announced the end of the economic crisis and its replacement by the struggle of individuals against alienation ... in this mine of platitudes can (also) be found an explicit break with historical materialism, and with the working class as the basis of historical change. The condition of UO (bears) all the marks of a terminal disease."

So much for our embarrassed silence. (Copies of the full text are available from the CWO address.)

International Revolution was a bit more principled. Here the contact did answer some of our letters, but refused to involve the rest of the group in the discussions, insisting that it was a personal dialogue. Publication in Revolutionary Perspectives 3 of the "Open Letter" to this group on Anarchism, was a way of forcing a more political response.

YEAR TWO

The second year of the CWO was marked by a tendency towards isolation, caused by:

a) The departure of certain international contacts whose sympathies lay with the Liverpool ouvrierists (Australia, USA).
b) The success of the ICC in winning over wavering individuals who shared some of our views (e.g. Belgium).
c) The increasing toll the lull in the crisis and class struggle took of revolutionary groups. (e.g. Union Ouvriere, impressed by capital's ability to stabilise post-1973-4, announced that the day of economic crisis was over, and dissolved into a series of confused modernist groupings. Combate, unable to see its task as more than a service organization, disintegrated when there was nothing left to service in Portugal, etc.)
Apart from the CWO and the PIC, the erstwhile communist left seemed to be in the process of disappearing in confusion, or of being attracted to the ICC. This in itself, is proof of nothing; the argument that, since it is expanding, the ICC must be right, is the crassest piece of empiricism. However, this does not prevent the ICC from claiming that their superiority "is underlined by the subsequent positive growth of the ICC, and the increasing isolation and fragmentation of the CWO" (International Review 9). It was with such arguments that the Mensheviks greeted the Bolsheviks, or the VKPD the KAPD. It is not really surprising that in a period when there is little class activity, an organization which places the bulk of its energies in its self-expansion, and does so by the proclamation of more and more open points and the running down of the need for historical and theoretical clarification, will win over those who have some criticisms of leftism, or those who are leaving groups which see themselves as having no more than a service role. Of course, this is a self-fuelling process, as nothing succeeds like success. The political degeneration which has accompanied the growth of the ICC is outlined in our reply to the Aberdeen/Edinburgh document, since its authors are so taken by the success of the Current on an international scale. But at the present juncture, whether we have ten or a hundred members makes little difference to the abilities of an organization.

In this situation, the ICC sent out tentative feelers for renewed contact. After politically ignoring us for two years, they produced two articles in quick succession in International Review 9 and 10. These siren songs produced responses on those demoralised by our organizational weaknesses, and the consequent political burden this imposed on the membership. Strikingly, it was precisely those elements who had previously been the most vociferous advocates of "not talking to the counter-revolution", and who fought (successfully) for a policy of breaking with Liverpool without further discussion, who now demanded a "new line". Regarding a possible future meeting with the ICC, Aberdeen wrote,

"Our general feeling is that it would probably be a waste of time. Even if they brought their contacts and ditherers with them, it's always going to be hard for us to win out in a struggle for them since the ICC holds such a soft option for them - "Don't worry about it comrades. Join us and we'll sort it out later." " (Letter to the Tyneside section, 7.5.77)

Whilst in their document, "Crisis in the CWO" they castigated the rest of us as opportunist for wanting to discuss with our erring Liverpool members.

"Aberdeen was the only section which, upon recognising the alien nature of the politics contained in the text (from two members in Liverpool), contacted all sections and demanded that "appropriate action" be taken." (September, 1976)

But on 2nd July, they too looked for "soft options" and demanded that the CWO suspend its activities since they had decided the ICC was not bourgeois; such a move being demanded(1) on the strength of a decision of two days' antiquity and without presentation of any documentary evidence. A further meeting was held on 31st July, at which the

(1) We use 'demand' in a literal sense, since we were told that if we refused to dissolve the group, funds and subscription lists, etc. would be withheld from us, as well as CWO material in their possession. Lacking any political defence of their views, Aberdeen/Edinburgh had to resort to these methods.
articles which follow were presented, whereupon the elements left the organization to pursue independent discussions with the ICC. Without repeating all the arguments, these are in the documents, we emphasise that this was no political justification for leaving the CWO, especially as the seceders admitted that on most issues we are more coherent than the ICC. Nor was it the case that the CWO was refusing to discuss with the ICC. Despite the counter-revolutionary nature of their policies for the revolutionary period, it had already been decided that the article in International Review 10 was politically serious enough to constitute a reopening of discussions, and we were thus obliged to attempt once again to make the ICC understand the consequences of their theories. At the meeting the ex-comrades refused to present a framework for evaluation of the class composition of political groups in general, limiting their argument to the empirical defence of the ICC (which fell down on every point, as can be seen in the texts).

The Aberdeen/Edinburgh faction announced that they now saw the ICC as a proletarian, albeit confused, group. This was done by narrowing down the 'class positions' the ICC share with the CWO to "those lessons of the last revolutionary wave", i.e. anti-parliamentarism and trades unionism. Despite the fact that that the last point was in no way established as a class position till many years after 1917-21, Aberdeen/Edinburgh could present no framework as to why these were the vital positions. Many class positions, such as state capitalism and the state in the transition period were indeed only learned in the counter-revolution. By picking out at random from the totality of fundamental positions that define a communist group, the four we happen to share with the ICC, Aberdeen/Edinburgh showed that their ONLY intention was to join it. To the question as to whether any other groups were proletarian apart from the ICC and CWO (e.g. PIC, PCI), Aberdeen/Edinburgh refused to answer, proving that no method of evaluation lay behind their analysis. In abandoning a coherent framework for an arbitrary one to let themselves into a larger organization, it is quite humorous that Aberdeen/Edinburgh's 'framework' for evaluation is different from that of the ICC - for the latter a further narrowing down to two points only has taken place. Poor disciples!

CONCLUSION

Contrary to the wishful thinking of confusionists, the CWO will not go away. Revolutionary Perspectives will carry on the traditions of the KAPD which fought against opportunism in the past. This principled fight was also not without its casualties. The KAPD (Essen tendency), by sticking firmly to communist principles, was inevitably doomed to early defeat in its battles against a counter-revolution in full cry. Others from whom we draw our origins, like the Italian Left, survived organizationally by making concessions to the counter-revolution (e.g. on the questions of parliament and the unions), but managed, despite their errors, to defend some aspects of the communist programme in the period of proletarian extinction between the wars. Whilst revolutionaries today can build on Bilan's past insights, to defend equally their errors is to court the counter-revolution. In regard to both the Italian and German Left, we must abandon that in their programmes which was either wrong or the product of the victory of the counter-revolution, and build on their revolutionary insights.

This will be all the more possible in that the present crisis has opened

5 "Revolutionary defeatism against imperialist wars" and defence of the proletariat's "autonomous struggle!" (International Review 10, page 17)
up a prerevolutionary period which can only lead to a further sharpening of the focus of political clarity. To play its part in this process the CWO will continue to put forward the lessons of the last revolution wave, as well as earlier proletarian struggles, to the working class; and we will continue, as we have always done, to pursue discussions on a national and international level with all those wishing to hold meaningful dialogue with us. In regard to the latter, our comrades have recently held discussions with individuals in England and Italy and with the PCI (Battaglia Comunista, Italy); we have also attended a conference of Scandinavian revolutionaries in Oslo. However, the purpose of these activities is not to achieve meaningless compromises where important issues for the class are swept under the carpet of "internal group discussion". The theory and practice of the international class struggle can only be developed by the widest possible confrontation of ideas. It is only through this confrontation that we can develop the clarity necessary to formulate a coherent revolutionary programme around which to group a new international in the next revolutionary wave.

Political clarity and the ability to organize are the only weapons the proletariat can have, but to abandon the former to achieve spurious regroupment now, doomed to fall apart when the proletariat most needs its organizations, is to sign away our birthright to a better world.

