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WINTER 2010 / 2011

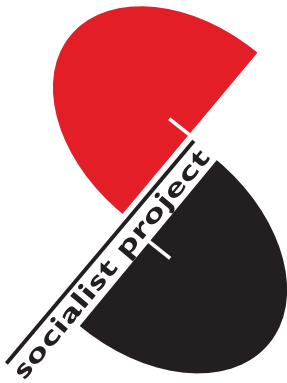
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# RELAY

A SOCIALIST PROJECT REVIEW





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*Printed by:*

Open Door Press

Winnipeg

ISSN:

1923-7812 (Print)

1923-7820 (Online)



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Relay, A Socialist Project Review, intends to act as a forum for conveying and debating current issues of importance to the Left in Ontario, Canada and from around the world. Contributions to the re-laying of the foundations for a viable socialist politics are welcomed by the editorial committee.

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# Israeli Apartheid: A Socialist View

Abbie Bakan

John Greyson – filmmaker, writer, queer activist and professor at York University in Toronto – recently produced *Vuvuzela*. This short video, available on YouTube, cleverly portrays the growing participation of musicians in the cultural boycott of Israel as a contest of soccer teams on the world stage. Simply producing and distributing this video was a radical political act, as it presents Israel as a state subject to the same type of international pressure that challenged apartheid South Africa.

The efforts to repress and discredit the idea that Israel is a state fitting the descriptor of ‘apartheid’ has been coordinated and relentless, and it shows no sign of abetting. On February 16, a new re-groupment of Zionist academics and professionals convened at the Hyatt Regency Hotel in Toronto. Dubbing themselves Advocates for Civil Liberties (ACL), their founding conference was titled “When Middle East Politics Invade Campus.” It featured speakers who deemed claims that Israel was an apartheid state as symptomatic of “a jihad in the classroom” (Sidman, 2011).

On the left, it is important to recognize that these claims are consistent with the Canadian state’s interests in attempting to dislodge the application of the term ‘apartheid’ to the Israeli context. We need to build a united movement that insists on freedom of expression. Certainly, the winds of political change in the region are opening the doors to democratic transformation. As Ali Abunimah recently stated:

Arab people everywhere now imagine themselves as Tunisians or Egyptians. And every Arab ruler imagines himself as Ben Ali or Mubarak..... Whatever happens next, the Egyptian revolution will also have a profound effect on the regional balance of power. Undoubtedly the United States, Israel and their allies are already weaker as a result (Abunimah, 2011).

But without making it a condition or narrowing the potential of a movement for freedom of expression, we also need to ensure that there is a voice that does more than this. The term apartheid has been controversial in Canadian politics because it simultaneously clears the distortions of Zionist mythology and presents a new legitimacy to serious critical analysis of Israel. It serves to shed light on realities in the Middle East, and exposes the links between Israel and the imperialist agendas of western states including Canada.

What follows is an explanation of the context of the repression and some considerations of a socialist analysis of

recent debates regarding Israeli apartheid. The latter includes the issue of freedom of speech, what I term ‘really existing Zionism,’ and the significance of the boycott, divestment and sanctions (BDS) campaign in a wider movement against imperialism internationally.

## The Ruling Class and the Repression

The campaign to challenge the legitimacy of the use of the term ‘apartheid’ to describe the state of Israel has been well documented, arising in a context of efforts to silence those who challenge Canada’s complicity in Israel’s policies. As Rafeef Ziadah notes:

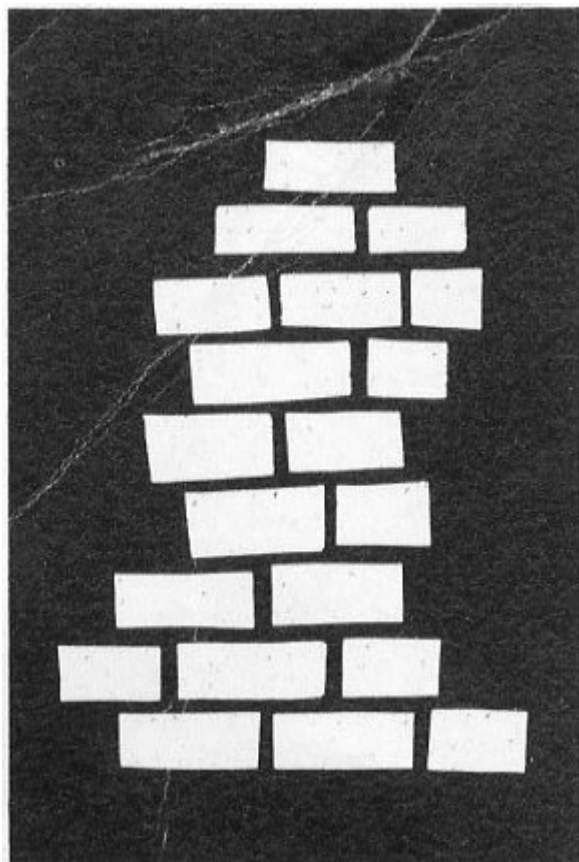
Enormous resources have been marshaled by conservative and Zionist organizations in an attempt to silence criticism of the Canadian government’s unwavering support for Israel...Such examples include: 1) cutting funding to the Canadian Arab Federation (CAF) due to the organization’s outspoken criticism of the government during the war in Gaza; (2) banning posters for the annual Israeli Apartheid Week (IAW) in several Ontario university campuses; and (3) a smear campaign against the Ontario branch of the Canadian Union of Public Employees (CUPE) for daring to discuss the issue of an academic boycott of Israel. This is not an exhaustive list (Ziadah, 2009).

Israeli Apartheid Week (IAW) specifically attracted the attention of the Tories’ Citizen and Immigration Minister Jason Kenney (CIC, 2009) and Liberal Party Leader Michael Ignatieff (*National Post*, 2009). The Canadian state is indicating that it is dead serious about trying to silence criticism of Israel and its racist and colonial treatment of Palestinians. As Mary-Jo Nadeau and Alan Sears summarize, 2009 marked a turning point:

In June, the Canadian Parliamentary Coalition to Combat Antisemitism (CPCCA) was formed with the explicit focus on reframing antisemitism in terms of criticism of the State of Israel. The launch of the CPCCA followed the February meetings of the Interparliamentary Committee for Combating Antisemitism in London, UK. Also in June, the organizers of the conference ‘Israel/Palestine: Mapping Models of Statehood and Paths to Peace’ held at York University was subjected to enormous pressures, culminating ultimately in an extraordinary

after-the-fact review of the event launched by the York University administration. The Canadian Association of University Teachers has also initiated an inquiry considering the academic freedom dimensions of the situation. On 31 August, the Presidential Task Force on Student Life, Learning and Community at York University submitted its report. The task force was initiated specifically in response to complaints arising around IAW (Nadeau and Sears, 2010: 8).

Canada is leading an international movement of states to challenge criticisms of Israel. But Canada has also distinguished itself in the degree of repression among liberal democratic western states, carrying out “the politically suspect and professionally unjustifiable defunding of organizations that advocate Palestinian rights and organize humanitarian efforts on behalf of Palestinians” exemplified in the Canadian International Development Agency (CIDA) funding cuts to KAIROS, a faith-based human rights agency (BNC Secretariat, 2010). In November, 2010, Ottawa hosted the second meeting of the International Parliamentary Committee for Combating Antisemitism, (see Keefer, 2010; PFEX, 2010). Canada also led the withdrawal of states from the World Conference Against Racism (WCAR) review conference in Geneva in 2009, and supported the walkout of the U.S. and Israel from the predecessor 2001 conference in Durban. The withdrawal from the WCAR was on the grounds that these events were anti-Semitic. They were not. But they did raise, minimally, Israel’s treatment of the Palestinian population.



## Free Speech...And more...

Also over this period, any group or individual associated with Palestine solidarity, and particularly with the BDS campaign which identifies Israel as an apartheid state, has been targeted. George Galloway, the UK anti-war former MP and activist, was banned from speaking in Canada on grounds of his relationship to Hamas, the elected representative of the people of Gaza (which a Federal Court judge determined to be motivated by political suppression rather than concerns about security) (“George Galloway,” [globeandmail.com](http://globeandmail.com), 2010).

This is the context in which the Toronto Pride 2010 organizers felt reassured in banning the use of the term ‘apartheid’; the group Queers Against Israeli Apartheid (QUAIA) was banned from participation in the annual march under their name. A wave of resistance from the LGBTQ community and allies succeeded in reversing the ban, though the threat continues for future Pride events (see [queersagainstapartheid.org](http://queersagainstapartheid.org)).

But if the term ‘apartheid’ was treated with exceptional censorship, the leader of the apartheid state was warmly welcomed. Israeli Prime Minister Benjamin Netanyahu came to Ottawa in May, 2010, with his visit only interrupted by the Israeli Defense Force (IDF) assault on the flotilla of solidarity activists determined to break the siege of Gaza.

Clearly, what is needed is a movement to ensure freedom of speech (see [freexpresionpalestine.com](http://freexpresionpalestine.com)). And on this point, socialists are not equivocal. But there are specific arguments that need to be addressed directly that go beyond the issue of free speech. The claim that to identify the state of Israel as an apartheid state is anti-Semitic needs to be challenged. Anti-semitism is a form of racism that targets ‘Jews’ – an ambiguous category racialized to collectively ascribe common traits to those of Jewish faith, identity or culture. Israel, while a capitalist state in terms of its political economy, is ideologically a “Jewish state,” but this is also a constructed claim. Unique in the world system, Israel claims to represent the interest of ‘Jews’ in the region and in the global diaspora.

To assume that the motivation of the backlash against the use of the term Israeli apartheid has anything to do with defending Jewish people against anti-Semitism simply makes no sense. Canada’s record of real anti-Semitism, as in anti-Jewish racism, is well known. Not least it is marked by the refusal to allow entry of German Jews fleeing for their lives during World War Two (Abella and Troper, 1983). More recently, the Harper government can hardly lay claim to anti-racist policy credentials (Razack, 2008). Nor should we presume Michael Ignatieff and the Liberal Party in Canada are motivated by concerns to reverse racism. This is the same party that advocated deadly sanctions against Iraq, brought us to the brink of war against this same country, and sent Canadian military troops to war on Afghanistan. The Liberals also implemented a series of racist immigration laws that continue to regulate the borders of Canada. And both of these parties have shameful records regarding indigenous rights.

The NDP also has a shameful record on this issue. The Ontario legislature added its voice to the wave of repression, adopting a position condemning the term ‘apartheid’ as applied to Israel in February of 2010, notably in advance of the annual Israeli Apartheid Week in March. The private member’s bill needed unanimous support to pass, and most of the MPPs stayed away. But the vote was endorsed forcefully by the NDP’s Cheri Di Novo, who spoke and voted in favour of the bill, ensuring the claim to ‘unanimity.’

The NDP is a social democratic party, with strong material and historical links to the trade union movement. It is therefore subject to different pressures than the other parties. In an apparently contradictory step, Ontario NDP leader Andrea Horwath expressed her dismay at the vote (Benzie, 2010), though no disciplinary action followed against Di Novo. At the federal level, the NDP is also the home of Libby Davies, who has bravely come out in defense of the BDS campaign and has herself become the subject of the backlash. In June of 2010, Davies came very near to losing her position as Federal NDP Deputy Leader after a public campaign, including the voice of Stephen Harper, pushed Jack Layton to the brink precisely around Davies’ position on Israel/Palestine. Only after a public apology for “mistakenly” stating that Israel occupied Palestine in 1948 (which is in fact true) did Layton decide to “accept her apology” (Taber, 2010).

The repression of freedom of expression regarding Palestine generally, and the term ‘apartheid’ as applied to Israel specifically, clearly needs to be challenged. However, an explanation that rests at the level of free speech cannot explain the extent of the backlash. The object of repression is not just a word, but the movement that names and challenges the reality of Israel’s apartheid policies and practices. What is in fact threatening to the interests of the Canadian elite and its Israeli state allies is the effectiveness of the anti-apartheid movement. This movement exposes the close economic and political links between Canadian imperialism and the state of Israel, and suggests a common cause in challenging these links between Palestinians and progressive forces in Canada and internationally.

## Really-existing Zionism

To understand the links between western imperialism and the Israeli state, Zionism needs to be understood as a secular political ideology. Distinct from Judaism as a theology or religion, or Jewish cultural identity, Zionism is a particular political strategy which insists on an ethnically-defined ‘Jewish’ state as the only remedy for global anti-Semitism. In the present period, really existing Zionism means defense of the state of Israel and a legitimization of its colonial settler policies in the name of support of the ‘Jewish’ people in the face of anti-Jewish racism.

Challenging Zionism, despite the claims of early labour Zionists to the contrary, is not only consistent with a Marxist analysis, but central to a Marxist anti-imperialist framework. Marxists were among the early analysts of Israel as a colonial settler state, a framework consistent with the apartheid analysis.

For example, Maxime Rodinson’s, *Israel: A Colonial Settler State* (1973), is a classic text. Tony Cliff, the late British Marxist, was also the Palestinian Jewish son of Russian Zionists; his partner, Chanie Rosenberg, a longstanding British socialist and labour activist, is a South African Jew, now living in Britain. Together they identified Israel’s similarities with apartheid South Africa when they were a young couple living in mandate Palestine. Cliff wrote in his autobiography:

I remember the following incident. It was when Chanie was quite new to the country [Mandate Palestine, circa 1945] and she joined me to live just next to the Jewish market in Tel Aviv. One day she saw a young Jewish man walking among the women selling vegetables and eggs, and from time to time he smashed the eggs with his boot or poured paraffin on the vegetables. She asked, ‘What is he doing?’ I explained that he was checking whether the women were Jewish or Arab. If the former, it was alright; if the latter, he used force. Chanie reacted, ‘That’s just like South Africa,’ from where she had just come. I replied, ‘It’s worse. In South Africa the blacks are at least employed’ (Cliff, 2000: 9).

This analysis was a minority left critique for many years, marginalized in the hegemonic rise of Zionism in the post-WWII era. However, in the post 9/11 period, particularly since the 2006 Israeli war on Lebanon, the lies and distortions associated with the Zionist narrative have started to come unstuck. The BDS movement has given substance and momentum to an analytic that exposes the ideological justifications for imperialism in the Middle East.

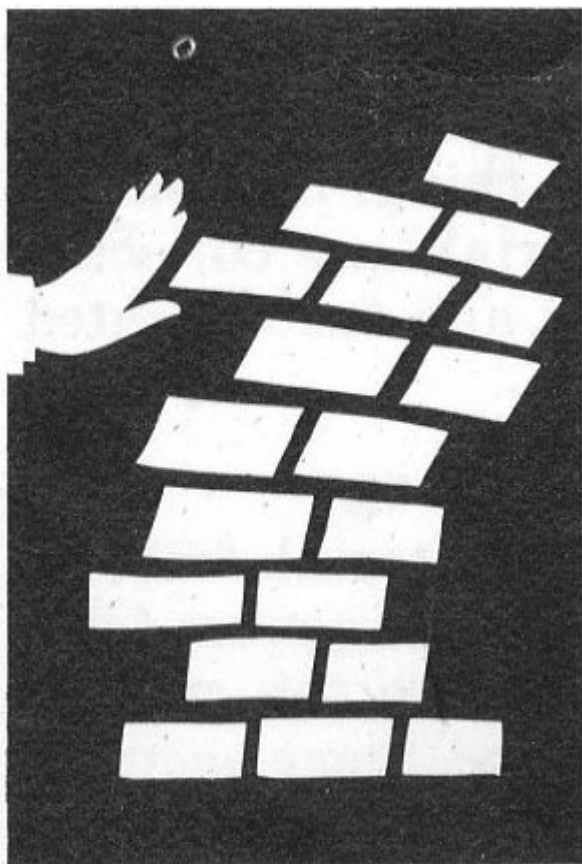
During the 2006 war on Lebanon, the U.S., Canada and the UK overtly identified their common interests with Israel in suppressing resistance to the western military expansion in the region, marked most clearly by the war on Iraq. Israel’s linkages with the west, now demand open ideological defense, pushing Zionist forces to ally more openly with the most conservative elements in any given state and internationally. Israel’s license to protect its interests without regard for international law and without fear of international consequences is now the subject of global political debate on a much wider scale.

The costs associated with an exposure of the apartheid character of Israel are high. Israel receives the highest proportion of U.S. economic and military aid of any state in the world. Canada is an expanding imperialist power, has a free trade agreement with Israel, and plans to extend greater ties in the region. On October 10, 2010, the Harper government announced ambitious plans to pursue ‘exploratory talks’ to expand the trade partnership. The federal Tories have declared that “Israel is a key economic partner for Canada” (DFAIT, 2010). Two-way merchandise trade reached \$1.3-billion last year, and Israel is now Canada’s sixth largest export market in the Middle East. According to Minister of International Trade, Peter Van Loan:

Canada and Israel can be even more effective partners in the areas of technology collaboration, research and development, and innovation commercialization. We hope to see increased collaboration that will bring significant benefits to both our countries, including future economic growth, improved health and environmental sustainability (DFAIT, 2010).

The government of Ontario's policy of opposing the word 'apartheid' was not only strategic in challenging university students' and faculty's right to hold educational conferences. It was also useful for Premier McGuinty's trip to Israel in May of 2010, where he was accompanied by university presidents of Queen's and York. McGuinty was the first Ontario premier to visit Israel since 1998, when Tory Mike Harris led a similar mission to assist Ontario corporations in making trade links to Israel's booming apartheid economy.

In other words, for Israel and its allies, apartheid is good for business. As Naomi Klein exposed in *The Shock Doctrine* (2008), the post 9/11 global increase in racial profiling of the Arabic and Muslim populations has been a boost to manufacture and export for Israeli industry. Israel's economic boom is tightly linked to the military and security sectors, where testing is done on the local Palestinian population prior to seeking international export markets.



Security systems are a major growth area for Israeli capitalism, refined in erecting barriers, surveillance techniques, and systems of regulation and control designed to limit and monitor Palestinian access to Israeli occupied land, roads, schools, hospitals and services. A detailed study by Israeli scholar Neve Gordon explains the pattern:

There is no dispute that many of Israel's homegrown technological skills were honed inside secret military labs and that military research has given Israel a clear lead in vital aspects of telecommunications and software technology (Gordon, 2009).

However, the particular appeal of Israel's market goes further. Israel's export strategy is largely based on the claim that domestic 'experience,' particularly in issues related to homeland security, render the country's technological sector particularly advanced. The Canadian state is playing its part in Israel's attempt to 're-brand' its image. As Gordon puts the case:

...[T]he Israeli experience in fighting terror is attractive not only because Israelis manage to kill 'terrorists' (the militaristic worldview), but also because killing terrorists is not necessarily adverse to neoliberal economic objectives, and actually advances them....This attraction stems from the sense (real or perceived) that fighting terrorism through methods of homeland security, that include suspending due process in many areas of the criminal justice system, including torture, the right to a speedy trial, the freedom from arbitrary police searches, and the prohibition against indefinite incarceration and incognito detentions (to mention a few methods) does not conflict with democratic values (Gordon, 2009).

Israel has made a priority of military production and related research and development, building on the 'special' defence relations with the U.S. and privileged access to American arms.

## The BDS Movement Against Israeli Apartheid

The resistance of the Palestinian population to Israeli occupation since 1948 has been central to resistance in the Middle East to western imperialism. The reinvigoration of the movement since the second Intifada in 2000 has also inspired anti-imperialist resistance throughout the region, significantly in neighbouring Egypt.

It is the more recent boycott, divestment and sanctions movement against Israel that has posed a particularly sharp threat to the ideological sustainability of really existing Zionism (see Bakan and Abu-Laban, 2009). The BDS movement originated with a unified call of 170 civil society (or non-state) organizations within Palestine. This is an important accomplishment given the divisions that followed from the failed Oslo peace negotiations, where the Palestine Liberation organization (PLO), once itself a unifying force, served as a repressive force to advance a two-



state outcome consistent with many features of an apartheid model, and thus opposed by many Palestinian political groups.