CLASS LINES AND ORGANISATION
(Document presented by the seceders from the CWO, July, 1977)

1. The elements which became the CWO were only part of many, more or less, confused groups attempting to reach clarity in a process taking place from early 70's on. With hindsight it is possible to see that the pole of regroupment (not just clarity) was RI (ICC). The ICC from the beginning identified and organised itself on the defence of the basic class positions whereas the elements which resisted this process primarily organised themselves in relation to the ICC. Their identity depended on the elaboration of a critique of the ICC. Thus the formation of CWO from RP and WV was not just "an incomplete regroupment" but was in fact an unreal one, its primary purpose being to prevent absorption by the ICC and not on the defence of communist positions (something we saw quite clearly in WV but not so easily in ourselves. Two consequences followed from this:-

1) Inevitable disintegration (lacking a real political dynamic) and along with it our subsequent failure to politically assess the split.
2) Commitment to a constant search for "dividing lines" to justify separate organisational identity - a process which logically and rapidly had to become a search for "class lines" - something the ICC was aware of, see letter from the Current 30.4.75.

2) From this beginning, CWO failed to carry out the tasks of a communist organisation - i.e. by its activity and intervention (based on clarity) it has failed to influence or win round individuals or groups in the emerging communist movement to the acceptance and defence of communist positions. The ICC demonstrably has done this. It has demonstrably functioned as the pole of regroupment. This is not just a matter of numbers. The ICC has had a real political presence, relating to and influencing emerging communist minorities and being a major factor in their development. This it has done, despite being less clear than CWO on certain issues showing that to function as a pole of regroupment clarity on economics alone is not enough. To be a pole of regroupment a tendency must be clear on
organisation. That the ICC was the pole of regroupment and that the groups which resisted this did so on a sectarian basis is borne out by an examination of the events of the past year, i.e. success of ICC and disintegration of the others – CWO, WV, UO, PIC, RWG, etc.

Class Lines
Basic to the development of a communist organisation is the establishment of class lines. These lines give a clear point of differentiation from non-communist bodies and enable communists to intervene in the class struggle. On this both ICC and CWO agree. Therefore for CWO to justify its contention that ICC is part of capitalism is "positively reactionary" (Revolutionary Perspectives 4, p.42) it must show that it has gone beyond communist class lines and actively defends some aspects of capital.

What are class lines? Class lines are not plucked from the sky; rather they come from history itself and can only be arrived at by studying the actuality of class struggle.

"A platform consists of the fundamental positions defended by a revolutionary group which in turn are based on an historical analysis of the class struggle." (Revolutionary Perspectives 4, p.46)

Both groups trace their particular origin to the left communists of the last revolutionary period. This period is THE historical experience which establishes today's class lines since in it the most advanced elements of the communist movement succeeded in grasping the reality of capital and the class struggle. The left communists came to an understanding that capitalism had entered its decadent phase and the era of proletarian revolution had arrived and it is to them that we must turn when setting up the class lines of today. The debates that occurred within the communist movement in the revolutionary period were essentially on the new class lines, concerned with the possibilities of class struggle and the strategies and tactics which communists could employ. Central to the 'left' analysis was the notion of decadence of capital as shown by war and revolution. From this notion basic class lines were derived distinguishing the left communists from the confused elements within the communist movement up to the period of counter-revolution and thereafter, from alien class bodies – viz. the debates on parliament, trades unions etc. Thus it was the period of war and revolution which gave the basis for the class lines of both then and today.

An understanding of this can be found in both the platforms of ICC and CWO. Both groups take the experience of the revolutionary period as essential in giving the orientation of communists today. Both accept the left communists' position that capitalism had entered decadence and both defend positions which are a product of the understanding of capitalist decadence. These positions are THE class lines of today. They are not to be characterised as "minimum points" but as the essential conditions for the growth of organisation. The general idea of decadence is the bedrock of communist work today. It is on the basis of this analysis of how class lines are established that we see the ICC are a communist group. If we compare the platforms of the two groups we find they defend basically the same positions (see Review 5 and CWO Platform).

(i) Capitalism is a decadent mode of production and hence we live in the era of proletarian revolution.
(ii) Capitalism can no longer supply real reforms nor can it lead to any development of the productive forces, therefore all reformist organisations – trade unions, social democracy, parliament, etc. in effect act as part of capital. Also national liberation is no longer possible.
(iii) State capitalism, statification, nationalisation, etc. is only the form capital assumes in its period of decadence and is NOT a move towards socialism. From this can be seen that Russia and the "socialist" bloc is
merely one point of capitalist decadence. (iv) Because capitalism is a global mode of production, decadence is also
global. Hence the tasks of the proletariat are global and not limited to
national boundaries.
(v) The communist revolution is the proletarian revolution carried out by
the proletariat organised through its own bodies of revolution - councils
and soviets.

These are today's class lines and are also the basis of the platforms of
the ICC and CWO. So on what basis does CWO claim the ICC to be part of
capital? Two points - the first being the claim that ICC does not defend
the notion that only the working class can hold power in the period of revol-
ution. The second is that ICC defends the capitalist state in Russia after
1921 and hence defends state capitalism although on both these points, a
careful reading of ICC texts might show a degree of confusion, we can in no
way find that the CWO does defend such positions!

1) The state in transition. The general experience of the working class
and the particular experience of the revolutionary period established the
reality that the communist revolution could only be carried out by the
working class. It established that the working class must centralise its
power through the organs of workers' councils and soviets. Only the working
class can be allowed to hold political power BUT on this the CWO say ICC do
not agree. CWO claims ICC favours the working class being subordinate to
some "all class state". If this were so then the ICC would have crossed
class lines. In reality, if we follow the ICC texts on the period of
transition, we find that in fact they defend the same class positions as
CWO. The question mark hanging over the ICC on this results from their
peculiar definition of the state. CWO correctly grasps that the state is
not, as the ICC says, a body of "mediation" but is a body of domination; it
is the organised political power of the revolutionary working class; the
dictatorship of the proletariat is the revolutionary state. On this the
ICC is confused BUT on the need for only the working class to hold power
there is no confusion. The ICC clearly states that only the working class
can hold political power. (See WR 3 p.14; Platform in Review 5 p.13;
Review 8 p.24) There is no ambiguity in the texts on the need for the
working class to be the sole wielder of political power. It is clear that
only the working class can organise itself as a class; the only concession
made as regards this is that peasants can organise on a geographical basis
to allow their needs to be made known to the proletariat. But this is no
more than CWO has said (see Platform p.9). The ICC's confusion over the
state is not such that it denies the dictatorship of the proletariat nor
the hegemony of the working class. Their "aberration" on the state comes
from the belief that the revolution does not necessarily proceed in a
linear position hence the limited possibility that "concessions" might
have to be made to the peasantry. In this circumstance the state might
act as a mediating body - but without any political power! In this manner
they seek to guarantee the communist activity of the party of the prole-
tariat and stop it becoming the carrier of possible counter-revolution
but this does not make them part of capital. This position does not
fatally compromise a communist group.

2) The defence of "state-capitalist Russia after 1921". (RP 4 p.43) Again
careful reading of the texts does not indicate this. The fundamental
point here is the analysis of the move from the conditions of the
dictatorship of the proletariat to the dictatorship of capital in the
guise of the Bolshevik leadership. What communists must be clear on is
when the proletariat lost state power; when the dictatorship of the
proletariat had no longer any reality. For CWO 1921 is the break point:

"By 1921 ... any claims as to the proletarian nature of the Russian
state after this date must be rejected out of hand." (Platform p.6)
The ICC ambiguity over this arises not from the defence of a capitalist state but from a faulty analysis of post-1921 fractions. The ICC is aware that by 1921 in Russia, a capitalist state had re-emerged and that the proletariat no longer had any power. By 1921,

"the real organs of revolutionary struggle - the factory committees and workers' soviets had already been emasculated."

(Review 8 p.32)

and in Review 9, p.2. After 1921 the Soviet state,

"had been effectively degenerated into a machine for the defence of the capitalist order."

See also Platform, Review 5 p.12. Thus the ICC is clear on the defeat of the proletarian state after 1921. It does not in any way defend actions of the Russian state after 1921 - see for example, their critique of the state in action at Kronstadt and Petrograd in 1921 and also NEP and the Treaty of Rapallo. The former actions are shown to epitomise the defeat of the political power of the working class whilst the latter are further signs of this defeat. What we do find the ICC defending is the possibility that proletarian elements, albeit degenerated ones, remained active inside Russia after 1921 - this is a point CWO cannot find fault with - see RP 4 pp.22-27, on Workers' Opposition and Workers' Group, etc. There is no a-priori reason why communist elements could not continue to operate within Russia after 1921.