The anti-apartheid movement from Palestine took inspiration from the anti-apartheid movement against South Africa's pre-1994 system. Notably, South African anti-apartheid leaders, including Nelson Mandela and Bishop Desmond Tutu, have been at the forefront of international discussions about the applicability of the term. A similar role has been adopted by advocates of the role of the United Nations (UN) as an arena to challenge apartheid conditions, including several UN rapporteurs and General Assembly representatives. The International Court of Justice (ICJ) ruling against the 'Security Fence' ('Apartheid Wall') in 2004, and Israel's refusal to adhere to international law, acted as a focal point for discussions that, one year later, led to the unified BDS call from Palestine.

The movement is framed around three demands, all notably consistent with international law: (1) ending Israel's occupation and colonization of all Arab lands and dismantling the 'Apartheid Wall'; (2) recognizing the fundamental rights of the Arab-Palestinian citizens of Israel to full equality; and (3) respecting, protecting and promoting the rights of Palestinian refugees to return to their homes and properties as stipulated in UN resolution 194 (bdsmovement.com).

The BDS movement is effective and continues to grow for a number of reasons. It is grounded in not only economic, but also and equally importantly, educational goals. It is designed to be flexible, to adapt to demands in particular local contexts. In Canada, the BDS movement has been attractive to students who have advanced divestment campaigns (see SAIA Carleton Divestment Campaign), to faith communities (United Church Toronto conference), and to unions (CUPW, CUPE, Quebec teachers). It has appealed to social movements (Independent Jewish Voices, Not In Our Name: Jewish Voices Opposing Zionism, Quebec Women's Federation), and communities that support consumer boycott campaigns (Chapters/Indigo, MEC; see Coalition Against Israeli Apartheid, caiaweb.org). The new progressive political party, Québec Solidaire, has supported the BDS call. The movement also calls for sanctions such as those implemented by Venezuela and Bolivia, and promotes demands against the Canadian state such as ending the siege of Gaza, abrogating the Canada-Israel Free Trade Agreement, and opposition to trade missions like McGuinty's recent visit.

Internationally, the Palestine solidarity movement has mushroomed since 2005. Specific moments of resistance continue to attract new layers of support. For example, following the May 31, 2010 Israeli commando attack on the Gaza Freedom Flotilla, an appeal from Palestinian civil society to redouble global efforts to isolate Israel resonated with workers who organized actions in Sweden, South Africa, Turkey and the U.S. (Young, 2010).

But the core of the success of the BDS movement is that it expresses the voice of a national liberation struggle against a

colonial occupying force. Palestinian resistance against Israeli attacks has been a central element in building the confidence and capacity of the global movement against imperialism that started with the war on Iraq and continued against the war on Afghanistan. Like the movement of Vietnam against U.S. imperialism in the 1970s, whose central focal point was the Vietnamese resistance expressed most clearly in the National Liberation Front (NLF), the movement for Palestinian liberation has inspired a new generation of anti-imperialist activists. The resonance from the global south among civil society activists in the global north is reflective of the shift of the Palestinian struggle to the centre of international politics generally, and specifically to the centre of the international left. It is not an exaggeration to refer to Palestine as the "emblematic solidarity movement of our time" (Bhattacharyya, 2008: 46).

The BDS movement roots its analysis of the Israeli state not in terms of its ascribed "Jewish" character, but in its political character as an apartheid state. The apartheid analysis offers an educational element about the nature of Israel, but also of global imperialism. This framework challenges the post-WWII, and especially the post-1967, hegemony of Zionism as part of western ruling class ideological armory. Advancing a counter-hegemonic force that names Israel as an apartheid state is significant, therefore, as part of positioning a new left that can negotiate the complex terrain of 21<sup>st</sup> century imperialism.

The association of Israel with apartheid, and the legacy that the term provokes with the movement against apartheid South Africa, shifts the terms of discussion. It focuses on the Israeli state as criminal and overtly racist, acting in violation of international law.

Virginia Tilley summarizes the specific way in which Israeli law marks legal separation, which is the meaning of the Afrikaans term 'apartheid':

The special standing of Jewish identity under Israeli law is not well understood by most but is fundamental to the Israeli-Palestinian conflict ... A cluster of laws defines Israel as a 'Jewish state' and establishes Israel's two-tiered system of citizenship, which privileges 'Jewish' nationality. The Law of Return (1950) grants any Jew the right to immigrate to Israel .... The Citizenship Law (1952) ... grants anyone arriving in Israel under the Law of Return (i.e., Jews) Israeli citizenship without further procedures, immediately upon entering the country. The Population Registry Law (1965) then provides such citizens as having 'Jewish nationality' (not 'Israeli nationality,' which is prohibited under Israeli law). The World Zionist Organization-Jewish Agency (Status) Law (1952) authorizes the Jewish Agency and its various arms to administer most of the state's land and properties and a plethora of other resources in the interests of that Jewish nationality. The Jewish Agency's administrative authority reaches far through Israeli society, including '[t]he organization of immigration abroad and the transfer of immigrants and



their property to Israel; youth immigration; agricultural settlement in Israel...[and] the development of private capital investments in Israel...'

Uri Davis (2003) explains the meaning of apartheid in international law:

... I refer to the term 'apartheid' in the narrow and technical sense of the word, namely, as a term designating a political programme predicated on discrimination in law on a racial basis; and I refer to 'racial discrimination' as defined in Article 1 (1) of the UN Convention on the Elimination of All Forms of Racial Discrimination of 1966. ... Classifying Israel as an apartheid state does not mean equating Israel with South Africa. ... But the relevant differences (for example, that one million Palestinian Arabs in Israel are citizens, though not equal citizens) in the first case do not imply that one (South Africa) is apartheid and the other (Israel) is not...

The apartheid analysis, then, changes the frame: it puts supporters of Israel on the defensive. Palestinians who resist and their supporters can move the argument for solidarity and change forward, rather than continually rebutting charges of 'terrorist' or 'anti-Semite.' Discussing Israel in terms of apartheid secularizes the discussion of Zionism, placing it as a political ideology, and challenging the claimed place of Zionism as the

voice of all Jews. This is why a socialist analysis cannot be limited to defending the right to express the words 'Israeli apartheid': it is also important to understand and advance its meaning. Accurate explanation of lived events can contribute to clarity in the movement, and build confidence to continue to challenge the often overwhelming impact of imperialism and war.

With the apartheid analysis, Israel is placed in the context of another state—apartheid South Africa, which was clearly neither Jewish nor democratic. Such a comparison compels a challenge to the Zionist claim of deep exceptionality in Jewish history. A new literature and new areas of scholarship are developing, which see 'apartheid' as a generic type of capitalist state that can exist in various forms including the South African type, but is not reducible to it (Bakan and Abu-Laban, 2010). Jim Crow laws in the southern U.S., Canada's system of reserves and history of pass laws regulating the lives and movement of indigenous people, and various forms of colonial settler states can be understood to take the apartheid form. Israel clearly fits the bill.

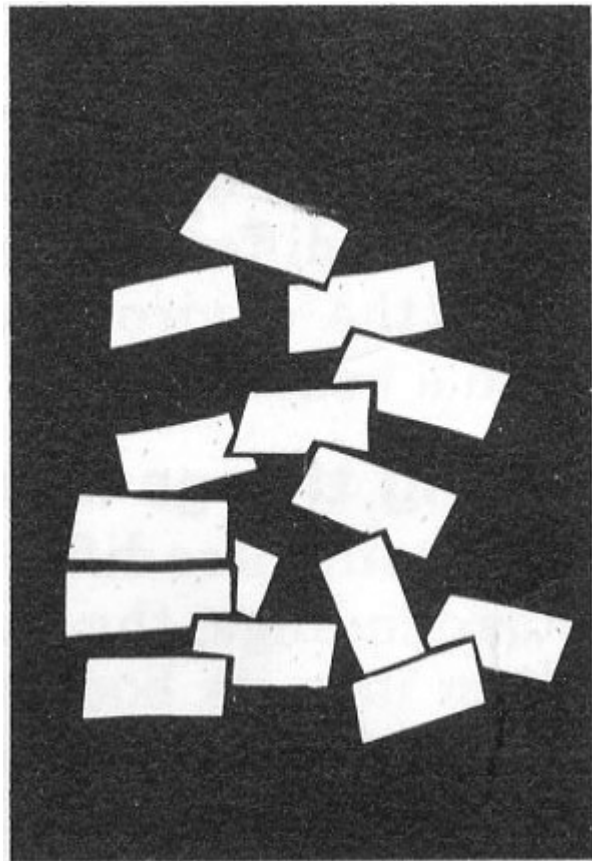
Notably, in these conditions, any talk of a two state solution, despite the beliefs of "liberal" thinkers that include, for example, U.S. President Barack Obama and former U.S. President Jimmy Carter (who also has used the term apartheid to describe Israel) will inevitably fail. The only road to peace in the Middle East will be a single, democratic secular state. The BDS movement, though not explicitly taking a position for a one or two state solution, in pointing to the example of a post-apartheid South Africa has opened the door to these discussions (Bakan and Abu-Laban, 2010).

## Learning from the Movement

The shape of the Canadian and international left has changed as the BDS movement has advanced, with those who stand clearly on side finding more confidence and broadening alliances. There is a considerable room for a healthy exchange with other movements, and with anti-capitalist and socialist ideas, in this context.

In continuing this process, it is important that socialists adopt a position of constructive exchange. However, there is grounds for some humility here, to allow those of us whose experiences are shaped in the global north to listen and learn from a movement led and organized from Palestine and among Palestinians, across a spectrum that includes those living in the borders of 1948 Israel, in the Occupied Palestinian Territories, and in the Palestinian diaspora. Indeed, the geographic dispersal of this movement is itself the product of apartheid. This is not simply a question of human rights or solidarity, but goes to the heart of challenging imperialism in the 21<sup>st</sup> century. As Adam Hanieh puts the case:

Palestinians are not victims but a people in struggle. This struggle goes beyond the borders of the West Bank and Gaza Strip: it is a central component of a broader regional fight. It is impossible to understand



events in any country of the Middle East today without situating the national context within the single, coherent and unified offensive that the U.S. and other imperialist states are waging against the peoples of the region (Hanieh, 2008: 8).

A fitting conclusion brings us back to John Greyson. He was one of the most high profile filmmakers to withdraw an earlier production – titled *Covered* – from the prestigious Toronto International Film Festival (TIFF) in September 2009, which featured a ‘City-to-City’ spotlight linkage with Tel Aviv.

In Greyson’s words, in a letter announcing his decision to withdraw:

In the Canadian Jewish News, Israeli Consul General Amir Gissin described how this Spotlight is the culmination of his year-long Brand Israel campaign, which includes bus/radio/TV ads, the ROM’s notorious Dead Sea Scrolls exhibit, and ‘a major Israeli presence at next year’s Toronto International Film Festival, with numerous Israeli, Hollywood and Canadian entertainment luminaries on hand.’ .... Your TIFF program book may describe Tel Aviv as a ‘vibrant young city... of beaches, cafes and cultural ferment... that celebrates its diversity,’ but it’s also been called ‘a kind of alter-Gaza, the smiling face of Israeli apartheid’ (Naomi Klein)... (Greyson cited in Rebick, August 29, 1999).

Greyson’s actions have served to inspire artists and BDS supporters internationally. And from such actions, the wider movement continues to grow.

The apartheid analysis is under attack because it is a powerful analytical tool in explaining the Israeli state today, and the linkages between western imperialism and the Middle East. It is accurate, and has proven demonstrably helpful in advancing a widespread movement against imperialism, both in Canada and globally.

Socialists who are part of this process have an important contribution to make, but also much to learn. An example of such an exchange is the role that the Coalition Against Israeli Apartheid (CAIA) has played in helping to advance areas of common practice and new conversations as part of the establishment of the Greater Toronto Workers’ Assembly (GTWA, [www.workersassembly.ca](http://www.workersassembly.ca)). Now past its one year anniversary, the GTWA has provided a critical space for activists and socialists across a broad spectrum of traditions and areas of work to unite in developing new constructive dialogues and practices. These include, but also generalize from, the anti-apartheid movement. **R**

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# Handbook Aids Defenders of Free Speech on Palestine

Suzanne Weiss

Michael Keefer has compiled a timely and effective handbook for all those resisting attacks on free speech regarding the Israeli government's crimes against Palestine.

His 268-page book, *Anti-Semitism Real and Imagined*, contains contributions from eleven committed campaigners in the fight for freedom of expression, as well as position papers from seven well-respected Canadian social organizations.

The book reports on an extra-parliamentary committee named the Canadian Parliamentary Committee to Combat Anti-Semitism (CPCCA), established in 2009 as a lobbying venture by 21 members of parliament hostile to criticisms of the Israeli government's policies toward the Palestinians. It was established and funded privately, with representation from all four parliamentary parties, although the Bloc Québécois has since withdrawn. But it is in no way non-partisan. Rather, it advances an agenda to which the Stephen Harper government is deeply committed.

## Evidence of Bias

One of the book's contributors, Bruce Katz of Palestinian and Jewish Unity, asks why there are no parliamentarians of Arab descent or of Muslim faith sitting on this commission. "The list of names of those members of Parliament," he states, "includes a good number of people who are associated with pro-Israel lobby and who have issued statements in the past which might lead one to believe that they harbour anti-Arab and anti-Muslim sentiments."

Keefer, a professor at the University of Guelph, Ontario, presents a well-documented, footnoted study, with ample

arguments and evidence to counter the CPCCA's effort "to curtail freedom of speech and academic freedom across Canada, and to stigmatize, even to criminalize, certain kinds of human rights discourse."

The CPCCA's founding premise, Keefer explains, is that anti-Semitism is "mutating into dangerous and unprecedented 'new anti-Semitism,'" consisting of excessive criticism of Israel's government. Jason Kenney, Harper's minister of citizenship and chief spokesman on Israel, has ominously termed such criticism "even more dangerous than the old European anti-Semitism" that fueled Hitler's Holocaust.

The CPCCA's function is to rally support for this policy, which could potentially shut down democratic debate and criminalize, under section 319 of the Canadian Criminal Code (public incitement of hatred) and section 13(1) of the Canadian Human Rights Act (hate messages), or else be "silenced by judicial warrants of seizure issued under section 320 of the Criminal Code [hate literature]," Keefer states. The CPCCA has concluded hearings; its report is now pending.

## Israel – a State with No Borders

Many contributions to *Anti-Semitism Real and Imagined* take up the CPCCA's contention that those who do not "recognize" Israel's existence are implicitly denying Jews' right to a "state of their own," which the Coalition claims is an inherently anti-Semitic viewpoint.

This view is a "conflation of ethnic/religious racism with opposition to a state," explains Toronto-based activist Karin Brothers. "Since the state of Israel has never defined its boundaries, what exactly is to be 'recognized'? What do the rights



of Palestinians amount to if they ‘recognize’ a state which then defines its borders as encompassing territory internationally recognized as Palestinian?”

Lynda Lemberg, co-founder of Educators for Peace and Justice, adds that “the equation of criticism of Israel with anti-Semitism provides a facade for Israel’s allies [such as Canada] who are simply interested in securing their political, military and economic interests in a Middle Eastern nation that is their chief broker in that region.”

In addition, Lemberg states, “allegations of the ‘new anti-Semitism’ distract us from addressing the humanitarian catastrophe in the occupied territories as well as the increasing discrimination to which Palestinians living inside Israel are subjected.”

The complaints about a “new anti-Semitism” thus serve as a smokescreen to defend Zionism, the ideology of building an exclusively Jewish state on Palestinian land. As Jason Kunin comments, it is no surprise “that for Zionists, the key to shoring up Israel’s image – tarnished in recent years by its murderous bombing of civilians in Lebanon and Gaza – is to prevent people from learning too much.” Kunin is a member of Educators for Peace and Justice and of Independent Jewish Voices.

For Bruce Katz, the CPCCA’s approach “is subversive of the very essence of Judaism.” The Israeli state “cannot itself be Judaism, and no amount of sophistry will make it so. The worship of the State as a religious object is quite simply idolatry.”

I would add that far from identifying with the Netanyahu government, with its agenda of ongoing settlement-building on Palestinian land, we as Jews are logically drawn to sympathy with the victimized Palestinians, oppressed and despised, with no land to call their own, as was the case with our Jewish forbears less than a century ago in much of Europe. Jews feel the Palestinians’ pain with greater urgency because the crimes against them are done in our name.

These testimonies are buttressed by Keefer’s documentation that contrary to CPCCA’s pronouncements, acts of anti-Semitism have not been on the rise either in Canada, nor is there strong evidence that they have been on the rise world-wide. Joanne Naiman, a Vancouver-based member of Jews for a Just Peace, explains, “Certainly most Jews in Canada can tell you of vile slurs, stereotypes, or biased comments that they have received or heard. “But the “data indicate that the Jewish population of Canada is, overall, socio-economically advantaged, and that the number of hate crimes against Jews has been dropping.” She asks of the CPCCA, “What then, is the ‘problem of anti-Semitism’ that your committee is asking governments to address?”

## Racism Against Muslim Canadians

An outstanding submission by the Canadian Arab Federation stands in stark contrast to exaggerated fears of anti-Jewish prejudice. Noting that Arabs are historically counted

among the Semitic peoples, it reports that “there is an increased incidence of racism and hate crimes directed at Arab Canadians and Muslim Canadians, and there are not enough laws applied “to effectively combat and prevent the spread of *this* anti-Semitism.”

Dr. Mohamed Elmasry, founding editor of the web magazine, *The Canadian Charger*, blasts the lie that anti-Semitism is endemic in Muslim society. “Egypt is the Muslim country with the longest history of coexistence with Jews living inside its borders,” he states. To convince the Jewish people to immigrate to Israel, in 1954 “Israeli politicians launched a secret campaign of violence against Jewish businesses and blamed Egyptians for it.”

Indeed, as several contributors note, the Israeli government’s wars and oppressive policies are a major source of anti-Jewish feeling. Bruce Katz puts this well: “to claim that the State of Israel is the embodiment of all the world’s Jews is not only a lie, but a dangerous one,” it falsely inflicts on all Jews responsibility for this state’s actions. If the Israeli state embodies world Jewry, “then all Jews are made to share a collective guilt.”

Yet it is important here not to exaggerate. When Israel and its powerful allies claim that residents of Gaza are killed on behalf of all Jews of course, does lead many to feel bitterness against Jews. Yet Palestinians and their Arab neighbours have responded with great restraint. We know of no significant movement among them for revenge against Israeli Jews. If Israel stands today in peril, this is not because of anti-Jewish feeling but because of the aggressive and criminal policies of its own government.

## Boycott, Divestment and Sanctions

*Anti-Semitism Real and Imagined* stands in solidarity with the Palestinian call for boycott, divestments and sanctions against Israeli Apartheid. Keefer suggests, in particular, that Canada stop being complicit with Israel’s war crimes and “participate in an academic boycott directed against government-supported institutional contacts.”

Toronto researcher Craig Smith sums up the book’s message well: It is incumbent all of us who are “alarmed at the current Government’s intolerance of dissent and willful ignorance of human rights and social justice ... to submit a criticism of the basic assumptions of the CPCCA.”

As we near the CPCCA’s submission of its report to the Harper government, this responsibility comes again into focus. In defending freedom of speech against the CPCCA and government, *Anti-Semitism Real and Imagined* is an essential resource. **R**

*Anti-Semitism Real and Imagined: Responses to the Canadian Parliamentary Coalition to Combat Anti-Semitism* is available for purchase at \$22 Cdn a copy from *The Canadian Charger* at [www.thecanadiancharger.com](http://www.thecanadiancharger.com). Write to The Canadian Charger at 5-420 Erb St. W., Suite 347, Waterloo, ON N2L 6K6.

# Calling Israel to Account:

## An interview with Norman Finkelstein

Jesse M. Zimmerman

*Norman Finkelstein is an American political scientist and an author and commentator on the Israeli-Palestinian conflict. He has published many books that have been deemed controversial such as "The Holocaust Industry: Reflections on the Exploitation of Jewish Suffering" (2000), "Beyond Chutzpah: On the Misuse of Anti-Semitism and the Abuse of History" (2005), and his latest "This Time We Went too Far: Truth and Consequences of the Gaza Invasion" (2010). Finkelstein was denied tenure at DePaul University, which he has attributed to bias against his views. His mother survived the Warsaw Ghetto, the Majdanek concentration camp and two slave labour camps, while his father survived the Warsaw Ghetto and the Auschwitz concentration camp. Finkelstein has cited the ordeals of his parents as being the reasons why he speaks out to condemn the policies of the state of Israel and Zionist ideology. I managed to conduct an interview with Norman Finkelstein in his home in Brooklyn, New York in the summer of 2010.*

**Jesse Zimmerman:** Could you introduce for our audience what your last publications were? *The Holocaust Industry* and what exactly is meant when you say the "Holocaust Industry"?

**Norman Finkelstein:** *The Holocaust Industry* is a little old now. It came out literally one decade ago. It came out in June 2000 and now we're in June 2010, so a decade has elapsed. It was mostly as the subtitle says; it was personal reflections on the exploitation of Jewish suffering. I wasn't pretending to write a scholarly tome. The book in its original version ran to only about 120-40 pages. It's now about 300 because I added a lot of material later. Mostly it was about the misuses of the Nazi Holocaust. It's being

used as a political weapon to immunize Israel from criticism of its policies and at the time it was also being used as a financial weapon to extract what were called "Holocaust compensation for needy Holocaust victims" and I think I was able to document that that was simply a shake-down racket, an extortion racket by some Jewish organizations which made false claims against the Swiss Banks and then false claims against Germany in order to extract monies which they said would be earmarked for Holocaust victims but which actually never reached the victims of the Nazi Holocaust but were kept by these crooked organizations.

And after that I wrote the book – I can't remind the sequence of the books but I think the next major book was *Beyond Chutzpah: On the Misuse of Anti-Semitism and the Abuse of History* and basically I focused there on what's called "the new anti-Semitism," trying to show that "the new anti-Semitism" was neither new nor was it about anti-Semitism. Israel periodically orchestrates these public relations campaigns, or I should say Israel supporters – Israel and its supporters orchestrate these public relations extravaganzas about a new anti-Semitism whenever Israel comes under international pressure to settle the conflict with the Palestinians diplomatically, or whenever Israel commits some sort of horrendous human rights violation, or sequence of violations, they start playing the anti-Semitism card.

**JZ:** Sort of like the attack on the Turkish flotilla that happened recently?

**NF:** Well, the attack on the Turkish flotilla, they didn't really play the anti-Semitism card very much, but they did at least in the initial phase is what they did during the initial attack on Gaza which is that they controlled all news dissemination for the

most important days, namely the first week of the attack. In the case of Gaza they sealed off Gaza to any foreign journalists. In the case of the Flotilla bloodbath, what they did was they imprisoned all the witnesses, took all of their photographic evidence and then simply bombarded the media with a monopoly on visual images and testimony as to what happened.

**JZ:** Your latest book; that's already hit the bookshelves?

**NF:** Well it hasn't hit the bookshelves because it's only available online. It's not going to be available through bookstores. The actual title is *This Time We Went too Far: Truth and Consequences of the Gaza Invasion* and mostly that's about trying to give an accurate depiction of why Israel attacked Gaza between December 27<sup>th</sup> 2008 and January 18<sup>th</sup>, 2009. Why Israel attacked, what actually happened during the Israel massacre of Gaza, and then the aftermath, the political repercussions, most importantly the breakup of American, and actually Jewish support for Israel.

**JZ:** Would you say that the Jewish support for Israel's more divided than some people think?

**NF:** I think Jewish support for Israel is drying up now, in particular among the younger generations. If you go to the Israel Day parades it consists mostly of Orthodox Jews and senior citizens. Orthodox Jews are only 10% of total American Jewry and so it's only a tiny component of American Jewry which is any longer willing to rally or publicly commit itself to Israel.

**JZ:** Could you give us some reflections on the situation in Canada, the political situation, the political parties, as I'm sure you know, Stephen Harper, our current Prime Minister is a big-time Israel

supporter. Do you see any alternatives in Liberal's Michael Ignatieff, the NDP's Jack Layton, or anybody else?

**NF:** I follow the Canadian scene fairly closely. I have a lot of Canadian friends and they forward me quite a lot of the material on what's happening in Canada. As in most places, not just in Canada, though in Canada it's more pronounced, there is a very large discrepancy, or I should say gulf, between public opinion and the opinion of the governing party, or the dominant political parties in Canada. If you actually look at public opinion Israel's standing in Canada is not very good. The last public opinion poll that was taken "whether Israel has played a more negative or positive role in the world today" the Canadian opinion went again Israel. Actually I was quite surprised because if you look at the countries where the influence of the pro-Israel lobby is strongest in places like France, Canada, and elsewhere (Germany being notable) where the lobby is strongest actually, public opinion is not strongly supporting Israel and that's true in Canada as well. Zimmerman: Do you think it might be because a lot of these pro-Israel organizations, their tactics are becoming more noticeable? Groups like B'Nai Brith Canada and other ones?

**NF:** Israel is a case of truth in advertising, there's just so much you can hide and conceal about its policies before people begin to wonder what's going on. Now it's true that the Canadian press is awful, but there are alternative sources of information. People can get information through the web and even in the awful mainstream media nonetheless some of the truth creeps in and people's eyebrows begin to get raised and people begin to wonder "well, you now, what's going on here?" In the case of Israel it seems to be a relentless succession of quite ghastly crimes and so even in the mainstream some of the truth creeps in.

**JZ:** University campuses are where a lot of the battle takes place as well. At York University there's "Students Against Israeli Apartheid" as well as many other groups including a "Not In Our Name," a Jewish group that's recently started up at York. But we also face off against groups

like Hasbara Fellowships and you've heard the case of Hasbara Fellowships where they fabricated an anti-Semitic incident? What do you think the motivation of these groups might be?

**NF:** The motivation is fairly straight forward; they want to change the subject. They don't want to talk about what Israel is doing, they want to claim that their opponents or their critics are anti-Semitic, or self-hating Jews, or Holocaust deniers. And they want to turn themselves into the victim and Israel and its supporters have, you might say, mastered the art of self-victimization. If you take the case, for example, of what happened in the Mavi Marmara, the Turkish vessel that was assaulted by Israel. It was quite extraordinary how they managed to turn an Israeli commando raid in the dead of night in international waters on a humanitarian convoy bringing aid to a hungry population in which 9 people – now 10, because one more died – 10 people are executed by Israel, they managed to turn themselves into the victims and they claim that what actually happened that day was some Israeli commandos were en route to a Hebrew Halloween party, they were carrying these paintball pistols and by some twist of fate they found themselves on this boat, and the people on this boat consisted of crazy Muslims who wanted to lynch them. If you read the Israeli press that is literally how it's being depicted, that there were these poor, innocent commandos who somehow by serendipity found themselves on the deck of these crazy, lunatic Muslims praying for martyrdom and that they were tricked, duped into a lunch party. And it's the same thing at Canadian Universities trying to turn things on their head and turning themselves into the victims.

**JZ:** That explanation that was given doesn't really make much sense to me, that it was a Halloween party and they just found themselves on a boat? I don't really know how any full-grown adult could read that and take it seriously?

**NF:** Well the Israeli press, and the Israeli public has gone completely berserk and that's a very lamentable fact. It's a lamentable fact because it's lamentable when any society goes insane now, but

it's also lamentable because Israel is a very militarily powerful country, it has several hundred nuclear weapons, and it's incapable any longer of acting rationally.

**JZ:** Could you give us some of your reflection on Michael Ignatieff? And I'm sure you've heard about the recent situation within the NDP, which in Canada is known as the most Left-Wing mainstream party that believes in values of equity and such, they got us free healthcare for instance, but right now Libby Davies, an MP from over in British Columbia, got in trouble for encouraging a boycott on Israel and calling the occupation the longest occupation in the world, which is factually true. Can you give us some of your reflections on Ignatieff and the NDP's behaviour?

**NF:** Well, Michael Ignatieff is a preposterous fraud, he ran the Carr Centre for Human Rights at Harvard University and basically his role was to serve as an apologist for any and all U.S. crimes. He always pretended to be a profound thinker but his depth of profundity approximated that of a perfectly flat plane. Then he went to Canada with this kind of sense of entitlement that coming from what he thinks is a distinguished family and having a Harvard pedigree that he was entitled to be Prime Minister of Canada. It is a perplexity to me that Canadians have such a low opinion of themselves that they would allow this preposterous carpetbagger to become the Prime Minister of their country.

**JZ:** Well, some news with that is that Michael Ignatieff isn't very popular with the Canadian public. We're in an awkward situation, you know, people on the Left in Canada because we have Stephen Harper and then we have Michael Ignatieff. And those of us who are activists for Palestinian rights are frustrated right now because of the NDP's behaviour. Do you have any reflections on why a party that sees itself as a Left-Wing party and talks about human rights would not take a stance against what's happening with Israel right now?

**NF:** In Canada it seems to be a fairly clear cut question of a powerful lobby, which has a lot of money and is well organized.



It's not unusual, in the United States we have powerful lobbies; we have an oil lobby, we have a gun lobby, we have quite a few powerful lobbies which significantly distort American policy and impose policies which are contrary to the best interests of the rest of our society and in the case of Canada it's pretty much just chasing after money.

**JZ:** And that includes the New Democratic Party?

**NF:** Yeah, I assume it's the same motivations because the factual pictures just not really complicated. The NDP people are quite smart, they have a good history, I think, and surely they know the facts and they know that what Israel's doing is completely indefensible.

**JZ:** It's interesting because back when Jack Layton, the current leader, was a city councilor in Toronto, he and his wife Olivia Chow were said to come to a lot of pro-Palestinian rallies, yet in the past year Olivia Chow marched in the Walk for Israel, so it seems that even if they do have good intentions, that this lobby is just too powerful.

**NF:** Yeah, I think that's probably true. I'm sure Barack Obama, given his background, as well as his wife Michelle Obama, they know the truth and in their

minds they rationalize that given the current configurations of power and their own responsibilities to the Democratic Party and ensuring that the Democratic Party gets re-elected and so on and so forth, that they make in their minds, compromises. But I doubt very much that Barack Obama, who I am not particularly impressed by, but he is well-traveled, he knows the world, he has a rich family background, which means that his mind reaches beyond the confines and the borders of the United States. He has a sense of the world and so he knows what Israel does and is up to and he has no illusions but that's politics.

**JZ:** It's interesting because George W. Bush hadn't traveled outside of the United States before he became President.

**NF:** Yeah, but I don't think – in terms of policy there might not be much difference between Barack Obama and Bush, but in terms of college personality there is a significant difference. Bush is a fairly narrow – was a fairly narrow minded – to the extent that there was any mind at work; it was a very narrow one. Barack Obama has a, what you might call, a cosmopolitan worldview just by virtue of the many countries he's lived in, his family background, he knows the world.

**JZ:** So to conclude, with everything with the situation with the IHH, and the Turkish Flotilla attack, what do you see happening in the near future? What are some reflections on where it's going on right now and maybe some words of advice for activists for Palestinian rights and what we can do to hopefully try to do something positive with this situation?

**NF:** Well there are many things happening and we have to look at it at different levels. At the popular level there is clearly a breakup of support for Israel. Its stock is plummeting; it's become an embarrassment, and those who try to defend what it does open themselves up to ridicule. And it's true also in the Jewish communities you see a significant drying up, especially among young people, of support for Israel and that process was accelerated by the bloodbath on the flotilla. Internationally Israel is pretty isolated now; it's going to have to do some pretty

significant changes in that blockade because international opinion has been put in several cases, even to the British and the Americans the blockade is no longer sustainable. So that's going to have to change. And there is a collision occurring now because the Iranians, and the Turks, and boats from the Lebanese port are heading toward Gaza and international opinion is that the blockade is unacceptable, so Israel has a real problem on its hands. The main cause for concern is the regional level, because Israel bungled yet another operation, and is going to be desperate to prove its still a fighting force, its still up to snuff, and so it probably feels a great deal of pressure now to do some sort of spectacular – to do something spectacular in order to compensate for its succession of bungled operations, and there is real cause for worry that it may do something really crazy. And also since the Hezbollah has said (that) any new war between Israel and Lebanon will be a tit-for-tat war; your city for our city, your airport for our airport, your port for our port...you could see things very easily – a trigger reaction setting in and things very quickly and easily, rapidly getting out of control and I don't think that we should be indifferent to the fact that Israel is over the cliff, mentally, it's lost its marbles, but it also has some a-hundred nuclear weapons and there's a serious issue there.

**JZ:** Do you see an attack on Iran looming?

**NF:** Can't really predict what Israel will do now. Israel feels very cornered because it feels as if nobody respects its fighting force anymore, and that's what Israel's strategy has always depended on, what it calls its "deterrence capacity" and deterrence capacity is a fancy term for the Arab world's fear of it. Now Israel is clearly very worried that the Arab world doesn't fear it anymore. And so even with this looming Iranian, and Turkish, and Lebanese flotilla, it's very unclear what Israel will do in order to show the Arab world it's a substantial fighting force, so there's trouble, there's serious, I think, in my opinion, very serious trouble looming.

**JZ:** We'll have to keep our eyes on that. Dr. Finkelstein thanks for taking time out of your day. This is Jesse Zimmerman with Dr. Finkelstein in Brooklyn, New York. **R**



# Currency Wars and the Privilege of Empire

Paul Kellogg

In uncertain times, the headline was soothing - “Secretary Geithner vows not to devalue dollar.” United States Secretary of the Treasury Timothy Geithner was saying, in other words, that if there were to be “currency wars” - competitive devaluations by major economies in attempts to gain trade advantage with their rivals - the United States would not be to blame. Who, then, would be the villain? China, of course. Earlier this year, Democratic Party congressman Tim Murphy sponsored a bill authorizing the United States to impose duties on Chinese imports, made too inexpensive (according to Murphy and most other commentators) by an artificially devalued Chinese currency. “It’s time to deliver a strong message to Beijing on behalf of American manufacturing: Congress will do whatever it takes to protect American jobs.” But the Geithner balm and the Murphy hyperbole are simply matching sides of a deep hypocrisy. For three generations, the United States has leveraged its position as the centre of empire to print dollars with abandon, devalue at will, and “debase” its currency at a rate impossible for any other economy. But the privileges of empire are starting to unravel, and the U.S. economy is wallowing in the consequences of 60 years of irresponsible monetary policy. Emotional attacks on China are simply a cover for problems deeply rooted in the U.S. itself. One part of that is a long history of currency wars, where the U.S. dollar has been used as a weapon in a manner without parallel in the modern world economy. That story has four aspects - Bretton Woods; the Nixon Shock of 1971; Petrodollars; and Quantitative Easing. This article will look at each in turn.

## 1. “Good as Gold” at Bretton Woods

To get to the first aspect of this story, you have to dial the film back to the restructuring of the world economy out of the ruins of the Second World War. In 1944, as that catastrophe was winding to a close, representatives of 44 allied nations met in Bretton Woods, New Hampshire to try to develop policies to prevent history repeating itself. Prior to 1914, capitalism had by and large been able to develop through exporting its horrors to the Global South - bringing genocide, slavery and the destruction of ancient civilizations to the Americas, Africa and Asia. But from 1914 on, some of those horrors had come home to the heart of the system itself. World wars engulfed the most “civilized” and capitalist powers themselves, first from 1914 to 1918, and then again from 1939 to 1945. Between these two moments of industrialized slaughter was the interlude of the Great Depression - the unprecedented collapse of trade, finance, employment and income, which shattered lives for a decade. It was clear to everyone that these two elements - war and economic collapse -

were intimately related, and that to forestall another military catastrophe, deep economic restructuring would be required.

In this context, a once obscure economist emerged into prominence. In 1919, the then 30-something John Maynard Keynes was horrified when the peace treaty imposed by the victorious allies - the Treaty of Versailles - put in place punitive reparations on Germany. Keynes argued that the billions of dollars that were to be stripped out of German society would impoverish and embitter the country, lay the ground for economic difficulties, and for new wars. He captured this in his first major book, *The Economic Consequences of the Peace*.

By 1944, Keynes was no longer an outsider and critic. This time he was at the table - one of the chief architects of the Bretton Woods’ institutions which were to emerge from this gathering. His ideas were listened to, in part because his warnings in 1919 had been so appallingly confirmed. His argument that economic competition needed to be regulated, that there had to be a central role for the state to mitigate the effects of the boom-bust cycle, and that there had to be institutions which could manage competition at an international level - these ideas were to be taken very seriously, as policy makers everywhere stared back at the horrors which were the alternative.

The Bretton Woods discussions would create the International Monetary Fund (IMF - designed to “administer the international monetary system”) and the International Bank for Reconstruction and Development or World Bank (“initially designed to provide loans for Europe’s post-war reconstruction”).

But two other key goals were not achieved. One has been well-documented. Keynes had wanted an “International Trade Organization” to forestall the vicious trade wars which had broken out in the 1930s. He was not successful on that front. All that could be arrived at was the General Agreement on Tariffs and Trade (GATT), which took until 1995 to evolve from an agreement into an institution in the shape of the World Trade Organization (WTO). The second unrealized objective has received much less attention. It was to establish an “International Clearing Union” (ICU) for use in transactions between countries. The U.S. - enthusiastic backer of much of the Bretton Woods’ discussions - was completely opposed to this. The establishment of an ICU would have sidelined the role of the U.S. dollar in international transactions. Emerging from the war controlling something like half of the world economy, the United States looked forward to the advantages that would accrue to its corporations and government from its new place as the centre of empire. Without

an ICU, the U.S. dollar – like the British empire’s pound before it - would almost inevitably become the chief currency for international transactions.