But just as the ICC betrays confusion over the notion of the state, so it also shows confusion over analysis of the fractions within Russia after 1921, this is marked by the belief that proletarian status is conferred on a body by the fact that a communist element remains within it, e.g. the "left opposition of Trotsky because it contained former left communists (Ossinski) - Review 9 p.687 - can be defined as a "proletarian current". It is of secondary importance whether they are empirically correct in their analysis of these bodies. What is of importance is the structure which underpins its analysis and in this the ICC again shows its communist content. (To characterise the ICC because of its "defence" of the Left Opposition as "radical Trotskyist" as one member of CWO does is at such a low level as to warrant no reply.) We need only read the latest article in WR 11 and 12 on Trotskyism to verify this - the ICC clearly picks out counter-revolutionary elements and forces at work after 1921 and shows that the Opposition, at least that section over which Trotsky had hegemony, pursued policies which were not merely mistakes of a "proletarian current" but of a group whose "general orientation ... was state capitalist" (WR 11 p. 18). The ICC's mistaken analysis creeps in through formalism, e.g. their claim that Trotsky's 1927 call for "an immediate struggle for soviet power against the whole Chinese bourgeoisie ... was one of the last occasions in which Trotsky and his followers were to defend a revolutionary position." This is formalism gone mad, especially in the light of evidence they present against Trotskyism. But the analysis, despite this, does emerge from a communist framework, and as a result at no point crosses class lines - at no point is the ICC involved in the defence of a "state capitalist gang". The whole of CWO's critique of the ICC as part of capital, when viewed critically, dissolves in the face of the actuality of the ICC's positions. In effect CWO, in its attempts to differentiate itself from the Current has spun a web consisting of class lines, dividing lines and confusions and has found itself unable to clearly differentiate between them. As a result at one moment a dividing line such as economics (RP 4 p.39) becomes an almost class line (see the texts for the meeting with PIC, September, 1975). In this manner CWO in its attempts to find the counter-revolution within the ICC, becomes a sectarian grouping - forced to find counter-revolution behind every "dividing line".
Organisation
1) The need for a single centralised communist party and its vital role now and in a revolutionary situation is agreed on by both (ICC and CWO).
2) The need for regroupment now on the basis of programmatic clarity is also agreed on (on paper at least).
3) CWO has consistently attempted to portray the "minimum points" of the ICC as a sophisticated version of the Leftist United Front. In fact these "minimum points" are the totality of communist positions derived from the last revolutionary wave. It is the defence of these positions which places an organisation within the proletarian camp.
4) At the basis of the organisation problem must lie the question - what are the tasks facing communists now and this in turn is decided by the tasks which face the class now - they are unions, social democracy, reformism, national liberation, etc. etc. Agreement on this is the basis of organisational unity. Other tasks will appear and when they do agreement on them must be present - if not, then a split must take place. Until then it can remain at the level of internal debate - (provided that it falls within the historically decided class lines). Disagreements within the organisation about future tasks are resolved by continuing debate and the dialectical influence of events. If the disagreement has not been resolved by the time the tasks have become concrete then a split must occur. But until disagreement actually results in differing activity or propaganda etc. then the debate can remain within the organisation, e.g. state in transition, economics.
5) CWO's conception of an organisation is in fact a monolithic and undialectical one - agreement now not only on all the positions to be defended now but also agreement on how these positions were reached and agreement now on all future positions (even during a future counter-revolution). This total agreement is demanded, ironically, in order to forestall the possibility of future splits which might paralyse the communist movement at an important juncture. However, the real result of this fusion of class positions with secondary questions and as yet unresolved questions is a sectarianism which produces perpetual splits now and a complete inability to either grow or influence the communist movement in any serious and positive way. The only future role for CWO until its inevitable disappearance is to act in a confusionist manner in the present process of regroupment. Therefore, we propose that CWO has now only one immediate political task, i.e. to work towards joining the ICC.

Aberdeen/Edinburgh, July 1977

PUBLICATIONS OF THE CWO
Copies of the following are still available:

The Platform of the CWO (5p)
Revolutionary Perspectives 1 (20p)
Theories of State Capitalism
Barcelona - May 1937
Revolutionary Perspectives 2 (30p)
Marxism and the Irish Question
Economic Basis of Decadence
KAPD Theses on the Party
Revolutionary Perspectives 3 (30p)
Perspectives
The Question of Organisation
Theses on Parliamentarism - Italian Left.

Revolutionary Perspectives 4 (30p)
Russia 1917-1923
Revolutionary Perspectives Convulsions of the ICC
Barcelona - May 1937
KAPD Programme 1920
Revolutionary Perspectives 5 (30p)
Spain 1936 and 1976
Revolutionary Perspectives 6 (30p)
Capitalism in Africa
Luxemburg's Economics
Revolutionary Perspectives 7 (35p)
Germany 1917-23
The Crisis of Commecon
"CLASS LINES AND ORGANISATION" - A REPLY FROM THE MAJORITY

The text presented by Edinburgh and Aberdeen (A/E) betrays the method* by which they have come to their present position. By beginning with an empirical resume of the present situation and only subsequently dealing with the main issue - the class nature of the ICC, they show that their decision to advocate joining the ICC was reached before political arguments were found to back up that decision. (Which also explains why the Aberdonians were unable to defend their position at the first meeting - henceforth 2.7.77.)

The present text is even more revealing for it shows that the Aberdeen and Edinburgh sections are not only ignorant of some of the positions of the organisation which they propose to join but are even prepared to distort the political thrust of articles which they themselves helped to write for the CWO.

But let us begin with the key question. If the CWO is to change its attitude to the ICC then it must re-examine and alter the characterisation of that organisation as counter-revolutionary. After that we will then examine the nature and function of a communist group and conclude with our perspectives for relating to other groups.

Why the ICC Defends the Counter-revolution.

The Period of Transition
A/E reduce the whole question of our divergencies with the ICC over the period of transition to the question of the state, and then say that the CWO and ICC both insist that the class "holds political power" in the transition period and that we have distorted the ICC view. Despite the fact that it would be difficult to find a leftist of any hue who could not agree to the vagueness in the ICC definition of the "dictatorship of the proletariat", all the other lessons on the questions of economic transformation, on the issue of mediation with the bourgeoisie, on the vital role of the communist party in the revolution are simply not mentioned! (How they similarly obscure our critique of the ICC on the Russian revolution will be seen later).

On page 5 of their text A/E claim that the CWO,

"...in its attempts to differentiate itself from the current has spun a web consisting of class lines, dividing lines and confusions and has found itself unable to clearly differentiate between them."

But it is A/E who have the confusions, since they themselves quote approvingly the CWO's definition of a class line (p.2). In the same article from which this is taken we state explicitly what the class lines which divide the ICC from the CWO are,

"...in concrete terms they (the ICC) are capitalist because
a) They regard state capitalist Russia after 1921 and the Bolsheviks as defensible.

b) They maintain that a state capitalist gang such as the Trotskyist Left Opposition, was a proletarian group.

* A/E might retort that method ("how positions are reached") is irrelevant (see page 6 of their document) but when excusing the ICC they say (on page 5) that it doesn't matter whether the ICC has got its facts right but "what is of importance is the structure which underpins the analysis".
c) They advocate that the workers in the revolution mediate with the capitalist classes of the peasantry and the bourgeoisie. (R.I. 4 p.42-3)

A/E claim that the CWO says the ICC is capitalist on two points—on the defence of Russia after 1921 and that the CWO "claims ICC favour the working class being subordinate to some all class state." (p.3) This second point is not, in itself, the class line for the CWO, as can be seen above (point c). The important reactionary kernel is the idea that mediation with the bourgeoisie or the peasantry can be undertaken by the proletariat. The horrors forced upon the German and Russian proletariat by united frontism, trade policies and NEP draw for us the class line on this question. It is one thing for workers to die in a revolution that is going forward. It is another for them to be sacrificed to the temporising policies of a state capitalist regime.

This is more than a tactical difference. It is the ICC's view that the revolution can be spread over a number of years and face reflux. According to them, in each of these refluxes certain mediations with non-proletarian classes will have to take place and it will be the function of a special "organ"—the State—to supervise it. Ignoring the ahistorical approach of the ICC which manages to reduce the State to a single "organ" they tell us that the state is "eternally conservative" (I.R.8 p.19) but a necessary evil. Eventually it will have to be destroyed by the proletariat but during the period of transition it will carry out tasks which the proletariat cannot do (e.g. negotiate with the international bourgeoisie, mediate disputes with the peasants, and administer capitalism (which presumably also means using force against the proletariat)).

As we shall see in the section on the Russian Revolution it is clear that this is for them an explanation of their own view as to just how far a revolution can deteriorate whilst still remaining "proletarian". For them the fact that the State had shot and imprisoned workers, reversed the direction of economic appropriation and had done deals with both peasants and the international bourgeoisie does not mean that the counter-revolution had triumphed, it simply means that the communists of the day made a mistake by being involved in these measures!

For us, as for Marx, Engels, Lenin the State represents the highest point of power of class rule and if it is a proletarian state this will be expressed through workers councils. As long as the revolution is moving generally forward there will be no need of Kronstadt's, NEP's and trade deals. Any setbacks that do occur (Brest-Litovsk's) will have to be faced by the working class through its councils. We cannot bury our heads in the sand and invent a body which can take all the nasty decisions and which we can repudiate later, or as the ICC wish, to resolve the problems by resolutions of communists.* Finally, the issue also underlines the political degeneration of the ICC. In June 1974 it was announced to a startled conference (especially to those in what was to become the ICC) by the leading theoretician of R.I. that the state was not the workers councils. After this we were told that it was an issue which would be decided in the future and was therefore an open question. Now, at least for RI the issue is closed (see I.R.8 p.18).

In the same article, after having sought and failed to find any sustenance in the works of Marx, Engels or Lenin (see p.20-21) RI finally reveals where their views on the state come from:

"Whilst retaining a 'Leninist' position on the quasi-identity between party and class, Bilan was the first to clearly affirm the pernicious character of any identification between the dictatorship of the proletariat and the state in the period of transition." (I.R.8 p.22)

Bilan's formulation on this question is clearly based on their belief that

"The content of this resolution (on the transition period) thus represents a real safeguard (our emphasis) against all the erroneous conceptions which the proletariat could encounter in its coming world-wide assault on the capitalist system." (I.R.8 p.19)
there was still something defensible about the Bolsheviks, the CI and Russia until the formal declaration of "socialism in one country" in 1927-28. The state as an organ separate from the soviets and the Bolsheviks was their answer. Clearly the defence of Russia after 1921 is synonymous with the ICC's view of the state and it is to this that we now turn.

The Russian Revolution

If A/E got the CWO's position on the period of transition wrong then their assertion that the ICC does not defend Russia after 1921 will be news to the ICC! Aberdeen indulge in some semantic sleights of hand on the Russian question. First of all by talking about the Russian "state" instead of the Bolsheviks, they present the ICC as not defending Russia after 1921. But the two were historically synonymous and the ICC certainly defend the Bolsheviks:

"The Bolshevik party, though degenerating in 1921, was not yet a bourgeois organisation." (L.R.10 p.16)

By going along with the ICC view that it was really the "state" and not the Bolsheviks (who just happened to be there at the time) that was doing the dirty work, the A/E text already shows the logical political evolution of its authors. Similarly, to say that all the ICC says is that revolutionary groups could be found "in Russia" after 1921 is a travesty. What the ICC say is that revolutionary groups could be found inside the Bolshevik party after 1921, and despite all the wriggings of A/E, the ICC unequivocally assert that the Left Opposition was one of these. The CWO certainly recognises the existence of groups of revolutionaries inside Russia after 1921, but what we say is that these could only develop in opposition to the Bolsheviks. Again, A/E are silent on an issue they were previously clear on, or rather by word-swapping, strive to obscure the issue. The view that there was something defensible about Russia after 1921 is either implied or clearly stated in every historical article the ICC write.

"Thus when the German workers took to the streets in 1923 (!) they would discover that Soviet Russia was becoming (our emphasis) one of the principle obstacles to the struggle against their own bourgeoisie." (W.R.11 p.13)

In their recent pamphlet Nation or Class they reveal their position once again:

"With the world revolution in disarray, with the Russian proletariat decimated by civil war and famine, its last great attempts to regain political power crushed at Petrograd and Kronstadt, the Bolshevik Party had ended up as the managers and overseers of Russian national capital." (p.29)

This however refers not to 1921 (the date by which all these events had taken place) but to 1923 when the Bolsheviks began to suspect that Kemal Ataturk wasn't revolutionary! (P.28) The writer of this pamphlet, C.D.Ward, is actually the most confused of all the ICC in that he can see the counter-revolutionary significance of events of 1921 but invents all kinds of formulae to avoid their logic. For example, it was he who expressed the ICC's views on Kronstadt (in L.R.3). We criticised these in R.P.4, but for those who have forgotten he talks of the events of March 1921 as a "class line" which "probably" (!) meant the end of the Bolsheviks as a revolutionary party but then says that the revolution didn't end until 1924. However, this is no longer the ICC view on Kronstadt which is: that by "suppressing the revolt they were not abandoning an already established proletarian principle." (L.E.10 p.17) Does the proletariat need to establish "principles" concerning its own massacre?

One of the ways in which the ICC overcome the fact that the counter-revolution had clearly triumphed in Russia by 1921 is to shift the argument by saying that a revolutionary movement isn't dead until it is dead internationally. But even here they have no case. In 1923 in Germany the class did not respond to the call of the KPD (see R.P.7), in Bulgaria in 1923 the communists rose in self-defence against the Zankov government but again not a single town participated in the rising and the communists (after a brief guerrilla war) were massacred;
whilst in the British General Strike and the Shanghai insurrection genuine mass movements were isolated from the post-war revolutionary wave or were actually sabotaged by an openly counter-revolutionary Comintern and its representatives. Added to this must be the question: is it possible to split the revolutionary totality? Can a "capitalist workers state" (which is what the ICC would tell us Russia was even before 1921) prosecute an international revolutionary struggle? For us the general thrust of war communism, the 1919-20 struggle both in Russia and elsewhere and the fact that debate was still possible within the Bolshevik Party meant that the revolution was going forward. After the summer of 1920 when the Red Army was defeated at Warsaw, the German Revolution failed in the Ruhr, the tide turned markedly in the opposite direction. War communism, which was utopian unless the world revolution triumphed, had to be abandoned, the failure to have new elections to the Soviets reinforced the isolation of the Bolsheviks from the proletariat, and no mass movement in any country appeared on the horizon to relieve the gloom. This was the background to the failure of the March Action in 1921 when the German proletariat only half-heartedly (compared to earlier days) supported the revolution and when NEP announced (though not formally, almost in as many words) "socialism in one country" (1), and of course when the gulf between the class and the Party was revealed at Kronstadt.

Further, if A/E are correct in that the CWO has been too harsh in judging the ICC's motives for defending Russia after 1921, why is it that the ICC has NEVER denied that this is their position. In their monument of distortions and contradictions which attempts to reduce us to their level of "they said that and we said this" in R.R.9, instead of replying to our view in R.P.4 that:

"By 1921 the class had been decimated, massacred by the State, denied all right to self-defence and self-expression, and was subject to the capitalist market which produced 25% unemployment in three years." (P.40)

and that therefore Russia was now capitalist, we are given the following pitiful bleat.

"Never before in the history of the workers' movement has a question of dates, of retrospective historical interpretation, been made into a class frontier."

There are a number of points to be made here. First, it is not a question of "dates" in themselves but the events which they provide a shorthand reference for. Both the ICC and ourselves often refer to the events by the date of a significant manifestation of what we are describing (e.g. 1914 - the beginning of the First World War, a clear indication of capitalist decadence.) Second, "retrospective historical interpretation" was, and is a fundamental task of all revolutionaries in order to appraise the exact significance of the lessons of each proletarian struggle.* Was it the Communards or Marx, writing later, who appreciated that the lesson of the Commune was the necessity for the workers to smash the old state apparatus? The ICC themselves *accept this. In their "Basic Principles" (to be found on the back of their International Review) in talking of the KAPD and the Communist Left of the early 1920's, they state

"Though the criticisms of these tendencies provide in themselves only a partial critique of Bolshevism (our emphasis) and the old (now non-existent) workers' movement, their contributions are essential...etc."

(1) We will deal with the issue that "socialism in one country" cannot be a satisfactory signal of the end of the revolution in R.P.9.
* And as Aberdeen clearly see in their text "Class lines can only be arrived at by studying the actuality of class struggle."
The total critique being supplied of course by the ICC, "retrospectively".