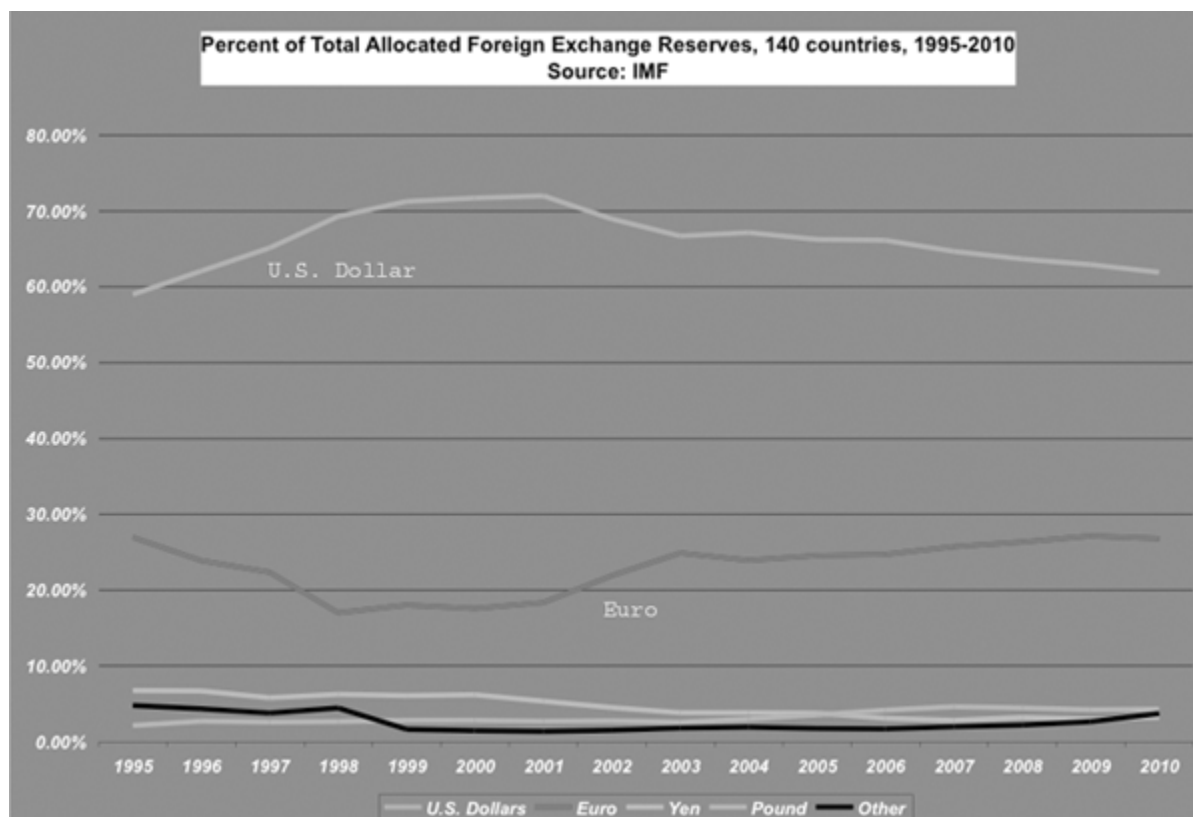
Money is a peculiar thing. It is the necessary link between producers and consumers, employers and workers. It is also something that can be a “store of value.” Accumulate a lot of money, and you can have access to a lot of commodities, or a lot of that most special of commodities, labour power. In the early years of the world economy, precious metals, such as gold and silver, evolved into the material of choice to represent value - scarce enough to be “valuable” in themselves, but abundant enough so they could circulate in sufficient quantities to keep the economy functioning. In states that were sufficiently large and stable, a modification of this system developed. Paper money (probably first used in China more than 1,000 years ago) is essentially a promise that, should the holder so choose, the paper can be exchanged for a certain amount of gold or silver. So precious metals had not disappeared from the equation. They had simply been pushed into the background.

At Bretton Woods, the U.S. argued for and won a particular framework by which money could circulate in the world economy as a whole. It argued that it could guarantee currency stability by a double linkage - world currencies to the U.S. dollar, and the U.S. dollar to gold. Other currencies could price themselves in U.S. dollars, and that would be “good as gold” as the U.S. committed that anyone who wished, could turn in their U.S. dollars in exchange for the real thing – for gold, held at a fixed rate of \$35 an ounce.

The establishment of the U.S. dollar as the world’s chief currency for international transactions had some risks. Should everyone with U.S. dollars demand they be exchanged for gold at the same time, the system would be in crisis. But it also held out enormous benefits. A key component of the world economy consists of the international reserves held by each country’s central bank to facilitate economic exchanges between nations. Traditionally, the key component of these reserves was gold. But with the U.S. dollar “good as gold” it became increasingly the practice for central banks to hold U.S. dollars as their international reserve, along with and increasingly in place of gold. The U.S. dollar was not the only such currency. Most central banks hold reserves in several of the different major currencies. But since Bretton Woods, by far the dominant currency held in central banks has been the U.S. dollar. The first chart here shows that this remains true into the 21st century. At any one time between 1995 and the present, U.S. dollars represent some 60 to 70 per cent of allocated international reserve holdings throughout the world.

There are some important qualifications to be given to these percentages. First, these figures are provided “on a voluntary basis” from the 140 countries participating in the IMF process which compiles them. Second, not all international reserves are identified. The percentages here are for “allocated” reserves alone. There is a quite large, and growing, portion of international reserves held by central banks which are “unallocated” because the IMF simply does not know what they are. In 1995, 26 per cent of foreign exchange reserves went into this mystical “unallocated” category. By 2010, that had risen to

## CHART 1





44 per cent. These qualifications aside, it remains the case that fulfilling the role of internationally recognized “store of value” for international transactions, requires a huge quantity of U.S. dollars, measured in the trillions. The next chart demonstrates this, showing total foreign exchange reserves, total allocated reserves, and total reserves held in U.S. dollars. The amounts are vast (by 2010 more than \$8-trillion in total foreign exchange reserves, of which more than \$3-trillion in U.S. dollars) and growing.

This was the first, and centrally important, privilege of empire. The United States, alone in the world economy, had partially broken the link between trade deficits and currency decline. Most countries which run large trade deficits, see their currency decline in value. Less relative demand for an economy’s goods means, normally, less relative demand for that country’s currency. But the United States could partially defy that law. Regardless of demand for U.S. goods, there is always a demand for U.S. dollars, as the principle “store of value” for central banks around the world. As long as the U.S. dollar was “good as gold” it could run – and has run – very large trade deficits, without seeing its currency collapse. The annual trade deficits which the U.S. has been running since 1975 are a downward pull on the value of the U.S. dollar. But that has been significantly lessened by the constant demand for the U.S. dollar as a store of value on an international scale.

It is, then, of some interest, what exactly is represented by the large and growing “unallocated” portion of foreign reserves, pictured above. If that represents a hidden move away from the

U.S. dollar toward other currencies, then this long love affair between the world’s central banks and the U.S. dollar might be in jeopardy. If and when that love affair ends, and the U.S. dollar starts behaving like a “normal” currency, the consequences will be profound.

## 2. The Nixon Shock and the Era of Devaluation

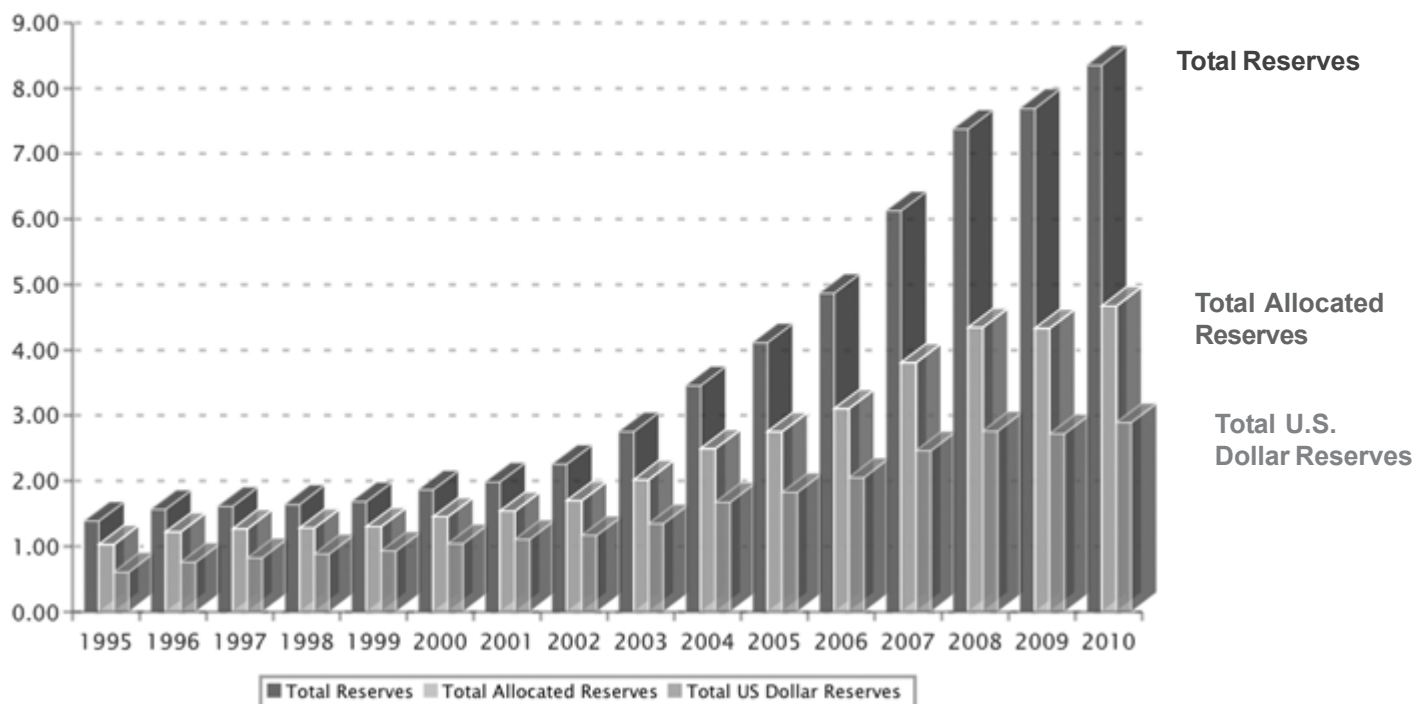
So the first, and still important, privilege of empire was to establish the U.S. dollar as “world money.” But empires do not last forever. The second aspect of United States’ currency was developed in the late 1960s and early 1970s, as the first signs of the relative weakening of the U.S. empire began to reveal themselves.

Part of the background were the U.S. wars in Indochina. From small beginnings under John F. Kennedy, these wars under first Lyndon Johnson and then Richard Nixon, grew into murderous, destructive and hugely expensive affairs. The U.S. had won the right, through Bretton Woods, to print money almost without impunity. But emphasis here has to be put on the word “almost.” The enormous expenses involved in keeping an army of half a million overseas began to put severe strains on the U.S. economy.

The other part of the background had to do with the defeated powers from World War II. Japan and Germany (and with Germany the rest of Europe) had considerably recovered

**Chart 2**

**Foreign Exchange Reserves, 140 countries, 1995-2010 (trillions of dollars)**  
Source: IMF



from the destruction of war. Their economies were growing, and they were not burdened with the cost of empire and war as in the United States. Crucially, the recovering European and Japanese economies were running big trade surpluses, and accumulating growing piles of U.S. dollars. Gold on the open market was trading above \$35, but the Bretton Woods' exchange rate system pegged the U.S. dollar to gold at \$35 an ounce. Increasingly, central banks, in Europe in particular, were exercising their Bretton Woods right to convert their U.S. dollars for gold – in effect, gaining access to gold below market value. The dangers to the U.S. economy were very clear, as gold fled the country both to pay for imperialist wars and to meet Bretton Woods obligations.

Secretary of the Treasury John Connally, a life-long militarist and hawk, would not, of course blame U.S. foreign policy adventures for the crisis of his country's economy. But the other half of the equation he saw absolutely clearly. He argued that action was needed "to head off what the Administration believe[d] to be the most important non-military threat to U.S. national security: economic competition from Japan and Western Europe."

August 15, 1971, Richard Nixon announced a New Economic Policy. In Japan, it became known as the Nixon Shock. That day, the Bretton Woods system broke down. More accurately, the United States walked away from Bretton Woods. Nixon announced that the U.S. would no longer automatically exchange U.S. dollars for gold at \$35 an ounce. In effect, he was removing gold as the standard by which currencies were measured, leading to the current system of "floating" exchange rates. The immediate effect was a steep and stunning decline in

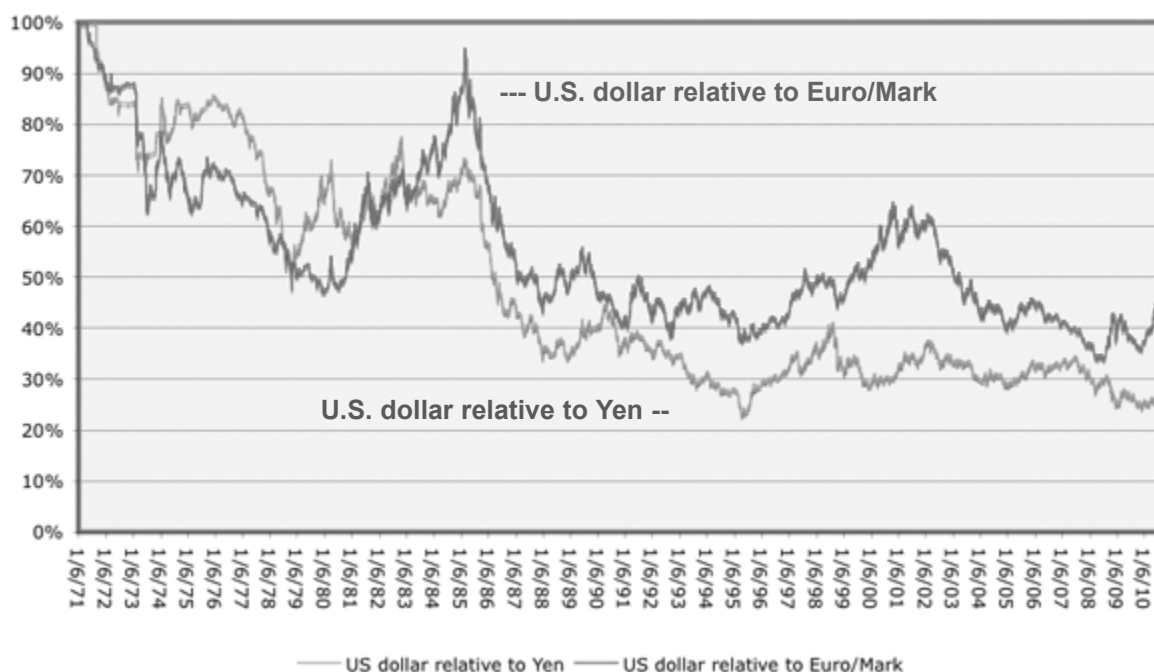
the value of the U.S. dollar relative to other currencies. This was precisely the intention of the Nixon Shock. As *Time* magazine reported in 1971: "American officials who once proclaimed the majesty of the dollar now cheer declines in its price on newly freed money markets, because they hold the potential for helping the U.S. balance of payments." This was devaluation on a scale about which China can only dream. And it is a devaluation which has continued in the almost forty years since.

A previous article examined some of the statistical challenges in measuring the relative strength of the U.S. dollar. The most common database by which to compare the relative strength of currencies begins in 1973. In other words, it excludes the impact of the Nixon Shock, and in doing so "flattens" the picture, showing only a modest downward trend for the U.S. dollar. But a database with a more complete set of statistics, stretching from just before the Nixon Shock to the present, can be put together from other sources – with figures for the U.S. dollar, the historically most important currency in Asia (the Japanese yen) and the "euromark" (a composite notional currency comprised of the German mark until 1998 and the euro from 1999 on). The result, visible in the chart here, is very clear. The U.S. dollar is approximately 1/3 of what it was in 1971, compared to the yen and the "euromark," and its trajectory is without question down. The reasons for this long-term slide relative to other major currencies are for another paper. But the fact of the weakening of the U.S. dollar is incontrovertible.

It is worthwhile at this point in the analysis to marvel at the arrogance of U.S. policy makers. In 1944, a system to stabilize

## Chart 3

**Decline of U.S. dollar relative to yen and 'Euromark,' 1971-2010**  
Source: oanda.com



the world economy was put in place, which had the side benefit for the United States, of privileging its currency as the store of value for central banks around the world, allowing United States' policy makers to print money almost at will. When this capacity to print money out of proportion to the needs of the economy, in particular to finance murderous wars in Indochina, started to put strains on the system, the United States simply walked away from its obligations. It left the Bretton Woods' monetary system in ruins, and imposed on the rest of the world a remarkably steep devaluation of its currency, making U.S. produced goods more competitive, and those produced in Japan and Europe less so. We could end the story at this point. The evidence of U.S. manipulation of the world currency system to its advantage is overwhelming, and has a very impressive pedigree. But the story is only half done. There are two other key aspects to the "privilege of empire" still to be examined.

### **3. Petrodollars: the fuel of empire**

The collapse of Bretton Woods led to a short-term devaluation of the U.S. dollar. Other things being equal, it is conceivable that this devaluation could have accelerated into a collapse. However, the death of Bretton Woods was followed by another era in the history of the dollar - that of the Petrodollar. In the early 1970s, the Organization of Petroleum Exporting Countries (OPEC) made the historic decision to invoice the trade of oil in dollars. In part under the direction of then Secretary of State Henry Kissinger, the United States and Saudi Arabia in 1974 launched the "United States – Saudi Arabian Joint Commission on Economic Cooperation." The key decision arising from this commission was for Saudi Arabia to sell its oil in U.S. dollars. "As the largest OPEC producer, the Saudis used their strong influence in OPEC to persuade other members to follow suit; and they did. In 1975, OPEC announced its decision to invoice oil sales in dollars."

This meant that there was another reason for every nation to hoard U.S. dollars, whether buying goods from the U.S. or not. To buy oil, you needed U.S. dollars, something which set both oil and the U.S. dollar apart from their equivalents in the world economy. To buy apples produced in Canada, someone outside of Canada in effect has to buy Canadian dollars at the same time. The apples are priced and traded in local (Canadian) currency, so a demand for apples implies a demand for the Canadian currency. But not with oil. To buy oil from Saudi Arabia - or Iran, or Venezuela - you didn't need access to the currencies of those nations, but rather to U.S. dollars. Increasing demand for oil from these producers, then, meant perversely increasing demand for U.S. dollars. Bessma Momani summed it up as follows.

Since the mid-1970s, the value of the United States' dollar has been upheld by a number of domestic and international factors. An often underestimated factor is that oil is sold and traded in U.S. dollars. Arguably, having the dollar used as the 'main invoice currency' for oil makes the trade of this vital resource the new post-Bretton Woods' Fort Knox guarantee of the dollar.

Nixon broke the link with gold in 1971, and at first glance that should have led to a very steep and long term decline in demand for the U.S. dollar. But because of the pivotal role of the U.S. dollar in the international oil market - the market for the one indispensable commodity for world capitalism - the decline was mitigated. There remained constant demand for the U.S. dollar because of permanent and rising demand for oil.

The United States again benefited from the "privilege of empire." They could slow the decline of the dollar because of their still dominant position in the world economy. With a resulting capacity to print dollars far in excess of that of other nations, the United States has been able to continue financing enormously expensive wars abroad, while at the same time running large and growing trade deficits at home. No other country in the world has this kind of capacity.

There were other perverse effects from the creation of a world awash in petrodollars. The oil exporting countries amassed huge quantities of these dollars, far in excess of anything they could spend internally. In the late 1970s and the early 1980s, much of these excess funds "were saved and deposited with banks in industrial countries," in particular in banks in the United States. "The banks, in turn, lent on a large part of these funds to emerging economies, especially in Latin America. When the oil boom subsided in the early 1980s, bank flows to emerging markets reversed sharply, triggering the Latin American debt crisis."

That is how the antiseptic language of an IMF working paper outlines the issue. It could be restated as follows. Billions of dollars left the United States, Europe and Japan to pay for oil imports in the 1970s and 1980s. The billions of dollars received by OPEC countries were far in excess of any local consumption and development possibilities (in large part because these countries had distorted development patterns after decades of oppression by the rich countries of the Global North.) So in turn, these billions flowed back to the Global North in the form of massive deposits in particular into U.S., banks. "Nearly 500 billion petrodollars were recycled from oil producers with a capital surplus to countries with trade deficits."

It didn't end there. The same processes driving this flow of money - the spike in the price of oil in the 1970s - made it very difficult for developing countries in Latin America to finance their industrialization. They had "balance of payments" problems. Under pressure from the IMF, these countries were encouraged to borrow the petrodollars sitting in the vaults of the Global North banks. These petrodollars were in effect "recycled" through the IMF in the form of loans to countries in the Global South from the excess money sitting in the banks of the Global North. This was aggressively marketed as an alternative to the nationalism and state-led development strategies of the 1960s and early 1970s. When interest rates spiked in the 1980s, the loans incurred became unsustainable, and the economies of Latin America spiralled into a deep crisis.

Billions of dollars slosh through the world economy, enriching states and financial institutions in the Global North,



creating short-term frenzies for debt-financed development, and laying the basis for long-term crisis in the developing world. The petrodollar aspect of U.S.-based currency wars is an issue for the poorest countries of the world, not just its richest.

The benefits of the Petrodollar era might be beginning to unravel for the United States. Bessma Momani concludes that it is unlikely that in the short term, the OPEC countries will end their use of the U.S. dollar. But, should the U.S. dollar continue the long decline outlined earlier in this article, there will be increasing incentives to diversify away and into other “stores of value” such as the euro. The consequences for the U.S. would be very serious.