As to "retrospective historical interpretation" being made into class frontiers for the first time, we again would say that the ICC itself also raises class frontiers based on historical interpretation (e.g. state capitalism) and the reason that revolutionaries do so today and not previously is that we now live under capitalist decadence. It is now no longer possible to merely say you are "a socialist" or "a communist" to actually qualify for that title. The lesson of 1914 was that never again can the working class put its trust in the socialist pretensions of any organisation but must examine the contents of its programme.

Trotskyism

"The characterisation of the Left Opposition as a "state capitalist gang" from the very beginning is a gross oversimplification" (IR 10 p. 17)

If the revolutionary wave is going to be pushed back to 1927, (or even 1936/37 in Spain), if the nature of the Russian state is to remain an unsettled question till World War Two (see IR 10), then the faction fights of state capital must be transformed into proletarian expressions. The logic of this is revealed in the ICC's positions on Trotskyism.

On the question of the ICC's defence of Trotskyism it is a pity that the A/E sections do not extend their credibility for good intentions to the organisation to which they belong as they do to the ICC. Criticising the "formalism gone mad of the ICC", A/E avert their eyes to the most clear statement of the proletarian nature of the Left Opposition.

"Thus the Left Opposition in Russia undeniably appeared, developed and died, as a proletarian reaction to the nascent Stalinist counter-revolution." (W.R. 11 p. 18)

Apart from the fact that the quote gives an instance where the ICC claim proletarian status for Russia in the late twenties, it has also to be remembered that subsequent criticisms by the ICC of the "state capitalist" nature of Trotskyism are not really so inconsistent. After all "War Communism" for them was also "state capitalism" and the proletariat itself in the period of transition will also administer some form of capitalism so this, in their terms, is no real damnation. Just when did Trotskyism cease to be "a proletarian reaction" to Stalinism for the ICC? In the next article W.R. 11 tells us,

"... the Trotskyist movement definitively joined the camp of the bourgeoisie in the generalised mobilisation of the working class for the second world war." (p. 21)

So Trotskyism was a "proletarian current" until 1939 (see I.R. 10 p. 16). Hence the only counter-revolution that the ICC find in Russia is the "Stalinist counter-revolution" - the position of the Trotskyists themselves.

So much for the A/E assertion that "at no point" does the ICC defend the "state capitalist gang" of Trotskyism. As A/E accept our view that the Left Opposition was a part of decadent state capitalism from its inception there is little point here in repeating our views of R.F. 4. What should be clear by now is that the CWO critique of the ICC as part of capital does not at all lack substance and that the A/E document has been able to reach its conclusion only by misrepresenting both the ICC and the CWO as well as throwing in a measure of uncritical reading of ICC texts.

The A/E sections' lack of awareness of what the positions of the ICC are is little short of astounding. For A/E (correctly) it is class lines which
define whether an organisation is proletarian or bourgeois (and they claim that those of the CWO/ICC are identical). But in the logical outcome of a process that has been going on for some time, for the ICC class lines no longer determine the character of a political group. A group can cross all sorts of class lines, and still be revolutionary.

"A group may have any number of confusions, but if it calls for revolutionary defeatism against imperialist wars, if it defends the proletariat's autonomous struggle against the national capital, it must be considered part of the working class movement." (I.R. 10 p.17)

Why these two factors (the latter merely a windy phrase) are the fundamental positions is difficult to say. Who now is "debas ing the concept of a class line"? This move, is parallel to their political degeneration, revealed in their "new line" on Trotskyism, Cardanism, etc. Again, on 2.7.77 the advocates of fusion with the ICC denied vehemently, till documentary evidence was presented, that this is now the case. In W.R.11 (p.12) even the class nature of trade unions now seems to be up for auction.

"Throughout the 1920's the Chinese proletariat's attempts to organise itself was expressed by the formation of large industrial unions ... (which) ... began as working class organisations."

After moving to accommodate Trotskyism, is this a move towards accommodation with Bordigism?

The Function of a Communist Group

For the ICC the past ("questions of historical interpretation") is irrelevant (See I.R. 10 p.17), for the Aberdonians, the fact that a split with the ICC in the revolution is inevitable is irrelevant. What matters to both is the tasks of revolutionaries "now". This is a relapse into a resurrected Bernsteinism "the movement is everything, the end is nothing". Again, this is pure empiricism. We oppose unions, parliament, "now", not only, or even mainly because these are problems the class faces "now", but because of the role they will play in a proletarian revolution. Class positions are not views on "the problems of the day", but are defined in order to present an orientation for the future. To those who say the past is irrelevant and so is the future, we'd reply that they are far more vital than immediate concerns.

Let us summarise our view of the function of a communist organisation. First, because the development of class consciousness is not an even process, it is necessary that the most advanced sections of the class form a political organisation in order to further the development of communist consciousness by propagandising within the class before and during the revolution. Clearly, therefore, the organisation of a communist group is not determined purely by "the question - what are the tasks facing communists now?" (A/E text) since these tasks are determined in the long run by the future role of the communist party in the revolution. Certainly an overriding task of communists today is regroupment but it is myopic to pursue this in a vacuum without seeing the link between communist activity now and the success (or not) of the revolution in the future. Contrary to A/E's amazing statement that the ICC and the CWO agree on the "vital role of a communist party now and in a revolutionary situation" (p.6), not even the ICC says this! In I.R. 10, while the ICC announces its role in terms of councilist vagueries as "an active factor in the self-organization and self-demystification of the class" (p.15), the CWO is accused of "a conception bordering on voluntarism and substitutionism" (op.cit.). Our views as to the party's role in the state, in the councils in the revolutionary period is diametrically opposed to that of the ICC. Like A/E's
other "discoveries" this one does not stand up to examination.

In order to be effective in its task, the organisation must be clear about the lessons of working class history and the way forward for the working class (and the CWO has never argued that this is a question of "clarity on economics alone" - A/E). It is the communist organisation's understanding of proletarian history and its resulting political coherence which makes it the kernel of the future political party (a "pole of regroupment" in the ICC's terms). Contrary to what A/E assert the criteria for assessing whether an organisation is potentially communist is whether or not it provides a coherent defence of class positions. To argue that a group functions as a "pole of regroupment" because it has greater political influence than the CWO despite being less clear on "certain issues" begs the question of what the growth of the ICC means - i.e. Are the ICC's regroupments a step towards the formation of a strong (i.e. clear) communist party or do they simply mean increasing confusion and degeneration into counter-revolution among emerging communists? The ICC's confusions on the last revolutionary wave; and the lessons and "open questions" on basic Marxist principles which they draw from it, qualify them as neither coherent nor a pole of regroupment for communists.

As we saw in the previous section, the ICC do not derive the same lessons as the CWO from the last revolutionary wave and therefore defend different political positions (although in order to obscure the importance of these differences the ICC have to argue that the CWO defends the same class positions).

Despite their earlier claims that the ICC do not hold essentially different positions from the CWO on the lessons of the Russian Revolution and the state in the period of transition, A/E recognise the existence of differences over these very issues by taking up the ICC's own argument that the CWO should now join the ICC, since the differences are not of immediate practical significance and be prepared to split once they become significant in reality - i.e. during the revolutionary upheaval. But even if we accepted this argument and said that the ICC were not counter-revolutionary, it is clear that the even greater number of dividing lines (issues which would then include economics, intervention in the class struggle et. al.) would make work within the ICC difficult, if not impossible for those holding our ideas.

The A/E text argues that we can put forward the specific ideas that the CWO has inside the ICC. In the first place, in the whole history of the ICC they have only once, and that a long time ago, published texts from any section or member who agreed with our views on economics, state etc. On the other hand it is clear that attempts to bring up such issues for lengthy discussion would simply be regarded as "hampering the work of the group", especially when its orientation is more and more towards organisational rather than theoretical tasks. Clearly private opinions would be allowed in the ICC; and if A/E joined, like all the others (e.g. elements in Belgium and the USA), rather than leave the ICC, they would choose to remain quiet. Playing to the audience has always been an ICC forte. Maybe A/E have been impressed by statements like:

"We fully recognise the importance of discussing this question (i.e. economics) within the workers' movement." (IR 10 p.14)

Who can take this seriously? In the first place, why waste time discussing an issue that is not a class line (or even a dividing line)? Secondly, RP 2 has existed, without a reply for two years, and the articles that came together to form the Luxembourg article in R.P.6 remain unrepiliated for even longer. This indicates the importance they really attach to such questions.
Despite having recently written (R.P.7) "It is only by understanding these basic capitalist relations that we can avoid falling into a moral critique, leading to voluntarism and eventually anti-communist politics", and having repeatedly (and correctly) asserted that intuition is no basis for politics, the A/E text (and statements at the 2.7.77 meeting) now conclude that empiricism is enough on the question of economics. Stating that "decadence is the bedrock of communist work today" (p.2), they DO NOT conclude that an understanding of WHY capitalism is decadent is essential. The only reason advanced for fighting for a rate of profit analysis inside the ICC is that it would make it "more efficient" in its work. Perhaps pragmatism rather than empiricism describes this. But surely, given the success of the ICC, they are already "more efficient" than the CWO, and this must be an argument for the CWO becoming Luxemburgist. Saturated markets is an easy catch-phrase for "efficient" political work and recruitment.

Similarly, on the question of perspectives, it is argued (p.6) that differences on economics need not lead to "differing activity and propaganda" and hence a split. Despite the fact that both the ICC and the CWO would agree that economic differences have in fact led to precisely such differences in the past, the A/E text ignores that it inevitably must do so in the future. Similar naivety was displayed on the question of perspectives at 2.7.77. After years of being treated to the prognostication of imperialist wars and autarchy, the fact that one group (W.R.) in the ICC has begun talking about equalisation of the crisis has been seized on as proof that we share the same perspectives. Why W.R. came to such a view and how they defend it was declared irrelevant as long as the position is formally correct. But such impressionistic analyses can change rapidly (witness the old Workers' Voice's disillusion with money militancy - and its revival) - a few import deposits, a cancelled detente meeting and we'll be treated to the logical Luxemburgist nonsense once again. It is impossible for the ICC to have coherent, defensible perspectives on the crisis, unless they understand the economics of capitalist decay.

However, leaving aside the immediate difficulties of working inside the ICC, let's consider the tactic of joining an organisation with the prospect of a split during the revolution. The working class would be faced with a weakening and demoralising experience at a crucial time when it should be strengthening its organisation. This is not merely a logical point but one of the most important lessons of the last revolutionary wave. We can only point again to the experience of the German Revolution. There, the Spartacist group which thought that by remaining part of Social Democracy (the "real communist movement") it could win over the left-USPD, remained ineffectual as a revolutionary weapon, although the Spartacists probably did succeed in increasing the confusion in the working class as to the class nature of the USPD. In contrast to the Spartacists we can point to the situation of Russian Social Democracy in 1903 where Lenin and the Bolsheviks fought to maintain revolutionary clarity at the cost of a split with the Mensheviks. As Gorter ironically pointed out in his "Reply to Lenin", the Russian Revolution owed much to the Bolsheviks' understanding of the importance of programmatic coherence in 1903:

"The Russian Revolution has triumphed through "purity", through firmness of principle."

Outside of the revolution a split in the revolutionary organisation is a weakening and demoralising affair, but a split in the communist party during the revolution itself is even more dangerous by the fact that masses of workers will be involved who, instead of having a clear revolutionary leadership to guide their actions, will be confronted with divided leaders and contradictory policies. (Witness the confusion and paralysis amongst
the German working class as a result of the KPD/KAPD split.)

But perhaps A/E do not really envisage a split in the ICC during the revolution and instead believe that they can "revolutionise" the ICC from within. Again, the Spartacists' experience within the USPD ought to be a salutary warning against this. However, let's examine the situation which a minority within the ICC and fighting for its views to be heard would find itself in.

Firstly, unlike the Spartacists, that minority would have neither an independent platform nor its own paper so the prospect of directly influencing the working class as a whole would be nil. The CWO's ideas which A/E admit are clearer than the ICC's and which have already influenced some of the ICC (e.g. as Aberdeen and Edinburgh unwittingly show the peasant question is changed in W.R's pamphlet on the national question) would be consigned to oblivion.

But what about the possibility of changing the majority view in the ICC? There are supposed to be a number of individuals within the ICC who have similar views as the CWO on the Russian Revolution and the transition period but if this is still the case then they are a remarkably silent minority. And, as we already know, the formula that these issues are open questions precludes any possibility of meaningful discussion.

In short to join the ICC, even if the minority fought for its positions, would mean the prevention of the formation of a coherent communist party; the impossibility of putting forward communist propaganda within the class; while the possibility of winning individuals to our positions must be weighed against the counter-revolutionary influence of the ICC's propaganda as a whole.

Communist Groups and the Present Situation

The very basis of the dramatic, almost overnight change of view of the A/E comrades lies in their survey of the present situation (page 1) which is certainly not favourable to the CWO. However, even here they have drawn the wrong conclusions despite occasionally beginning from correct premises. In this part of our text we will try to present an alternative interpretation.

With the initial wave of renewed working class militancy on an international scale (1968-73) there was renewed interest in the working class as the determining force of history and in Marxism as something other than the excrement of a failed revolution in Russia, for those who had existed in councilist or quasi-councilist organisations to begin to re-examine their origins. In this process it is undeniable (as we have always maintained) that R.I. (founded in 1967) was a decisive influence. Based as they were on a claimed organic and political continuity with the Italian Left they helped the other groups to overcome the prejudices of councilism. The other groups which emerged, like R.P., W.V., RWG., U.O., etc., at their different times, all felt that there were many errors in the politics of R.I. We do not wish to go into the reasons why the other groups all failed to regroup with R.I. but as far as R.P. was concerned we made the longest, most consistent and principled attempt to join the new regroupment (in fact in September 1974 we had begun to work together and regroupment was imminent). But in November 1974 WR denounced the Platform of R.P (which they had previously asked us to write) as a sign of our divergence from them, then attempted to split the group (which signalled their abandonment of political discussion). Despite this, R.P. (along with RWG and the PIC) attended the founding congress of the ICC, at which the scheduled discussion on the period of transition never in fact took place (due to the split of Accion Proletaria from the Current). After this we drew up a balance sheet of the political differences between us (Open Letter to the ICC, February 1975) to which the ICC made no political reply.
Instead, in the following ten months the ICC's views on the Russian Revolution and the period of transition crystallised into those they hold today. Given this, and the refusal of the ICC to debate with us, we concluded that the ICC was counter-revolutionary. At this time it seemed that a genuine communist group could be built on the basis of an orientation towards the working class and by regroupment with such elements as RWG. But, as we predicted, the crisis only developed slowly and many of our more activist comrades wished to get involved in sectional struggles. This was the background of the Liverpool secession. It would appear to an outsider that the A/E text was written by people who had never been in the CWO, and it is clearly designed to lay the blame for the CWO's "sectarianism" anywhere than at their own door. Especially galling is that, despite realising that their "new course" implies a renewed analysis of the split with the Liverpool section, this is only mentioned in passing when we are castigated for failing to analyse it. Yet the A/E text makes no attempt itself to analyse the split, or to analyse their own text "Crisis in the CWO" which was instrumental in causing the split, or to their fight against any attempt to prevent the secession being a total one.

At the same time the slow development of the crisis took its toll of groups like RWG which returned to councilism or became class-for-capital. At this point the CWO made certain errors in its international work. We should have gone to Belgium to impress on the various groups of Internationalisme the logic of the step they were about to take, and we have been slow to follow up other international contact work, insisting on written political dialogue as a prelude to any meeting. Curiously one of the last sections to be converted to the idea of increased international work is that very section which now castigates the CWO's failures in that respect. (e.g. Their opposition to the PCI meeting.) It is therefore in character that Aberdeen should seek to solve a problem which they previously ignored by over-stepping the mark. They have chosen to cure their demoralisation by opting to join, without political discussion, an organisation which they themselves thought was counter-revolutionary a fortnight ago.