#### **4. Quantitative Easing - Dirty Deeds Done Dirt Cheap**

The long decline of the U.S. dollar documented earlier - a decline that is ongoing - is one reflection of the growing relative weakness of the U.S. in the context of the world economy as a whole. This growing weakness was revealed by the harsh impact of the most recent recession on the U.S. economy, one felt much more strongly there than in the other major economies. In the face of this deepest recession in a generation, the fourth and final aspect of U.S.-based currency wars came to the fore. It is without doubt the strangest of any that we have looked at, not the least because of its mysterious name, “Quantitative Easing.”

There are several ways of defining Quantitative Easing. According to the Central Bank of the United Kingdom, it is a way of injecting money into the economy “by purchasing financial assets from the private sector.” How are these assets paid for? Why “with new central bank money.” But where does that money come from? Well, “the Bank can create new money electronically by increasing the balance on a reserve account.” And that’s it. New money is just simply created. If your balance is \$1,000, add a “zero” and it’s \$10,000, new money created “electronically by increasing the balance on a reserve account.” Quantitative easing’s “effect is the same as printing money in vast quantities, but without ever turning on the printing presses.” A skeptic would argue that the obscure term “Quantitative Easing” was chosen as less likely to arouse suspicion than a more transparent name such as “Harry Potter money creation.”

When this was policy in Japan in the wake of the deep recession of the early 1990s, it was derided in the U.S. press as something “which essentially stuffed Japanese banks with cash to help them write off huge bad loans accumulated during the 1990s.” But since 2008, this policy of creating money from nothing has been embraced with passion in the United States. In 2008, the U.S. central bank (the Federal Reserve) “bought \$1.7-trillion – worth of Treasury and mortgage bonds with newly created money.” That \$1.7-trillion did not exist. It was brought into existence electronically, transferred to the books of financial institutions, in the hopes of pushing that newly minted money into the economy and stimulating growth. That program is now over. There is, however, every prospect that another round of

Quantitative Easing will be announced in the coming weeks, with anywhere from \$1-trillion to \$2-trillion being created electronically to “stuff U.S. banks with cash to help them write off huge bad loans” accumulated in the last 10 years, to paraphrase the sarcastic analysis of Japan’s similar policies.

Whether or not this will stimulate growth is a matter for debate. There are, however, two things we know it will accomplish. First, it will in the long term, accelerate the decline of the U.S. dollar relative to other currencies. Second, as this flood of money depresses interest rates in the U.S., it will put upward pressure on other currencies “as investors rush elsewhere, especially into emerging economies, in search of higher yields.”

Several conclusions need to be drawn here. First and most importantly, there are absolutely no grounds for Timothy Geithner or any other U.S. official to point the finger elsewhere - at China for instance - and try to fix blame for the initiation of currency wars. From blocking the creation of ICUs at Bretton Woods in 1944, to the Nixon Shock of 1971, to the Petrodollar era from 1974 to the present, the United States has demonstrated an unprecedented willingness to intervene in and artificially skew the world’s money markets. With its adoption of Quantitative Easing, it has taken this to a new level, a “shock and awe” approach to the currency wars that makes any actions by China pale in comparison.

Second, the issue of monetary policy cannot be looked at from a strictly economic point of view, but has to be examined with one eye on the economy and the other on politics. The entire economic history of the U.S. dollar is incomprehensible without the political history of U.S. imperialism. The deep distortions in the international monetary system are a reflection of the “privileges of empire” abused by the United States. The decline of that empire and the slow ending of those privileges promise to make the United States pay dearly for these distortions, but only after having wreaked havoc on much of the rest of the world.

But there is another conclusion that needs to be taken seriously, and it is something that can only be broached in this article. Conservative analysts see the history outlined above, and long nostalgically for a return to the gold standard. This is a reactionary and impossible utopia. There are just over 30,000 tonnes of gold held in official reserves around the world. But even at the current high rate of \$1250 an ounce, the total value of these reserves would be just over \$1 trillion. The world economy is measured in tens of trillions of dollars. Any attempt to anchor the transactions of the world economy to the inflexible and slow-growing physical accumulation of gold that exists in the world would be impossible. A gold standard can simply not allow for the reflection of value in the money supply that is necessary for a modern economy to function.

However, there *is* an important problem, suggested by the picture sketched out here, that needs to be addressed. The break from the gold standard toward the U.S. dollar, the musing in the 1940s about an ICU, the Harry Potter economics behind

quantitative easing – all are the chaotic expressions of attempts to address a very real issue. The value of the goods and services produced in the world need to be measured, reflected abstractly in some unit of measurement, and then that information used to determine investment, production and consumption decisions. The problem is not the attempt at addressing this issue. The problem is, that in a world capitalist system, this attempt is corrupted by private greed, imperialist domination of the Global South, and the militarized designs of the hegemonic state, which means that instead of a reasoned and thought-out approach, we get the dangerous chaos and instability outlined here.

Analytically, this demands taking the issue of money very seriously in anti-capitalist analysis. Marx's brief comments on it 150 years ago are interesting. Earlier, this article used his term "world money" – money set aside for transactions between national economies in the context of the world economy. Marx

argued that it is only here, "in the markets of the world that money acquires to the full extent the character of the commodity whose bodily form is also the immediate social incarnation of human labour in the abstract. Its real mode of existence in this sphere adequately corresponds to its ideal concept." The emergence of world money under capitalism takes a distorted, fetishized form. But it nonetheless represents something real – a reaching toward an adequate mechanism by which to measure the products of our labour, and redistribute them.

This process is controlled by bankers, industrialists, generals and politicians. Until it is brought under the democratic control of the vast majority – the workers in workplaces, fields and homes who produce all the wealth of the system – this money-form of capital will control us, and throw us into periodic crises which wreck economies and lives. **R**

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# Foreign Exchange and the Canadian Dollar: A Primer

Jim Stanford

The Canadian dollar has experienced dramatic fluctuations in recent years, rising from a low value of 62 cents U.S. in 2002, to levels that now meet or exceed parity with the U.S. dollar. These fluctuations have had tremendous impacts on exports, investment, and employment in many Canadian industries and regions. More recently, currency issues have become highly controversial in global economic diplomacy, too. For example, conflicts over currencies (especially between the U.S. and China) dominated the recent G20 summit in South Korea. Those conflicts were not resolved, and hence uncertainty and conflict over exchange rates will continue to mark much international interchange.

What determines exchange rates, and why do they matter? This primer introduces some of the key issues and concepts, to help make sense of the volatility.

## What is foreign exchange?

If you live in one country, but want to make a purchase in another country, you need to obtain some of that nation's currency in order to facilitate the purchase. Therefore you arrange through a bank or some other financial intermediary to purchase some of that foreign currency, using some of your home currency. That transaction – converting one national currency into another – is called foreign exchange, and the system that arranges for those transactions is the foreign exchange market or system.

## Why buy and sell foreign exchange?

There are many purposes for which foreign exchange is required. The most concrete reasons are to pay for imports from another country, or to visit that country and pay for things while you travel there. Businesses might also need to convert currency in order to pay for an investment in another country. In less concrete motivations, financial investors could convert currency in order to purchase financial assets (like bonds or corporate shares) in another country. In some cases, financiers purchase another nation's currency purely for the purpose of holding that currency – hoping that its value (relative to other currencies) will increase, thus generating a speculative profit.

## What is the price of foreign exchange?

The price of one unit of a currency (say, a dollar) is the amount you must pay in another currency in order to buy it. If this "price" of a currency rises, it becomes more expensive relative to other currencies, and it is said to "appreciate." If a currency's price falls, then it "depreciates." A strong currency allows its owner to purchase more from other countries (goods, services, assets), since the currency is more valuable internationally.

## What determines foreign exchange rates (I)?

Today, most countries allow their currencies to trade freely on commercial markets. For these currencies, foreign exchange rates fluctuate each day on the basis of supply and demand –

that is, how much of it people want to buy, versus how much people want to sell. Like other financial markets, foreign exchange markets experience rapid fluctuations in prices to “clear” markets very quickly. This system is called flexible exchange rates.

Governments in some countries manage or control the rate at which their currency converts into other countries. They could do this by fixing a certain exchange rate, and requiring all banks to make conversion at that rate. This is called a fixed exchange rate system; it was used in past eras (such as during the Bretton Woods currency system in the initial decades after World War II), but is rare today. A middle ground is called “managed floating rates,” where governments indirectly control the exchange rate by intervening in or regulating the financial flows and currency purchases that in turn determine the rate. This system is used today by China and some other countries.

### **How big is the Canadian foreign exchange market?**

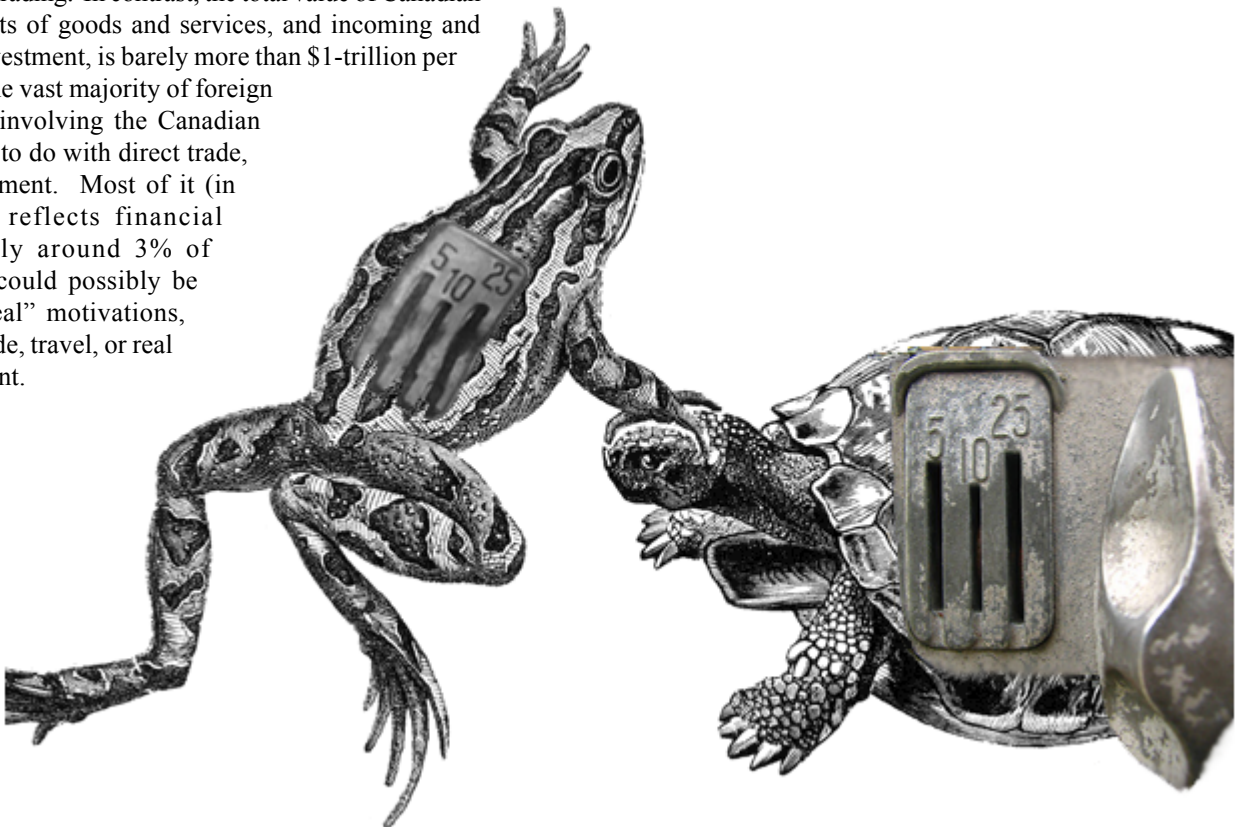
The latest reliable international survey of foreign exchange markets was conducted in 2007 by the Bank of International Settlements (BIS), an international banking regulator based in Switzerland. At that time, the total global currency market was estimated to trade \$3.2-trillion per business day (or \$800-trillion per year). That is about 40 times as much as the value of global GDP. The BIS estimated that 4% of those trades involved the Canadian dollar (either buying it or selling it). That implies a daily foreign exchange market for the Canadian dollar of about \$135-billion (or \$32-trillion per year). That figure has surely grown substantially since 2007, in light of the continued expansion of pointless financial trading. In contrast, the total value of Canadian imports and exports of goods and services, and incoming and outgoing direct investment, is barely more than \$1-trillion per year. Therefore, the vast majority of foreign exchange trading involving the Canadian dollar has nothing to do with direct trade, tourism, or investment. Most of it (in excess of 95%) reflects financial motivations. Only around 3% of currency trading could possibly be said to reflect “real” motivations, such as foreign trade, travel, or real business investment.

### **What determines foreign exchange rates (II)?**

Under flexible exchange rates, rates reflect the supply and demand for a currency. But what are the deeper factors behind those supply and demand pressures? To a small degree, real economic factors like trade and foreign investment flows might influence exchange rates. A country with a trade surplus (exporting more than it imports), or experiencing a strong inflow of foreign investment, might experience appreciation – since foreigners need more of the home currency to buy its products and/or purchase business assets.

However, these “real” determinants of financial inflows and outflows are dwarfed by financial flows – whereby money converts from one currency into another as a result of decisions by financial investors to purchase different financial assets. This could include purchases of stocks, corporate bonds, term deposits, derivatives, or government bonds. It could also include the currency itself: an investor might wish to hold a country’s currency solely in hopes that its value will increase.

The crucial determinant of exchange rates, therefore, are the shifting judgments, hopes, and fears of financial investors regarding the returns that can be earned by holding assets denominated in a particular nation’s currency – or even holding the currency itself. (By “financial investors,” of course, we refer primarily to banks, investment banks, hedge funds, and other financial institutions, not to individuals.) If investors decide that Canadian-denominated assets are likely to be more profitable in the future – for example, because the Canadian stock market is rising, or Canadian interest rates are going up, or profits of



Canadian businesses are expanding – then they will buy those assets, and that creates new demand for Canadian dollars. In this regard, exchange rates are financial variables. Their daily ups and downs resemble the ups and downs of the stock market, reflecting the herd mentality and fleeting emotions of financiers.

Monetary policy will also affect exchange rates, for similar reasons. If the central bank reduces interest rates (relative to those paid in other countries), it will become less profitable to own bonds and other assets in that country, and financial investors will tend to move their money into assets in other countries. When the U.S. Federal Reserve (its central bank) recently adopted a policy of “quantitative easing” (in essence, printing U.S. money to purchase bonds and other U.S. financial assets), the U.S. dollar declined against other currencies, since U.S. interest rates were pushed down (and some investors feared a rise in future U.S. inflation). Indeed, that depreciation (which will help to spur U.S. exports and limit U.S. imports) was likely a partial motivation for the Fed’s actions.

### **What is currency speculation?**

A financial investor who purchases an asset solely in hopes of re-selling it later for profit, is a speculator. Most currency trading reflects speculative motives directly or indirectly: with investors hoping to make speculative gains from either changes in the prices of assets denominated in a particular currency, or from changes in the value of the currency itself. Speculation can cause exchange rates to gyrate wildly. When a currency (like any other financial asset) begins to move notably in a certain direction, for whatever reason, speculators act immediately to try to profit from that movement. If a currency is rising, speculators purchase it, and that act in and of itself causes the currency to rise further (the expectation of speculators is thus self-fulfilling). This can carry on only for a while, however; once a currency goes too far in one direction, it will become clear that its value bears no relation to its “real” or “fundamental” determinants, and it will reverse direction. Because of these speculative motives, and the vast flows of finance which speculators are now able to wield on any day of the week, exchange rates move dramatically and quickly, and typically “overshoot” (that is, adjust too far in one direction, requiring an eventual bounceback in the other direction).

### **What is the Canadian dollar’s “fair value”?**

There is no generally accepted theory of what should determine exchange rates in the long-run (or in “equilibrium”). One traditional model is called purchasing power parity (PPP). According to this theory, a currency should ultimately settle at a level which would equalize the common-currency costs of a basket of standard goods and services across different countries. One way that this outcome might be attained, is through “arbitrage”: that is, if a currency deviates too far from its PPP value, it becomes profitable for middlemen to buy goods in a country with an undervalued currency, transport them, and re-sell them in a country with an over-valued currency. An example of this is cross-border shopping, which is common along the Canada-U.S. border. When

the Canadian dollar is too high, Canadians cross the border to buy stuff for cheaper in the U.S.; when the Canadian dollar is too low, Americans come this way to do the same. At PPP, there is no motive for arbitrage to occur in either direction. Based on the absolute level of average consumer prices in Canada and the U.S., the PPP value for the Canadian dollar is currently about 82 cents (U.S.).

Another possible benchmark for the Canadian dollar is the unit cost of producing goods for world markets. In the long-run, Canada must be able to produce and sell enough production in international markets, to pay for the imports which come into the country. Resource-based exports can assist the country’s trade balance, but are not nearly enough to pay for everything we need. Other exports, produced by more mobile industries (and in particular by manufacturing), must also be viably sold into international markets. Canadian workers are paid more than U.S. workers. Yet average productivity in Canadian industries is about 15% lower than in the U.S. (mostly because of a lack of capital investment by Canadian businesses). Given these realities, Canadian manufacturers need an exchange rate in the mid-70s (U.S. cents) in order to compete on unit cost grounds with companies in the U.S. and elsewhere. This is lower than the PPP benchmark for the Canadian dollar.

In practice, currencies do deviate from PPP for long periods of time, and so there are clearly other structural factors which influence exchange rates. More deeply, I tend to think that exchange rates fundamentally reflect the structural appeal (to financial investors, and capitalists in general) of doing business in a particular place. If profits are high (whether due to productivity, pro-employer social and legal conditions, unique technology or resource wealth), global capital will want in on the action, and a country’s currency will tend to rise. If a country’s economy is growing relatively more quickly, with high capacity utilization, lower unemployment, and higher profits, then the currency may appreciate as well (to a point: unless unemployment becomes too low, in which case profits are threatened by uppity workers and rising wages). If a country’s products are relatively more competitive in international markets, its currency may tend to rise: partly via an actual trade surplus (with the country exporting more than it imports), but more importantly via financial flows behind the scenes (including stock market trends and currency speculation). Finally, if government finances are strong and secure, then there will be little fear of default on government bonds (which constitute a financial market at least as large as the stock market), and that can push up the exchange rate, too. (The reverse happened in Canada in the mid-1990s, when Canada’s economy was uniquely weak, deficits were high, and investors were additionally spooked by the threat – since receded – of Quebec separatism.)

### **What explains the Canadian dollar’s dramatic rise since 2002?**

According to the preceding “structural” analysis, the take-off of Canada’s currency since 2002 is tied up with the record-breaking improvement in the profits of Canadian business during



that same period. During those years, the share of corporate profits in Canada's GDP reached all-time record levels – exceeding even the levels in the USA. This in turn reflected the global commodities boom (high prices for oil and other commodities, some of which Canada exports). Profits in Canada's resource sector (especially oil and gas) have been phenomenal over the past decade – far out of step with any historical precedent. This has produced many side-effects, including stock market performance that exceeded U.S. benchmarks, and a shift in the composition of Canada's exports (away from manufactured goods, especially automotive products, and toward resources, especially energy). It's important to note that the chain of causation between commodity prices, the resource boom and the high-flying loonie was not experienced through a strong trade surplus. It is often glibly stated by financial commentators that the loonie is strong because “the world wants what Canada is selling”; if that were true, why has Canada's trade performance been so poor??? In fact, Canada's trade balance has tipped into record-breaking deficits: Canada is running a current account deficit (including trade, tourism, and investment income) that will exceed \$60-billion, or 4% of GDP, in 2010. It is more through profits, and profit-related indicators (like the stock market), that the strong demand for the Canadian dollar is manifested.