But even the ICC has not escaped the problems of the present period. Even within the new revolutionary period there are periods of "mini-reaction", such as the present, when the level of crisis and its effects on the class struggle are unfavourable to communist organisations. On this A/E were clear only a few months ago. Whilst the CWO has faced physical disintegration whilst trying to hold to communist principles the ICC has kept afloat (and like the leftist groups has grown) by an even more pronounced political degeneration. On the one hand the olive branch is held out to the Trotskyists by giving their origins some degree of political legitimacy, whilst on the other incorrigible purveyors of the counter-revolution like Solidarity and Social Revolution are now just "confused" and are basically proletarian. (See W.R 11 pp.18 and 22). And the fact that they also attempt to flatter us (W.R 11 p.21) has obviously had its effects on A/E. For whilst A/E still find the CWO the clearest communist group and the ICC confused on Russia, Trotskyism, the period of transition and economics, it is still the pole of regroupment! Thus A/E conclude that the ICC is confused but the CWO, by holding up the process of regroupment with the ICC is confusionist! Clearly, despite their protestations (p.1) the main attraction the ICC has for them is its size.

But what perspective can the CWO adopt towards other groups given its present numerical weakness?

(1) Certainly, in retrospect, we can criticise some aspects of the way the split occurred. A fuller analysis of the split and its implications will be published in a future R.P. But here we need only say that for R.P fusion with W.V was in no way carried out to "prevent absorption by the ICC" since there was no danger of this at the time.
1) To begin by once again correcting A/E's errors. In point 2 of their last page they say that both the ICC and the CWO agree on the need for regroupment now. In fact we put a different point of view.

"Consequently, although we too wish for speediest possible international regroupment of communists and realise that the failure of the proletariat to act in the long run will spell the end of humanity, we do not think that time is now. (R.P. 4 p.38)

This is still our overview, though it does not mean that any regroupment is impossible now, it does mean that such a process will be slower than that envisaged by the ICC, given the slow development of the crisis and the reflux in the class struggle.

2) However, our main effort must be to disseminate the ideas of the CWO as widely as possible. This means that we will have to abandon the naivety whereby we thought it was enough to prove a view wrong scientifically once for our own view to be taken up. (If that were true communism would have been established long ago.) The work of propaganda and dissemination of ideas is clearly a long one, and we must learn how to propagandise our views more thorough.

3) As a consequence of this we must relax our criteria for evaluating whether discussion with this or that group is "worthwhile". If a group wishes to discuss with us it can only be because they see a common strand in our politics and that must be the basis on which we meet them. Similarly, we must be less hasty in calling apparently futile discussions (e.g. RSG) to a close but keep discussing so long as we receive replies and where appropriate publish the exchanges. Thus we can only abandon the view in R.P. 4 that,

"... on no account can we debate with groups that defend some aspect of the counter-revolution." (R.P. 4 p.39)

4) But none of the foregoing in any sense means a weakening of political resolve. The CWO exists because it defends a political platform which contains the lessons of the revolutionary history of the proletariat, and it will continue to do so until we are convinced that either the ideas we have hitherto defended are wrong or that there is nothing distinctive in our programme which cannot be incorporated into the programme of another group. The A/E document fails to convince us on either of these points.
OPEN LETTER TO THE INTERNATIONAL COMMUNIST CURRENT

Dear Comrades,

This letter is an attempt to evaluate the level of our differences and clarify our relations in respect to joint work and the prospects of regroupment. Originally we'd intended to deliver a version of what follows as a verbal intervention at the International Conference of your Current in January in Paris, but the fact that the scheduled discussion on the period of transition was unable to be held prevented this.

First we must clarify our altered basis of looking at regroupment, which has changed greatly since our last exchange of letter. In those discussions you convinced us that our semi-"federalist" ideas of regroupment, based on demands for minority rights, maintaining our identity, etc. were wrong. We now accept in fact as well as in theory the need for an international, centralised, politically coherent communist tendency. But an analysis of your own Current's history has convinced us that it is not such an organisation.

Far from having a conception of regroupment based on political agreement, your tendency has one based on minimum points for fusion, which relegates various issues to 'secondary' or 'open' ones. We agree with RWG when they argue that political identity and coherence come from programmatic clarity and not through organisational artificiality. To advance the idea that regroupment can take place for example, when the question of the State in the transition period, or the final demise of the Bolsheviks and the Third International are 'open' questions, can only be to advocate fusion now to pursue a policy of "working together" and lead to confusion in the class and demoralising splits in the actual revolutionary period.

The brief history of your own Current gives ample testimony to the results of this kind of fusion. In the past year we have seen the split in Internationalism over the questions of organisation, the state and the Bolsheviks, while coherence in Revolution Internationale over the question of economic struggles of the class was gained only after a split with the 'tendance' ex-IO. More recently, the intervention of the Accion Proletaria comrades in Paris showed that regroupment had here taken place without fundamental clarity on the questions of intervention and political organisation being achieved. In addition elements existing in Internationalism and Rivoluzione Internazionale who do not agree with the majority on the questions of the State in the transition period, or on the economic question, underline the divisions which exist politically within the Current and raise the possibility of further scissions in future. We do not regard this eventuality with glee, but rather as the inevitable outcome of subordinating important political issues to the search for regroupment at this stage of the class struggle. It is our view that a communist tendency or group must be clear on all those issues which relate to decisive intervention in the class during the revolutionary period.

In the light of these preliminary remarks, we must examine our own relationship to the International Current. We hope that what we say is taken seriously and not attributed to psychological localism or small group patriotism.

For us to attempt to join the Current in its present condition and to compound its divergencies by bringing in our own views would only be a disservice to both the Current and RP and lead to confusion and demoralisation. To clarify these remarks, let us turn to our three main areas of disagreement; the State in the period of transition, the evaluation of the Bolsheviks and the economic foundations of decadence. Previously we have regarded these as three separate issues, now, though not seeing them as a single issue, we see relationships between them that tend to emphasise our
differences. To take them singly:

(a) **Economics**

This issue has been debated between us for over a year now and is no nearer a resolution. We do not wish to take up the polemic again here, or to raise the divergence to the level of a class difference. But our differing views of the tempo of the crisis and the potential of movements of the class at the moment obviously stem from our economic analyses. Already two joint interventions have been thwarted (or at least thwarted in part) by these differences, i.e. the Portugal leaflet and the leaflet on the Clydeside strikes. In the long run such divergencies could paralyse the interventions of a tendency.

But no organisation can be monolithic, and though we do not feel that this question is 'secondary', we would in all likelihood have asked to be accepted within the tendency if it had been the only substantial issue dividing us.

(b) **The State in the Transition Period**

We feel that your conception of the need for a state outside the workers' councils gains sustenance from your view of the economic crisis coupled with an anachronistic approach to the lessons of the Russian Revolution. The latter leads to a conception of the future world revolution as basically that of Russia 1917 writ large - with all the implications of the proletariat depending on the peasantry for food production. Your view of the crisis as developing slowly and giving birth to isolated proletarian bastions which then need to mediate with their own petty bourgeois and negotiate with the world market until more bastions are created supports the notion of a state outside the workers' councils. Again, we do not wish to polemicise here, but merely to repeat that, because our conceptions of the revolutionary process differ, for us it is a class line to advocate any state outside the workers' councils, or to advocate anything but the withdrawal of proletarian bastions from the world market.

Thus, there is no possibility of us regrouping with the Current until this idea is abandoned; nor can we accept that it remains an 'open' question. In the revolution it will be one of the most vital and an organisation with differences of this nature will HAVE TO SPLIT. It betrays an anachronistic orientation to advocate regroupment today knowing that this issue will lead to splits in exactly the period for which all our activities are subordinated; the revolutionary one. It is confusionist to advocate that we work together today to secure an intervention on a number of points, while others are relegated to 'open questions'. Only if the minority whose positions are similar to ours convinced the majority could we begin to talk about regroupment with the Current. If they failed then we'd have no option than to try to split them off from an organisation that had definitively crossed a class line. Hopefully it will never come to this and the Current will draw back from the direction in which it is moving on these issues.

(c) **The Bolsheviks**

This question is also 'closed' for RP. Just as we could not fuse with any organisation that saw the Bolsheviks as existing within the bourgeois camp from 1914-21 (despite all their many failings), so we could not fuse with anyone who saw them and the counter-revolutionary Comintern as existing in the workers' camp after 1921; nor with anyone who regarded this as an open question. It must be clearly stated programmatically that these organisations were counter-revolutionary by 1921, and that any misguided elements who remained in them subsequently could only be revolutionary despite this (as with social democracy after 1914), and finally by breaking with them, and that this in no way osmotically imparts a degenerated proletarian status to the Bolsheviks or
Yet you have elements within your Current who defend the Trotskyist Left Opposition founded in 1923 as a proletarian current, and who place the demise of the Comintern in 1923, 1924, or even 1927/2.