In this regard, a strong dollar can in no way be interpreted as proof of a “strong economy” (as politicians often imply). Rather, it is a sign of very well-off capitalists – which is quite a different thing altogether.

### **What are the impacts of a high (or overvalued) dollar?**

Canadian-made products are more expensive in international markets, and hence foreign customers buy less of them. Imports seem cheaper, and hence Canadians buy more of them. In mobile industries (including manufacturing and tradeable services), Canada looks too “expensive,” and hence direct investment leaves the country. In resource-based industries (which must locate here by virtue of the location of the resource deposit), export sales translate into smaller flows of Canadian-dollar incomes (since most commodities are sold in world markets in U.S.-dollar prices, and if the Canadian dollar is higher then those prices translate into lower revenues in Canadian dollars). Tourism flows adjust, since Canada becomes an “expensive” jurisdiction. Indeed, incoming tourism to Canada has been affected more dramatically in recent years even than manufacturing. The trade balance falls into deficit, and the country begins to accumulate international debt to cover those deficits.

There's been tremendous attention from right-wing populists to the accumulating deficit of Canadian governments. Few commentators mention the accumulating Canadian debt to the rest of the world, which is embodied in Canada's massive current account deficit. That deficit sums to almost \$100-billion in the last two years – just as large as the deficits of all levels of government combined.

### **What is international “currency competition”?**

Because of these negative real side-effects of an overvalued currency, many countries try to reduce the value of their currency on international markets (in order to promote exports, reduce imports, and attract foreign investment). In essence, this becomes just like so-called “protectionism,” which was widely (and somewhat wrongly) denounced for worsening the depression in the 1930s. Reducing your exchange rate can be just as effective as increasing tariffs, in an effort to stimulate domestic output and employment during tough economic times. The WTO and the ideology of free trade prevent (in theory) countries from using formal trade barriers to support domestic jobs. But competing efforts to devalue currencies have similar motivations, and similar effects.

This has sparked the recent international tension in currency markets. China strictly (but indirectly) regulates its currency, keeping it low despite China's enormous trade surplus and inflow of foreign direct investment. The U.S. complains about this practice (even though it is largely U.S. corporations who produce the goods which are imported to the U.S. from China). Other countries (including Japan, Brazil, and others) also regulate exchange rates. Canadian officials have been content to “play by the rules,” allowing the loonie to rise as high as speculators are willing to push it – with no countervailing interventions at all. This is a beggar-thy-neighbour battle that can some countries may “win,” but not all. Current international tensions over exchange rate reflect the fundamental problems with a competitive, dog-eat-dog global trading system which encourages every country to generate trade surpluses, yet imposes no adjustment burden on surplus countries to resolve the resulting trade imbalances.

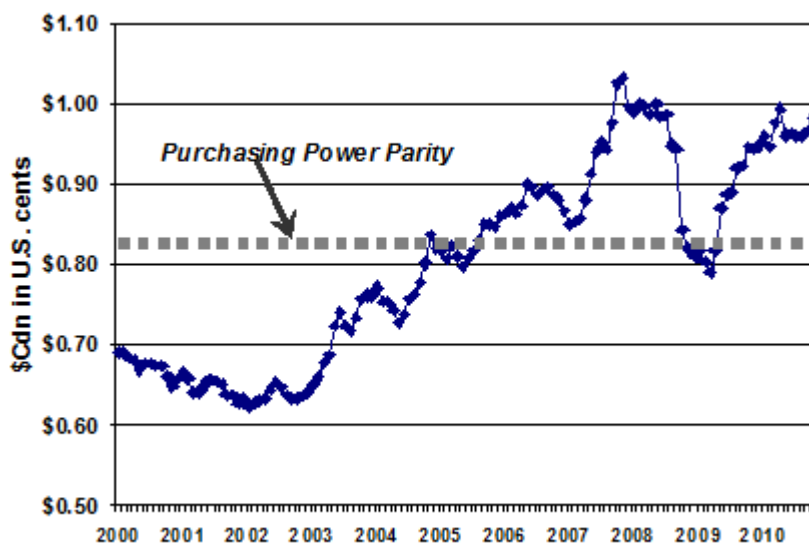
### **How high will the loonie go?**

Rightly or wrongly, the Canadian dollar seems to have settled into a trading range at or slightly below par with the U.S. dollar. This is around 20 per cent overvalued relative to PPP criteria – and even more if we measure the benchmark in terms of the competitiveness of manufactured exports (in which case the dollar should settle in the mid-70s U.S.). Canada's trade and current account deficits are breaking records, and still growing. More direct investment is leaving Canada than entering (despite the huge resource takeovers which continue apace – the one exception being the blocked takeover of Potash Corp.). While Canada's recession was somewhat less severe than those experienced in some countries, and while the financial crisis resulted in less banking chaos here, Canada's economic “recovery” has stalled more dramatically than those in other OECD countries. Indeed, Canada's GDP growth in the 2<sup>nd</sup> and 3<sup>rd</sup> quarters of 2010 was barely above zero, and much slower than in most other OECD countries.

For all these reasons, the “fundamentals” suggest that the dollar should fall in coming years, not rise. The only feature which suggests a higher currency is the stronger fiscal position of Canadian governments (and hence the lower risk of long-run default on government bonds). This could encourage investors to buy Canadian assets rather than European or American ones. But a smaller deficit is not enough reason to hold an overvalued currency for long periods of time, however – especially when real economic conditions are deteriorating.

All that being said, there is no guarantee that financial forces won’t push the Canadian dollar up even higher in the future. This could occur if investors begin to fear future U.S. devaluation or (worse yet) accelerating inflation or government defaults (which are quite possible among state and municipal governments in coming years), and/or if the continuing European debt crisis unfolds badly. Very high oil prices (unlikely, given the shaky state of global growth) could also push the dollar skyward, via their impact on oil industry super-profits.

### Is the loonie strong because the American dollar is weak?



The value of the Canadian currency is usually measured versus the U.S. dollar, since most Canadian trade and investment flows involve our southern neighbour. It takes two to tango, and hence that specific bilateral relationship should reflect conditions in both countries (not just in Canada). Some Canadian officials have claimed the problem is weakness in the U.S. dollar, and hence there is nothing that can be done about it from Canada’s side.

Since 2002, the U.S. dollar has declined by an average of 25% against a weighted average of its major trading partners. (This measure of the U.S. “average” exchange rate is called the “Broad Index” and is calculated by the U.S. Federal Reserve.) This reflects the historic weakness of the U.S. economy against other regions.

But over the same time, the Canadian dollar has appreciated by 55% against the U.S. dollar – more than twice as much. In other words, over half of the “problem” since 2002 (namely, the rapid rise of the Canadian dollar against its U.S. counterpart) reflects the unique strength of the Canadian dollar; less than half of the problem reflects the global weakness of the U.S. dollar.

This can be verified by considering the appreciation of the Canadian dollar against most other major currencies in recent years, including the euro, the Mexican peso, and the Chinese yuan. The Canadian dollar has risen strongly against all of these currencies (issued by countries which, incidentally, all maintain large trade surpluses – in contrast to Canada’s large and growing trade deficit). Clearly, the Canadian story behind the appreciation of the loonie since 2002 is at least as important as the story of U.S. weakness.

### What can be done to control the currency?

The government (and more likely its central bank, the Bank of Canada) can intervene in foreign exchange markets to influence flexible exchange rates. In essence, they would do the opposite of whatever private investors are doing, if they don’t like the market-determined exchange rate. If the currency is too strong, the central bank would sell Canadian dollars (vice versa if the dollar is too weak). This is easier to do when the currency is too strong, than when it is weak. The Bank of Canada can conceivably supply infinite amounts of Canadian dollars to the market (since it can control the creation of Canadian currency, directly through printing and indirectly through its influence over bank credit), until enough is supplied that the exchange rate falls. When the Bank is trying to prop up the dollar, in contrast, it is limited by the amount of foreign exchange it has on hand to buy Canadian dollars; the Bank can also be defeated, in this scenario, by speculators who mobilize large financial sums to “attack” the currency in the expectation that it will eventually fall anyway. It is quite wrong to claim that the Bank of Canada could not have reduced or even arrested the

recent appreciation of the Canadian dollar; other central banks (such as China’s) have proven that it is quite possible to arrest an appreciating currency (much easier than trying to arrest a depreciating one).

Another way to control the currency is to simply re-establish fixed exchange rates – tying the dollar to another currency (most likely in our case the U.S. dollar), or even to the price of a real commodity (like gold). This approach has many pitfalls. Most importantly, it would effectively eliminate the ability of the Bank of Canada to set interest rates at levels which are best for Canada’s economy; instead, interest rates would have to be set at whatever level was consistent with the fixed exchange rate. Fixed exchange rates are also subject to speculative attacks

(especially for smaller countries). And the economy would lose some of the desirable flexibility in exchange rates: that which reflects genuine developments in the real economy (as opposed to speculative forces).

A left strategy for tackling the problem of Canada's overvalued currency would start from an understanding of the deeper underlying causes which have caused the problem in the first place. The loonie's rise reflects the interest of investors – foreign as well as domestic – in highly profitable business opportunities (especially in petroleum and other resources) in Canada. That chain of influence could be easily broken, by pro-active measures which targeted the resource super-profits and associated financial side-effects. Impose higher taxes or royalties on the extraction of non-renewable resources (for environmental reasons, as well as economic ones). Severely restrict foreign takeovers of Canadian resource companies and assets. That in turn would reduce share prices for resource companies on the Canadian stock market. All of this would quickly reduce the relative appeal of owning

Canadian wealth, both financial and real. The dollar would depreciate immediately and rapidly. (Indeed, this is the same reason why exchange rates typically fall when left-wing governments are elected.)

More deeply, destructive exchange rate instability is another side-effect of the intense financialization which has characterized economic development under neoliberalism. The sheer sums of mobile financial capital which are available to speculate on assets, including across national borders, have grown dramatically due to the expansion of mutual funds and other financial vehicles, the unproductive allocation of new credit into financial rather than productive uses, and the concentration of financial wealth in the hands of an increasingly small elite. Reversing financialization – by socializing capital pools, by eliminating the reliance of pension funds and other social programs on stock markets, by taxing and redistributing financial wealth – would lessen the vulnerability of the economy to financial flows in general, including those which have wreaked such worldwide havoc through exchange rate instability. **R**

## Saving Global Capitalism: Interrogating Austerity and Working Class Responses to Crises

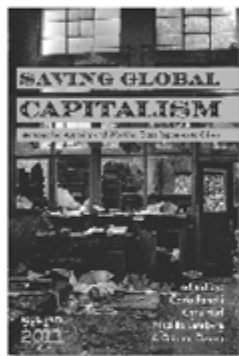


**Alternate Routes 2011: A Journal of Critical Social Research**  
www.alternateroutes.ca

Edited by: Carlo Fanelli, Chris Hurl, Priscillia Lefebvre & Gülden Özcan

ISBN: 978-1-928958-01-9 Paperback, 196pp.  
\$17.50 USD

Ottawa | Red Quill Books, 2010  
Distributed by Ingram



What began as an unprecedented housing meltdown centered in the United States in the summer of 2007, quickly turned into a global insolvency crisis throughout 2008, and later the most significant economic crisis since the Great Depression. Despite monumental bailouts and extraordinary coordination by all major capitalist countries led by the U.S. Treasury, the public purse that salvaged the making of global capitalism is now being undermined by the very financial markets that were rescued. A new wave of austerity is sweeping the globe. With a further slide into recession possible in 2011, a social crisis is brewing as the working class continues to shoulder the burden of the economic crisis.

The articles in this issue scrutinize the austerity responses of governments around the world designed to kick-start capital accumulation and recreate a suitable environment for business investment. The contributors to this collection provide a vivid portrait of working class discontent in an era of increasing capitalist militancy.

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Bryan D. Palmer, Canada Research Chair Canadian Studies, Trent University and author of *Working-Class Experience, Canada's 1960s*, and *James P. Cannon and the Origins of the American Revolutionary Left*.

Contributions by: Bryan Evans & Greg Albo; Carlo Fanelli and Chris Hurl; Mingqi Li; Ingo Schmidt; Hugo Radice; Richard Wolff; Rebecca Schein; Dave Broad; Lyle Daggett; Aaron Henry; Bora Erdagi; Kyle Hamilton; Priscillia Lefebvre; Gülden Özcan; Ida Kokalaj; and Edward Hickey



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# The Struggle on Many Fronts: Four Interventions in Venezuela

Michael A. Lebowitz

*The following documents are presentations made or prepared for different purposes in Venezuela. The first ('The Specter of Barbarism and its Alternative: Eight Theses') was presented at a conference of Venezuelan intellectuals organized by Centro Internacional Miranda (CIM) in Caracas on 'The New International Situation and Construction of Socialism in the 21st Century' on 1 October 2009; this paper points to both the international struggle and (peripherally on this occasion) the internal struggle. The second ('A Proposal for a Workers' Planning Process') flows from an intervention made on 13 May 2008 at one of the CIM weekly Roundtables with workers which occurred that year. This particular Roundtable involved workers from Sidor (the steel firm nationalized in April 2008) with workers from other industries (including recovered factories), and this reconstruction of my handwritten notes was translated and distributed at the roundtable the following week. The third ('Working Class Response to Devaluation Measures') was prepared at the request of Marea Socialista (a tendency within UNETE, the militant section of the organized working class) in January 2010 for a meeting of the Socialist Workers Front of PSUV [the 'United Socialist Party of Venezuela'] with party leaders in relation to the devaluation of the Venezuelan currency earlier that month. Finally, the fourth intervention ('The Responsibility of Revolutionary Intellectuals in Building Socialism') was presented at a CIM conference, 'Intellectuals, Democracy and Socialism,' on 2 June 2009 – a conference in Caracas composed largely of leading Venezuelan intellectuals which generated much controversy because of public criticisms of 'the process' made there; despite my statement that this presentation was 'general rather than specific to Venezuela,' it nevertheless was declared to be as an attack on PSUV by a Chavist faction linked to the oil ministry.*



## **The spectre of barbarism and its alternative: eight theses**

**Thesis One.** The capitalist economic crisis is not over.

Although the immediate financial crisis appears to have been resolved, all of the underlying factors (which are the result of the over accumulation to which capitalism is prone and which made fictitious capital so vulnerable) are still present. The incredible trade imbalance of the U.S. economy has not been addressed; the unprecedented deficit of the U.S. federal budget is rising; the over-extension of consumer credit hangs over the economy; unemployment is rising and thus consumer confidence and spending is not likely to return to previous heights; and, the general picture is one in which the U.S. economy, the dominant economy in the world, will continue to lose hegemony. When commentators stress signs of recovery, it is essential to remember that this pattern differs not at all from that of 1929 to 1933 – in other words, the period between the stock market crash and the bank failures – a period before much of the depression of the 1930s. At best, although capitalism itself may recover, the prospect is one of a significant geographical restructuring of capital on an international basis, which will require a painful adjustment for the U.S. economy – one which involves acceptance of continued stagnation or decline of incomes for the mass of people.

**Thesis Two.** The resource/food/water/climate/environment crisis is deepening.

All these elements are connected. There is a food crisis which reflects, among other things, drought as the result of climate change and the diversion of food for the production of biofuels. Despite the ability to produce sufficient food at this time for the world, unequal distribution has meant starvation for many and has been reflected in food riots over the price of staple products like rice. There is a process of land grab occurring in which countries such as China, India, South Korea and Saudi Arabia are in the process of leasing land in Africa, Pakistan, and the Philippines among other places for the purpose of securing food (especially grain) and fuels. For example, Daewoo of South Korea took a 99 year lease on 3,000,000 acres of land in Madagascar (half of all arable land in the country) for the purpose of producing corn and palm oil. Similarly, Pakistan offered a half million hectares of land and promised Gulf investors that if they signed up it would hire a security force of 100,000 to protect the assets. A significant aspect of these contracts which secure arable land for foreign investors is that it is a way of dealing with the impending crisis of water shortage. And, this problem is becoming increasingly serious with the melting of glaciers for example in Tibet and the Andes – which will affect the availability of water not only for consumption and agriculture but also for hydroelectric power. This problem, the problem of over-expansion of economic activity in relation to existing resources under capitalism, will only get worse as India and China in particular attempt to emulate the consumption standards of the developed North.



**Thesis Three.** The current internal political correlation of forces in the United States and other advanced capitalist countries is not favorable to the advance of progressive forces.

Here we can simply note the recent rightwing victories in elections in Germany, Italy and France, in the European Union, as well as the current prospect of a smashing defeat of the Labour government in England. Of course, it is stretching matters to think of these defeats for social democracy as defeats of progressive forces; however, what is evident is the failure of the left, of trade union organizations and social movements to make significant gains in this time of capitalist crisis. To this, it is important to add the very successful mobilization of forces in the United States against health-care reform. What is striking is the composition of that mass opposition: the so-called “tea party” movement has been attacking not only Obama, not only big government and socialism but also Wall Street and corporations – and so many of those who have marched describe themselves as working class. There is no comparable mobilization of the working class from the left in the United States.

**Thesis Four.** In the context of resource shortages, the struggle to control resource supplies will become intense. That struggle is not likely to take the form of market and financial domination; rather, force will decide. This is one aspect of the specter of barbarism.

**Thesis Five.** In the absence of strong political movements on the left, the response in the United States in particular and in other advanced capitalist countries is likely to be one best analyzed by psychologists.

For example, in the United States (where it is a matter of faith that “this is the greatest country in the world”), the reaction to the changing world capitalist economy will be a tendency toward protectionism, xenophobia (manifested in particular against Muslims), quick military solutions, racism and attacks upon immigrants who are seen as stealing good jobs. In short, the likely response will be the search for scapegoats – those responsible for stealing the birthrights of true Americans. As we can see already in Europe (the fascist attacks upon the Roma people in Hungary is one example), this is another aspect of the specter of barbarism.

**Thesis Six.** The old concepts of socialism, the characteristics of socialism of the 20th century, will never challenge the mass psychology which prevails in advanced capitalist countries.

If there is anything clear in the reaction of masses in developed capitalist countries to the initial appearance of this crisis within capitalism, it is that the concept of a big state, of verticalism, of interference by distant entities (not only big government but also big companies) is precisely what people do not want. For them, that is the enemy.

**Thesis Seven.** The concept of socialism for the 21st century, with its emphasis upon communal councils and workers’ councils, is

the only way to make inroads on the working class of advanced capitalist countries at this point.

What people do respond to favorably is the idea of local decision-making and the ability to make the decisions that affect their lives – precisely because that option has been removed in advanced capitalist countries. Those are precisely the elements needed for the battle of ideas in order to struggle against barbarism.

**Thesis Eight.** At this time, only Venezuela offers the vision that can arm militants around the world in the battle of ideas in the struggle against barbarism. For that reason, a special responsibility falls upon Venezuela. It not only must struggle against state domination and verticalism and for development of those protagonistic institutions which alone can transform people. This struggle is essential for the health of the Venezuelan revolution; however, the success of this struggle also is needed to provide an example internationally in order to defeat the specter of barbarism.

## **2 A proposal for a workers’ planning process**

I want to follow up on the point made by Orlando Castillo about the differences between the nationalization of SIDOR and the earlier nationalizations of CANTV etc.<sup>1</sup> I think these represent two different aspects of nationalization.

One aspect of nationalization is nationalization as part of a rational plan for a non-capitalist economy, a rational plan as determined from above with the perspective of developing forms of economic integration. The nationalization of CANTV, the electricity company of Caracas, the cement companies and also Sidor would be in theory steps toward the development of a rational plan for the economy. Yet I stress here – in theory. Because in practice, we know that the realization of this potential with the existing state structure is very unlikely.

After all, this is a state in which ministries do not cooperate, in which ministries are like separate islands -in a state which is like an archipelago made up of separate and distinct islands. Why should we think that the individual nationalized firms would be themselves any more than separate islands with this state? What is the likelihood, in short, of a real plan with the state as it exists?

A second aspect of nationalization, on the other hand, is nationalization which reflects the demands and struggles of the working class. In this category go obviously Sidor and recovered factories like INVEVAL.<sup>2</sup> This characteristic of mobilized workers, as was noted, is quite different from the earlier nationalizations. I think, though, that it is possible to think of a possible synthesis of these two aspects of nationalization.

I mean here the idea of nationalized industries where workers advance their own vision of a rational economy. I definitely

agree with Stalin Perez where he stresses the importance of the workers of Sidor meeting with the workers of ALCASA and learning from them about the problems they faced.<sup>3</sup> But I think it is also important and essential that Sidor workers meet with the workers of CADAPE. The workers represented by FETRAELEC have been exemplary in advancing the position of a working class oriented toward the needs of society by pointing to the energy crisis that the country faces.<sup>4</sup> They have seen what company executives and ministers have not been able to see – the serious inadequacy of investment in the energy sector. And they have reported on this not from the perspective of self-interest but from the perspective of socialist workers. I think that this is an example that needs to be shared with other workers of state – owned industries.

Accordingly, let me propose to you the idea of a conference oriented toward developing a workers plan for the economy. It would be a conference in which workers come together not as trade unionists but, rather, as workers in state-owned industries who are oriented toward developing a rational economy which serves the needs of the people. I think it is obvious, too, that those most qualified to convene such a conference at this time are the workers of Sidor. I make this proposal in response to a call by Nelson Rodriguez of INVEVAL for concrete suggestions; I think this is concrete and that such a conference would generate many concrete proposals.

### **3 Working-class response to devaluation measures**

We agree that the government decision to devalue the Bolivar can be an important step toward providing greater funds for social programs and the state budget at all levels, reducing the unacceptable current level of imports, encouraging the development of exports other than oil and helping to create the conditions for new national production. However, by itself the burden of the devaluation measures will fall upon the working-class. Therefore, to break clearly with the neoliberal model, it is essential that the government supplement its devaluation decision by accepting the following proposals.

Our proposals are based on four central principles:

1. The organized working class must not pay.
2. The people in general must not pay.
3. Capital must pay.
4. We need to take definite steps that move in the direction of socialism.

We understand that these steps necessarily will involve a combination of long-term and immediate measures. We focus below on the first two of these principles, as principles three and four are not separate but must be present everywhere.

1. The government has recognized the inflationary effect of devaluation by agreeing to increase the minimum wage. However,

only on the basis of theoretical assumptions about market processes – assumptions which are not relevant in the Venezuelan economy and which at best are only operative in the long run – would the increase in the minimum wage provide any protection for the organized working class. Accordingly, we demand a law which ensures that all existing collective contracts must include a cost-of-living adjustment which increases at the same rate as the minimum wage. Such a law would establish through state action what the market will not do; it also would act to encourage workers to form trade unions and achieve collective contracts. Of course, such a law could be an incentive for capitalist employers not to sign collective contracts with trade unions. Therefore the law should include a tax on all companies without collective contracts. That tax would exceed a cost-of-living adjustment, and distribution of part of the proceeds of that tax would go to the trade unions for distribution among their members. The remainder of this tax would be available for a refund to the companies upon the signing of a collective contract. Note that all state companies would need to comply with this law, and that ministers would be required to report on their compliance to the vice president of the country.

Of course, introduction of a tax upon capital is always subject to evasion and the denial on the part of capital of its ability to pay. Therefore, transparency is essential for taxation policy to be effective. This transparency can be achieved in two ways: firstly by opening the books of the companies to the workers and secondly, by increasing transparency directly to the government. The easiest way for the second would be to compel all firms which receive dollars through CADIVI to maintain their bank accounts in state banks (at present, they can place this money in any banks that they wish – including foreign banks).<sup>5</sup> In addition to providing government with the necessary information, this would be an important step in ending the generation of private profits from the people's money. As part of a general move toward removing state support of private bank profits (including ending state deposits in private banks), it would also reduce both the strength and the market value of the private banks and thus would be an essential step toward bringing the entire financial system under the control of the government. The combination of transparency to the government and the ability to monitor the books by the workers would prevent capitalist blackmail.

2. The government has taken very important steps toward protecting people in general from inflationary effects of devaluation. We're referring here to restrictions on price increases, the expropriation of the distribution chains which can serve as a government alternative, and the clear announcement by Minister Saman that the government intends to import goods itself to compete with the private monopolies.<sup>6</sup> These are definitely steps in the direction of substituting state control of foreign trade for the current private monopoly and stranglehold. We think that these measures, though, must go beyond announcements and sporadic enforcement; we believe that they can only be effective if combined with the initiative of people in communities who can monitor the prices being charged and the behavior of private

distributors. Accordingly, to encourage that initiative from below, we think that there should be legislation which enables local communities through communal councils and communes to *confiscate* goods which are being sold at excessive prices. The goods would then be sold by the communities at a just price and the proceeds would go to communal banks to finance local improvement and development.

This immediate combination of vigorous action from above and below is necessary to reduce inflationary pressures as a result of devaluation. However, in itself it does nothing to reduce the already elevated prices of capitalist firms. We need to look at the level of profits and their contribution to high prices, and we need to find ways to increase the efficiency and productivity of existing enterprises in order to make possible lower prices. Accordingly we propose opening the books to workers' councils and allowing workers' councils to introduce measures which can reduce waste and increase efficiency and productivity. Where firms resist making this information available and allowing workers to introduce solutions in the interests of society, they should be taken over so they can act in the interests of society as worker-managed, state-owned firms.

With these measures, which include cost-of-living adjustments for all organized workers, ending private profits from the people's money, opening the books of the companies, giving communities the right to confiscate goods and to use the proceeds of their sales at just prices, empowering workers' councils to reduce inefficiency and increase productivity and nationalizing firms which do not act in the interest of society, we think Venezuela will both protect the working class from the negative effects of devaluation and also will take clear steps in the direction of building socialism for the 21st century. Not to act on such proposals, on the other hand, will be to reinforce neoliberalism and the capitalist economy.

# 4

## **The responsibility of revolutionary intellectuals in building socialism**

When we talk about intellectuals, we have to recognize of course that there are many varieties of intellectual. So, let me be specific. I'm not talking about traditional intellectuals nor about academics. I am talking about intellectuals who are committed to building socialism. Further, my comments are not directed specifically about Venezuelan intellectuals – that would be inappropriate for me as a visitor. So my comments are general rather than specific to Venezuela.

What I want to focus upon are revolutionary intellectuals, people who are committed to building socialism for the 21st century. And I have in mind here something quite specific, a particular combination of elements. So, when I speak of socialism for the 21st century, I have in mind a combination of social ownership of the means of production, social production organized by workers and communities, and a society based upon

solidarity which is oriented toward producing for communal needs and communal purposes.

In short, these revolutionary intellectuals are people who are committed to a revolutionary project – to a revolutionary labour process in which the goal (socialism for the 21st century) is clear, and where what is called for is discipline to achieve that goal. In other words, a revolutionary intellectual must be disciplined in order to carry out the revolutionary project. Let me take this a further step. The revolutionary intellectual must be subject to discipline by the revolutionary party, a party dedicated to building socialism for the 21st century. The revolutionary intellectual must take guidance from that revolutionary party.

However, before my statement generates a hailstorm of shoes thrown at me, let me make one thing quite clear. We need to distinguish clearly between the revolutionary party and the *party of the moment*. I am using the term 'moment' here with its dialectical meaning – a step, a phase, a momentary stopping point which is and must be transcended in the course of progress.

So the distinction that I am making is between the revolutionary party, the party of the socialist future, and the party of the moment. It is the former to which revolutionary intellectuals must be disciplined. After all, the party of the moment may not be committed to the socialist project. The dominant forces in the party of the moment may be oriented to a hierarchical command structure similar to the unfortunate experiences of the 20th century; they may have little interest or commitment to building a process of worker management which is essential for developing the capacities of working people, and they may believe that a focus upon producing on the basis of anything other than self-interest is utopian. Should revolutionary intellectuals discipline themselves to such a party? (I speak, incidentally, as someone who functioned for many years in a social democratic party.)

In other words, we have to recognize that there will be a gap between the concept of a revolutionary party oriented toward building socialism for the 21st century and the party of the moment. And, such a gap is inevitable. As Marx (and indeed every dialectical thinker) recognized, new forms always emerge within the old, and they inevitably reproduce defects of the old. Further, the new necessarily emerges in an inadequate form. Hegel commented that when we want to see an oak tree with its vigorous trunk, its spreading branches and its foliage, we are not satisfied to be shown an acorn instead.

So how do we respond to that inevitable gap as revolutionary intellectuals? One possible stance is to stand outside and critique the inadequacy of the form that has emerged. The other, the revolutionary response, is the struggle to make what is potential real. Victor Serge was asked at one point: 'Were the seeds of Stalin present in Lenin?' Serge answered, 'there were many seeds in Lenin.' I suggest that the responsibility of revolutionary intellectuals is to nurture the revolutionary seeds. And to do so everywhere possible; to communicate the vision of socialism for the 21st century to the masses because, as we know,

ideas become a material force when they grasp the minds of masses; and to try to convince those who are providing leadership to the process about those same ideas and that same vision.

Of course, we understand that in committing ourselves to discipline by the revolutionary party of the future and not to discipline by the party of the moment, this may be seen as a criticism of the party of the moment. And those least oriented toward building socialism for the 21st century will be most anxious to prevent such expressions. However, I think we must all be conscious of the consequences of abandoning the vision of socialism. If they are to be true to the project of building socialism for the 21st century, revolutionary intellectuals must place upon their banner Marx's comment about the importance of criticism, which is as little afraid of the results it arrives at as it is of conflict with the powers that be.

And if this is the responsibility of revolutionary intellectuals, there is also the responsibility of revolutionaries within the party of the moment. If the party of the moment truly wishes to explore the process of building socialism for the 21st century, it will ensure that there is space for revolutionary intellectuals to follow the discipline of the revolutionary party. Not to provide this space and not to encourage the nurturing of revolutionary seeds is to allow the weeds to advance. **R**

## Endnotes

<sup>1</sup> Orlando Castillo was the leader of a tendency, Union Autonomy within the trade union movement, a member of the National

Assembly and is currently a spokesperson for the Socialist Workers Front of PSUV. SIDOR and CANTV are the renationalized steel and telecommunications companies respectively.

<sup>2</sup> INVEVAL is a valve company seized by workers after it closed and subsequently, on the demands of workers, nationalized.

<sup>3</sup> Stalin Perez is the leader of Marea Socialista, a tendency within the trade union movement and within PSUV. ALCASA is the state aluminum company which began an experiment in 2005 in worker management which was sabotaged; see Michael Lebowitz, 'Exploring the Dialectic of the Bolivarian Revolution' in *Monthly Review* (February 2010, a review essay on Iain Bruce, *The Real Venezuela* (Pluto, 2008).

<sup>4</sup> CADAFE is the major state electrical distribution company. It was the site in 2005 of some of the earliest steps toward worker management – spearheaded by FETRAELEC, the federation of electrical workers. Those steps were reversed by decisions from the top management and the ministry on the logic that there was no place for worker management in 'strategic industries.' FETRAELEC warned continually about an impending electrical supply crisis because of bad decisions made at the top; it is currently heavily involved in introducing worker management and planning in the new Ministry of Electricity, created after that crisis emerged.

<sup>5</sup> The currency control board which provides U.S. dollars (in particular for importers) at the official fixed exchange rate, which has been well-below the street rate.

<sup>6</sup> Eduardo Saman, who was the popular and militant Minister of Trade, was removed without explanation (or notice) subsequently.

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## Building the People's Media Apparatus: BASICS, Five Years On

Steve da Silva

If working people cannot set the terms of the debates that circulate in our society, then we cannot equip ourselves with the frameworks and reference points we need to intervene as an independent class. Rather, we become the passive agents of those who *do* set the terms of the debate, unable to throw into question the false parameters of these debates at the outset. A people's media apparatus, serving alongside the much needed other independent organizations of the working class, is the only way to address this problem.

What has grown into *Basics Community News Service*, formally launched on October 23, 2010, began roughly five years earlier with the mere idea of creating a local media project that would "encourage meaningful discussion and organization around the issues facing working class communities." The young group of working-class activists who ran Issues 1-3 of BASICS off of photocopiers and distributed them throughout Regent Park, Parkdale, and Lawrence Heights in Toronto did not necessarily recognize that what they were building was a people's media

organization. The immediate goal was to organize people in the struggle against gentrification. A greater appreciation of the need for a broader people's media organization was only a belated one, dawning on us as the people enthusiastically received our reporting on slum-lord housing, Canadian imperialism's activities around the world, police brutality in Toronto, and positive exposures of working-class people in struggle. Such affirmations of our work convinced us that our media work had to become more than a mere appendage of a local organizing effort, even if it required local community organization to flourish.

Just as the highly concentrated monopoly media in Canada (Bell, Rogers, Canwest, Quebecor) serve the interests of the big capitalists in Canada, and are indeed intertwined them, any media organization striving to genuinely serve the working-class would have to work alongside the organizations that genuinely serve that class. And where they didn't exist, we would have to build them.



So the first serious efforts to organize the people while building BASICS Free Community Newsletter came with the intervention of our newspaper in the struggles in Lawrence Heights against the destruction of social housing. Aware of the social dislocation that was unfolding in Regent Park due to the “revitalization” scheme, the first BASICS members sought to communicate the lessons of Regent Park to the doorsteps of the people in Lawrence Heights. So with Issues 4-6 BASICS featured prominently the issue of gentrification in Lawrence Heights, alongside other important local, federal, and international developments. We distributed the paper alongside holding public meetings, forums, and carrying out *serve the people* programs, such as workshops to help folks fight for the basic (legally required) repairs that was been illegally denied them because the slumlord was preparing for demolition. We showed tenants how to fill out the forms to the Landlord and Tenant Board, but also encouraged people to organize themselves against the destruction of social housing.

Eventually, organizations in the community began to independently take up the call of ‘Zero % Displacement’ that we initiated, but the forces working against grassroots organization – namely, the landlord (TCHC) with its powerless “Tenant Reps” system and the funded agencies, like United Way – were also very strong forces in co-opting genuine people’s organization from leading a resolved struggle against demolition. Many spontaneous leaders of the people were pulled in by the limited employment opportunities offered by these organizations, co-opting their political initiative in the process.

This was the initial context of building BASICS.

In late 2007, our focus shifted onto the issue of police brutality with the police murder of 18-year-old Alwy Al-Nadhir, an Arab youth who grew up in Regent Park. Our circulation suddenly doubled to 4000 copies an issue as we moved into Regent Park and Atkinson / ‘Project Original’ to expose the police murder of Alwy. The new focus of our work led to the creation of the youth-led Justice for Alwy campaign against police brutality, and later supported the creation of the NO COPS campaign against the deployment of police in high schools. From 2008 onwards, the more coverage we provided to police brutality in our city, the more people were coming to us with their stories of harassment and brutalization, filling our columns with stories of their experiences.

While maintaining and expanding our free community distribution throughout 2008, by 2009 BASICS began to link up with other sectors and ethnic communities in their domestic and international struggles. We expanded our coverage of the struggles of Latinos, Tamils, and Filipinos domestically in Canada and internationally, focusing on the exploitation and oppression of racialized workers, migrant workers, and the impact of imperialism on toiling people across the world. In 2009, our organization became a constituent member of the May 1st Movement, along with many other community organizations. BASICS played a critical media support role in the large community

mobilizations for May Day in 2009 and 2010 with the May 1st Movement.

In 2009, BASICS was also taken up by the youth-led community organizing initiative that eventually spawned the Esplanade Community Organization.

In 2010, the paper continued to be taken up by different organizations and coalitions, including the Migrant Women’s Coordinating Body (now the Revolutionary Women’s Collective), as we continued to utilize the paper to address burning issues of the day, such as the massive wave of repression at the G20 Summit and in its aftermath.

BASICS has made the greatest impact as a people’s media organization when we have addressed burning issues in a timely way and raised questions that few others were asking. For instance, when we published the article detailing the death of Junior Manon, beat to death by police on York University campus on May 5, 2010, we attracted over 20,000 hits on that article alone in less than 24 hours, and certainly many thousands more read our story elsewhere or heard about the story word of mouth. Our intervention undoubtedly made a huge difference in countering the outrageous lie of Manon dying of a heart attack.

By Issue #22 (Sep/Oct 2010), we had distributed some 90,000 copies of BASICS throughout Toronto, particularly in Regent Park, Lawrence Heights, Esplanade, Pelham Park, Atkinson / P.O., Jane and Finch, Perth Avenue, and Cataraqui; as well as throughout community centres and small businesses scattered throughout the city. Hundreds of thousands have read our work online. And some 6000 people have downloaded our more than 100 past ‘Radio Basics’ radio programs, which air live on 105.5 FM in Toronto on Mondays at 8-9pm.

In our five years, we interviewed musicians M1 from Dead Prez, UMI and from POW, Wise Intelligent from Poor Righteous Teachers, and many other musicians such as Invincible and Finale from Detroit, Toronto’s own Wasun and Lal, the Bronx’s Rebel Diaz, Familia Negra from Caracas, and the son of assassinated Imam Luqman Amin Abdullah from Detroit, MC Mujahid Carswell.

We’ve interviewed past and present revolutionary leaders and figures from the Black Panther Party and other black revolutionary figures, such as Muhammaed Ahmed of Revolutionary Action Movement, Seth Hayes of the BLA, Ramona Africa of the MOVE organization from Philadelphia, Fred Hampton Jr. of the POCC, Diop Olugbala of the APSP, and Norman Otis Richmond, the voice of Toronto’s long-running Saturday Morning Live on CKLN and a former member of the League of Black Revolutionary Workers in Detroit. We have interviewed Shawn Brant, militant Mohawk leader at Tyendinega; critical American political commentator, Dr. Michael Parenti; and perhaps most distinguished of all, Filipino revolutionary leader, Jose Maria Sison, founder of the New People’s Army and the Communist Party of the Philippines.

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# Marxisms, theory, yesterday and today

## Answers to questions from the Russian comrades in Vpered

Daniel Bensaid

*1. What parts of the Marxist heritage clearly belong to the past, and which ones do you feel remain equally relevant today?*

I'd like to start by nuancing or differentiating the very idea of heritage. There isn't one heritage, but many: an "orthodox" (party or state) Marxism and "heterodox" Marxisms; a scientific (or positivist) Marxism and a critical (or dialectical) Marxism; and also what the philosopher Ernst Bloch called the "cold currents" and "warm currents" of Marxism. These are not simply different readings or interpretations, but rather theoretical constructions that sometimes underpin antagonistic politics. As Jacques Derrida often repeated, heritage is not a thing that can be handed down or preserved. What matters is what its inheritors do with it – now and in the future.

So, what is outdated in Marx's theory?

To begin with, I would mention a certain kind of sociological optimism – the idea that capitalist development almost mechanically brings about the growth of an ever-growing, ever-more concentrated, ever-more organized and ever-more conscious working class. A century of experiences has made plain the scale of divisions and differentiations in the ranks of the proletariat. The unity of the exploited classes is not a natural given, but something that is fought for and built.

Next, I think we have to resume a serious examination of the notions of the dictatorship of the proletariat and of the withering away of the state. It's a complicated question, because the words do not have the same meaning today that they might have had when they were penned by Marx. At the time, in the lexicon of the Enlightenment, dictatorship was counterposed to tyranny. It referred to a venerable Roman institution – a special power granted for a limited time, and not unlimited arbitrary power. Clearly, following the military and bureaucratic dictatorships of the 20th century, the word has lost its innocence. For Marx, though, it meant something entirely new: a special power based for the first time on the majority. In his own words, the Paris Commune represented "the form at last discovered" of this special power. We should therefore speak today of this experience of the Commune (and of all forms of democracy "from below"). For Marx, the notion of the dictatorship of the proletariat did not refer to a specific institutional order. Rather, it had a strategic meaning – that of emphasizing the break in continuity between an old social and legal order and a new one. "Between equal rights, force decides," he wrote in *Capital*. From this point of view, the dictatorship of the proletariat would be the proletarian form of the state of exception.