For us Kronstadt, the March Action, Frontism and NEP constitute the definitive demise of the IIIrd International and any discussion that goes beyond is a discussion with the counter-revolution, not between communist groups.

Of course, your defence of the Bolsheviks past this date ties up with the views on the transition period, that trade etc. are not definitive crossings of class lines, and neither apparently, is the massacre of the proletariat.

Thus, there is no possibility of regroupment between us until the International Current clarifies, or rather, alters its evaluation of the Bolsheviks and its views on the period of transition. Our willingness to continue to discuss is based on the recognition that your errors are subjective and do not represent an alien class viewpoint; but should you fail to clarify these views, we'd have no alternative but to attack you as a confusionist element. We'd expect you to react likewise, given the obvious importance you attribute to our 'deviations' on these three issues; an importance that is difficult to square with your insistence that these issues are not barriers to regroupment.

Till your political evolution clarifies the points (b) and (c) above, we are willing to keep the option of joint work open with the Current and specifically with World Revolution. With regard to this we propose:

(i) That we continue to invite each other to sign and distribute each other's leaflets.
(ii) That we distribute reciprocally each other's published material and refer to each other as fraternal groups till the issues are resolved.
(iii) That a meeting between RP/WR be held sometime (possibly on a delegate basis.

These, of course, are only stop-gap measures, providing a framework for relations till the political differences are clarified. Then, either regroupment or separation must follow.

Fraternally,

REVOLUTIONARY PERSPECTIVES (February, 1975)

TEXT FOR THE MEETING OF CWO AND PIC: LIVERPOOL, OCTOBER 1975

On the Implications of Luxemburgism

We don't want to make this text a renewed critique of the erroneous and fundamentally non-Marxist theories of Rosa Luxemburg in the workers' movement; this task has been achieved by Pannekoek, Bukharin and Mattick in such a way as to leave the issue in no doubt. Additionally, there is the extended polemic between the ex-RP and the ICC on the question of 'markets v. profits', where the bankruptcy of the Luxemburgist schema was demonstrated. What we want to do in this contribution, is to outline in a brief way (elaboration will follow at the meeting) the political consequences of holding to the markets theory, to which the PIC adheres.

State Capitalism

As was shown in the text in RP 1, "Theories of State Capitalism", it is impossible to support the theory that Russia, China, etc. are state capitalist on the basis of Luxemburgism. According to the work of Luxembourg on which the PIC bases itself, the Accumulation of Capital, that
portion of surplus value which is to be capitalised must be exported, i.e. exports must equal investments. There is not, and never was, any correlation between these factors for any state capitalist country, or for the state capitalist 'bloc' as a whole. The implication can only be that these countries are not capitalist, or that Luxemburg is wrong. It is no accident that the ICC has produced nothing on the crisis of state capitalism, and that the PIC's contribution in Jeune Tauce limited itself to an impressionistic, journalistic lists of facts' with no analysis. There was no analysis because Luxemburgism is incapable of providing one.

Imperialism and National Liberation

If every country must export its capitalisable surplus value, then each is equally 'imperialist', and to talk of dominant and dominated capitals can only have a military meaning, and not be related to the respective organic compositions and value structures of the different capitals. Indeed, for the PIC, this is the case, and once a big imperialism has been defeated by a small one, the latter can then become a 'powerful imperialism' like China, which the PIC assures us is not to be regarded as an exception. Indeed, it is no exception, being a classic example of how even the most favoured backward countries cannot develop into anything but appendages of the large imperialisms. The materialist explanation of imperialism and the impossibility of national development was outlined by the ex-RP in RP 2, "Economic Foundations of Capitalist Decadence", and rather than repeat how the falling rate of profit and the equalisation of the rate of profit are the only bases on which we can understand the movement of capital, we will assume that the PIC are familiar with the views expressed there. The views of the PIC on the national question totally undermine the class frontiers on the national question, as was pointed out in letters from RP and WV.

Thus value theory (and the rejection of Luxemburgist vulgarisation) is the only basis for communist positions on state capitalism and the national question.

Waste Production and Accumulation

According to Marx, productive labour, that labour which produces value for capital as a whole, is labour whose product is incorporated in a new cycle of production, either as means of production, or as means of consumption of the working class; thus the production of luxuries for the capitalists' consumption, and of waste production, is not productive labour, and though these tend to keep up employment, they create no new value, and are in fact a drain on the already-existing 'pool' of surplus value. A large part of Marx's work was given over to explaining this, specifically the Theories of Surplus Value which was to be Capital Volume 4. Marx talks of those who identify productive labour with the production of physical objects as follows:

"Only bourgeois thick-headedness, which regards the capitalist forms as absolute forms, hence as natural, eternal forms of production, can confuse the question of what is productive labour from the standpoint of capital with the question of what is productive labour in general, and consequently fancy itself very wise in giving the answer that all labour which produces anything at all, which has any kind of result is ipso facto, productive labour." (Theories of Surplus Value ed. Burns, 1951 page 178)

All sorts of bourgeois thick heads like Keynes, Cardan and Kidron have 'discovered' that capitalism can solve all its problems by waste production, only to be confounded by the recurrence of crises. Unfortunately their method was the same as that of Rosa Luxemburg, who made the 'discovery' in her Accumulation of Capital, that arms production is a province of accumulation, that is, that it is productive for capital as a whole, and the PIC, preferring the testimony of such august thinkers as Rosa, Cardan and Keynes
to the views of Marx, agrees. Of course, this step once made, the question of why capitalism can't go on for ever accumulating through waste production is posed, but since a value theory is lacking, never answered. Decadence here becomes a moral question, seeing capitalism as expanding only by producing waste, and not a materialist analysis based on value theory, which sees the expansion of capital as turning inevitably into its opposite due to the rising organic composition of capital.

The PIC theory of arms as productive opens the way to a whole, presumably unending period of reformist activity; or will the class be so appalled by the basis of capitalist expansion, that it will refuse to indulge in reformist activity, such as trades unions?

**Intervention and Organisation**

On the practical level, Luxemburgism leads to the voluntarism and confusionism which have been so marked a feature of the work of the PIC.

With a value theory, the crisis can be seen as a process which allows us to understand the development of the class struggle within the crisis; with Luxemburg, markets are either saturated or they are not. If they are saturated, then the objective necessities of revolution are here, and it must only be the 'mystification' of capitalism that holds the working class back. (Similarly, though rather incompatibly, it is only the combativity of the class which holds the capitalists back from war.) This analysis leads the PIC to frenetic attempts at demystification (mainly denouncing the leftists and prophesying war to the class) whose erratic and superficial nature can only lead to demoralisation. Similarly, in an effort to gain influence and have more impact, the PIC indulges in liquidationism, dissolving itself into confusionist fronts of leftists, and attempting to set up factory branches independent of the PIC to influence the class. We have exchanged many letters with the PIC on these issues, and will not develop them further here, but reserve fuller comment for the meeting.

The PIC and the groups which came together to form the CWORP and WV), have been in contact now for about 15 months; in that time the PIC has never tried to involve any of us in an international intervention, nor has it developed a practice in the class, despite its emphasis on intervention. This would be a serious enough point for RP, were it not also accompanied by a failure of the PIC to sign two leaflets we have produced for international intervention. The first was on the crisis and the lay-offs, the second on the war in Vietnam. We think that in large measure this failure to develop a common practice can be traced to the consequences of your Luxemburgist analysis. To sum up, this leads to:

1) A position that Russia etc. is not capitalist, and hence 'critical' defence of state capitalism.

2) A position that small capitals are independent and can develop economically; hence again, a critical support for them.

3) A position that capitalism can expand for ever on the basis of waste production and a moral concept of decadence; hence the possibility of reformist activities.

4) Confusionism and voluntarism in your practical work.

Only those Luxemburgists with their heads in the sand can claim to be able to erect communist positions on her theories (or dishonest eclectics a la ICC, whose economics are a mish mash of incompatible elements). Thus, the CWO insists as a precondition to any further attempts at joint work, and for any kind of organisational moving together in the future, the PIC must seriously re-examine, and abandon its adherence to the economic theories of Luxemburg.

CWO - September, 1975