Finally, we often hear that while Marx might have been (or actually was) a good economist, or a good philosopher, he was a mediocre politician. I think this is wrong. On the contrary, Marx was a political thinker, but not of the sort taught about in so-called "political science" where politics is a technical and institutional matter. Incidentally, outside of Great Britain there were scarcely any parliamentary systems of government in Europe or political parties of the modern variety known to us now. Marx saw politics as an event (wars and revolutions) and as an invention of forms. It's what I have called "politics of the oppressed" – politics for those excluded from the state sphere to which bourgeois thought reduces professional politics. While this different approach to politics remains very important today, we cannot ignore the blind spots in Marx's thinking. These blind spots can lead to taking shortcuts between the moment of exception (the "dictatorship of the proletariat") and the prospect of a rapid withering away of the state (and of law!). In my view, these shortcuts are very much in evidence in Lenin (especially in *The State and the Revolution*), and this isn't very helpful for thinking through the institutional and legal dimensions of the transition. All the experiments of the 20th century oblige us to think through the difference between parties, social movements and state institutions.

As for the present-day relevance of the heritage, this is very clear. The relevance of Marx is that of *Capital* and the critique of political economy – an understanding of the socially destructive innermost, impersonal logic of capital. This is also the logic of market globalization. Marx witnessed Victorian globalization – the development of transportation and communications (railways and the telegraph), of urbanization and financial speculation, of modern warfare and the "massacre industry". We live in a very similar era – with a new technological revolution (Internet and astronautics), speculation and scandal, global warfare and so on. But whereas most journalists are happy to describe surface phenomena, the Marxian critique helps us understand the underlying logic, that of the widescale reproduction and accelerated accumulation of capital. It helps us get at the roots of the crisis in civilization: a generalized crisis of measurement, a crisis of a world thrown off kilter, due to the fact the law of value – which reduces all wealth to an accumulation of commodities and measures men and things according to abstract labour time – is getting evermore "miserable" (this is the word Marx uses in *The Grundrisse*). The result is that the partial rationalization of labour and technique has led to growing global irrationality. The social crisis (productivity generates exclusion and poverty, not free time) and the environmental crisis (it is impossible to manage natural resources over centuries and millennia through the split-

second “arbitrations” of bond markets and the Dow Jones Industrial Average) are glaring proof of this.

Behind this crisis – which threatens the future of the planet and of the human species – lie the inherent limits of capitalist property relations. At a time when the socialization of work is more developed than ever before, the privatization of the world (not only of industries, but also of services, space, life forms and knowledge) has become a break on development and on the satisfaction of needs. In contrast to this, the desire for quality public services, the rise in the number of places providing certain goods and services free of cost, and the demand for the creation of “common goods for earth and humanity” (with respect to energy sources, and access to land, air and learning) express the demand for new social relations.

## *2. What are the main theoretical problems that Marxists have to resolve today?*

I will speak of problems that have to be worked on rather than resolved because the solutions are not purely theoretical, but practical as well. If solutions are found, they will be the outcome of the imagination and experience of millions upon millions of people. On the other hand, there are questions that have to be reopened and worked on in the light of a century of experiences that neither Marx nor Engels nor any of the founding fathers could have imagined.

First comes the ecological question. Marx does present a critique of an abstract conception of linear progress (in the opening pages of *The Grundrisse*) and argues that any progress achieved within the framework of capitalist social relations has its underside of devastation and regression (in *Capital* on agriculture). But neither he nor Engels nor Lenin nor Trotsky really incorporated notions of thresholds and limits. The logic of their polemics against reactionary Malthusian currents drove them to gamble on abundance as the solution to the world’s problems. The development of scientific knowledge has made us aware of the dangers of irreversibility and of differences in scale. Today, no one knows whether the damage inflicted on the ecosystem, biodiversity and climatic equilibria can one day be repaired. So we have to correct for a certain kind of Promethean arrogance and recall that – as Marx pointed out in *The Paris Manuscripts* of 1844 – while man is a “human natural being” he is above all a natural being and therefore dependent upon his ecological niche. Just as the Marxist critique is now enriched by work done in other research fields (such as that of Nicholas Georgescu-Roegen), in recent years we have also seen significant work on “social ecology” inspired by Marxian critique (John Bellamy-Foster in the USA, Jean-Marie Harribey and Michel Husson in France, and many others).

Next, I think it’s important to consider the strategic consequences of the changes underway in the spatial and temporal conditions within which politics takes place. An abundant theoretical literature exists on the question of time, both on economic time (cycles, capital turnover, social indicators, and so forth) and the discrepancies between different category

of social time (or what Marx himself called “*contretemps*” and Bloch called “non-contemporaneity”) – that is to say, between political time, juridical time and aesthetical time, a list to which we must now add the protracted category of ecological time. On the other hand, aside from the pioneering work of Henri Lefebvre, the social production of social spaces has commanded far less theoretical attention. And yet globalization is producing a reorganization of spatial scales, a redistribution of the sites of power, and new forms of uneven and combined development. David Harvey has shown that Marx made interesting forays into these areas; and he has elaborated upon the relevance of Marx’s work for understanding contemporary forms of imperialist domination. Far from creating a homogeneous “smooth space” of Empire (as Toni Negri would have it), these forms have perpetuated and harnessed unequal development to further capital accumulation.

A third major theme is that of work and its metamorphoses – from the angle of workforce management techniques involving mechanization, as well as from that of the reshaping of the relationship between intellectual labour and manual labour. The experiences of the 20th century have shown us that formal transformation of property relations is not enough to put an end to alienation in and by work. Some have deduced from this that the solution is to be found in the “end of work” or in the drift (or flight?) from the realm of necessity. There is a two-fold understanding of labour in Marx’s writings. One is a broadly anthropological understanding, which designates the relationship of transformation (or the “metabolism”) between nature and the human species. The other is more specific or narrow and understands labour as constrained labour and especially the form of paid work in a capitalist social formation. In relation to this narrower definition, we can and must set our sights on liberating labour, liberating ourselves from labour, and socializing income with a view to the withering away of the wage-form. But we can’t eliminate “work” (even if we give it another name) inasmuch as it represents the activity of appropriating and transforming a given natural environment. It’s therefore a matter of imagining the ways this activity can become creative, since it is highly doubtful that a life can be free and fulfilled while work itself remains alienated.

A fourth major question would be that of strategy (or strategies) for changing the world. Following the brief moment of euphoria and inebriation that followed the fall of the Berlin Wall and collapse of the Soviet Union, the great promise of the free market quickly lost credibility. Each day provides examples of the scale of social and environmental damage wrought by “undistorted” market competition. The state of permanent war and exception are merely the logical flipside of this historic crisis. The birth of alter-global movements expresses an acknowledgement of failure: the world is not for sale; the world is not a commodity; and so forth. Fewer than 15 years after the supposedly definitive triumph of capitalism (Fukuyama’s famous “end of history”), the idea that this world of actually existing capitalism is inhuman and unacceptable is now widespread. At the same time, though, there are serious doubts about how it should be changed in a way that won’t replicate the 20th century’s failures and caricatures of socialism. Without jettisoning the

centrality of class struggle from our understanding of the system's contradictions, the task then becomes one of thinking through the plurality of these contradictions and of these movements and forces; thinking through their alliances; thinking through the complementarity of social and political spheres without merging them into each other; returning to the unfinished work on hegemony and the united front in the debates of the Third International and in Gramsci's *Prison Notebooks*; and deepening our understanding of the relationship between political citizenship and social citizenship. This is a massive undertaking that can only advance with the assistance of new experiences of struggle and organization.

To be sure – and this is already implicit in the preceding point – this means grappling with the extent of the phenomenon of bureaucracy in modern societies and its deep roots within the social division of labour. One superficial notion is that bureaucracy exists solely in culturally backward societies, or that it stems from specific organizational forms (such as political “parties”). In fact, the more societies develop, the greater the variety of bureaucratic forms that they produce: state bureaucracies, administrative bureaucracies, and bureaucracies of knowledge and expertise. Social-movement organizations (e.g. trade unions and NGOs) are no less bureaucratized than parties. On the contrary, parties (it makes no difference whether you call them parties, movements or organizations) can be vehicles for collective resistance to financial corruption and co-optation by media (given that media bureaucracy is also a new form of bureaucratization). It has therefore become crucial to think through the ways in which power and politics can be deprofessionalized; to limit the number of elected offices that any person may hold concurrently; to eliminate material and moral privileges; and to see to the rotation of people in positions of responsibility. There is no sure-fire antidote; and these are just measures that track and limit bureaucratic tendencies. Genuine solutions over the long term require a radical transformation of the division of labour and a drastic reduction in constrained labour time.

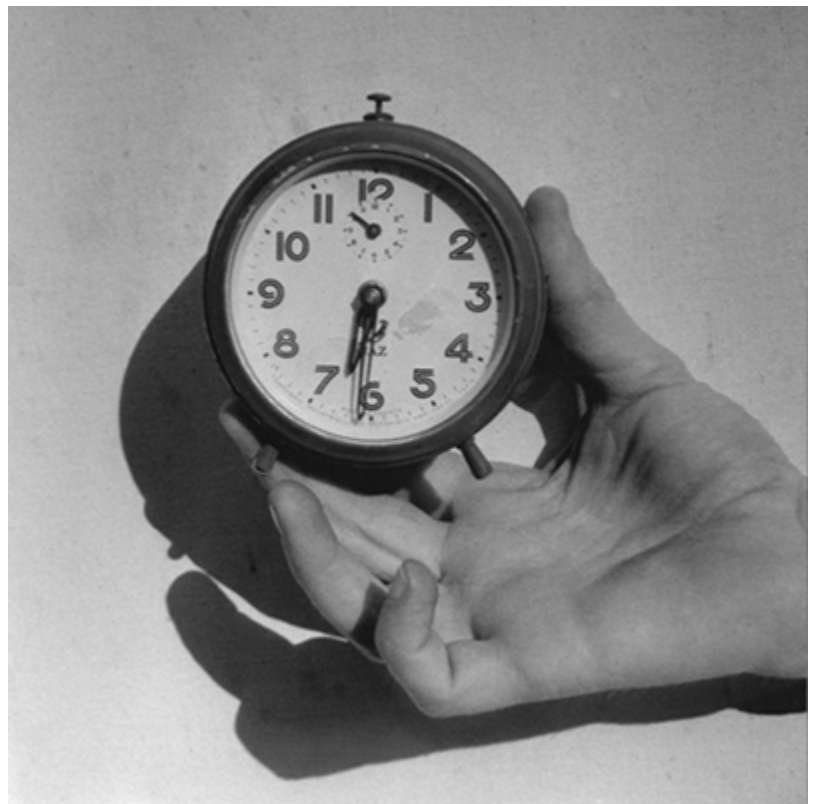
Marx and the Marxist tradition offer a wealth of (often little-known or forgotten) resources to those working on these questions. But there are also important intellectual tools to be found in other currents of critical thought – whether in economics, sociology, ecology, gender studies, post-colonial studies or psychoanalysis. If we wish to move forward, we have to engage with Freud, Foucault, Bourdieu and many others.

*3. In your opinion, who have been the most important Marxist thinkers of recent decades and what have they contributed to the development of Marxism?*

It would be pointless to establish a Marxist Studies honour role or top-ten list. For one thing, thanks to the socialization of intellectual labour and the overall rise in the level of culture, the figure of the “*maître penseur*” or “intellectual giant” (as people like Sartre

and Lukacs could still be called in their time) no longer really exists. And this is rather a good thing – a sign of the democratization of intellectual life and theoretical debate. This makes it difficult and arbitrary to put together a list of the great figures of the present day. On the other hand, there is a much broader range of work and research inspired by Marx and Marxisms in a wide variety of fields and disciplines – from linguistics to economics, not to mention psychology, history, geography and beyond. One would have to draw up a list with dozens of names on it, taking care in many cases to specify the person's area of expertise – for while the dream of the “total intellectual” has probably become an illusion, the “collective intellectual” has gained in the process.

There's another reason that makes it difficult to provide a detailed answer to your question. When you list a handful of major figures from the history of the socialist and communist movement – Marx, Engels, Kautsky, Pannekoek, Jaurès, Rosa Luxemburg, Lenin, Trotsky, Bukharin, Gramsci – you quickly realize that they were all “organic intellectuals” of the social movement. They were political activists who united theory and practice. The worldwide Stalinist reaction and defeats of the working-class movement created an enduring separation between theory and practice. This question was at the heart of the short book Perry Anderson wrote on “Western Marxism” in the 1970s. In order to preserve their freedom of thought and theoretical activity, intellectuals – with a few honourable exceptions – maintained a safe distance from political commitment; and when they chose the path of political commitment they often had to sacrifice their conscience and theoretical work. The history of the relationship between French intellectuals and the communist movement is a chronicle of this tragedy. This is what happened to Paul Nizan,





Henri Lefebvre, the surrealists, Pierre Naville, Aragon and many “fellow travellers”. In the 1960s Althusser went so far as to theorize a strict division of labour between theory and practice, with a view to freeing theoretical research from partisan tutelage and orthodoxy.

Today we can hope to emerge from this dark period. The alter-global movement is an opportunity for a new coming together of revived social movements and vibrant theoretical research – free from partisan hang-ups and censorship. This is an opportunity not to be missed.

#### 4. Can you tell us about your position on the question of the role of the dialectic in Marxist theory?

This question is too vast and has been the subject of far too many debates for us to deal with it in a short answer to a short question. I’ll have to limit myself to some general comments. In the 19th century, Germans, Italians and even more so Russians needed dialectical critique in order to achieve their national and social emancipation. During this same time, following the events of June 1848 and then the Commune, French conservative ideology did everything it could to shed the country of dialectical critique. In France, the “underground materialism of the encounter” – to which Althusser elegantly refers in his final writings – was defeated even before Marx arrived on the scene. From the beginning, the “elusive Marxism” (*“marxisme introuvable”*) of Guesde and Lafargue was tinged with positivism. It was difficult for this brand of Marxism to shift from a classificatory logic founded on definition to a dynamic (dialectic) logic founded on determination of the sort Marx brilliantly deployed in *Capital*. In its most rigid forms, the structuralism that was fashionable in the 1960s effectively prolonged this repressed form of thought – taking petrified structures as its object for study, setting aside events and subjectivity. Structuralism looked at systems devoid of historical context – as if in reflection of the fact that it was becoming more and more painful to think about the history of the century.

Orthodox Marxism – made an official state doctrine in the 1930s by the triumphant Stalinist bureaucracy – took advantage of this state of affairs to tighten the grip of its “Diamat,” now dogmatized and canonized. This was the second assassination of the dialectic, a kind of Thermidor in the field of theory whose premises were clear following the condemnation of psychoanalysis and surrealism at the gloomy Kharkov Congress of 1930. Stalin’s immortal pamphlet *Dialectical and Historical Materialism* set this doctrine in stone. The “dialectic” then became a formal meta-logic, a state sophistry for all seasons and especially for breaking men. The dialectic of critical consciousness (that of Lukacs and Korsch) retreated in the face of the imperative of “reasons of state.”

This reaction within theory combined with another process, especially in France. Under the (up to a certain point legitimate) pretext of defending rationalism and the Enlightenment against the mythology of obscurantist thought, a kind of Popular Front within philosophy supplemented the Popular Front in

politics – sealing an anti-fascist alliance under the hegemony of the bourgeoisie. This apology for non-dialectic Reason was also a posthumous victory of the Holy Cartesian Method against the dialectician Pascal. Lukacs stood up to his detractors, up to and including in the (very recently rediscovered) 1926 essay where he defends *History and Class Consciousness* and its ideas on spontaneity and consciousness. And yet even he went on to pen the second-rate book *The Destruction of Reason* (that was only published after the war). The victory of the bureaucratic counter-revolution demanded binary logic in accordance with the principle of the excluded third (*tertium non datur*): “If you’re not with us, you’re against us.” There would be no allowance for struggles – even asymmetrical ones – on two fronts. This logic of intimidation and guilt did enormous political damage (at the time of the Soviet interventions in Hungary and Czechoslovakia, martial law in Poland, and once again in the 1980s during the invasion of Afghanistan).

We may be witnessing a rebirth of dialectical thought. That would be a welcome sign that the winds are shifting and that the work of negation is regaining strength against advertising communication strategies that command us to “think positive” at all costs – and against the rhetoric of consensus and general reconciliation.

The first reason is historical. Following the tragedies of the past century, we can no longer frolic about in the tranquil waters of unidirectional progress, ignoring the formidable Benjaminian dialectic of progress and catastrophe. This has become even more the case in the context of the uncertain transformation of the world that we have seen over the past 20 years. This need for the dialectic is also expressed in the need for a critical ecology capable of intervening on two fronts – against the blissful platitudes of market-driven globalization; but also against the obscurantist inclinations of deep ecology.

There has also been a renewal of the categories of dialectical logic in light of scientific controversies around deterministic chaos, systems theory, holistic and complex causality, the logic of life and emerging order. Provided that we proceed with caution when moving between one field and another, this raises the need for renewed dialogue between different fields of research and renewed testing of dialectical logic.

There is a pressing need to think through globalization and the transformation of the international order, from the point of view of the totality (an open totalization) – to understand the new protagonists of late imperialism, and to intervene politically in the more unequal and more poorly combined than ever development of the planet.

There is a pressing need to think through the century from the angle of discontinuous space-time that is socially produced, and to conceptualize a specifically political temporality – of non-contemporaneity and *contretemps* – instead of lazily thinking about history according to the linear chronological categories of “post” and “pre” (e.g. post-capitalism, post-communism, and so on).

There is a pressing need to think about what constitutes genuine progress from the angle of development (or of “growing over” in Trotsky’s terminology) – as opposed to that of accumulation and the “growth without development” that Lefebvre rightly criticized in his time.

Finally, the thawing out of the Cold War and the complex interaction of numerous conflicts have forced people to step out of the binary logic of “camps” under the state hegemony of a motherland (including that of really non-existing socialism), and to reintroduce the excluded third as a way of finding one’s strategic bearings in conflicts such as those we have seen in the Balkans and the Persian Gulf.

If this actuality of dialectical thought is borne out, sooner or later we should expect (and be glad for) the publication of a “Black Book of the Dialectic,” akin to the *Black Book of Communism* and *Black Book of Psychoanalysis* that have come out in recent years. It would mean that antagonistic polarization has not been neutralized or dissolved into an “opposition not of contradiction but of correlation.” It would be a setback for fetishism of the *fait accompli* and the way it ousts the possible in favour of an impoverished reality. It would mean that the “philosophy of no,” the work of negation, the view of the totality, and the unpredictable “leaps” that Lenin extols in his marginal notes to Hegel’s *The Science of Logic*, have not been definitively brought to heel.

For it is Revolution itself that is the ultimate target of these attacks on the dialectic. The Lukacs of *History and Class Consciousness* (1923) and *Lenin: a Study on the Unity of his Thought* (1924) understood this well. Of course, these works were written at the heart of the storm – during years of crisis, which are usually a time of dialectical intensity.

5. In the 1990s, it was widely argued that the contradiction between labour and capital was no longer the main conflict in contemporary societies. Do you agree with this idea?

There are many ways to look at this question. The widely held view you describe was often grounded in an interpretation of sociological changes, and in the observation that developed countries have seen a relative decline of the share of the industrial proletariat within the active population. This decline is real (in France, this share has dropped from 33 to 25 per cent), but we’re still talking about 25 per cent of the active population; and globally the urban proletariat has actually grown in size.

The impression of a decline or even disappearance of the proletariat is often fed by a restrictive and sometimes workerist definition of social classes on the basis of classificatory sociological categories. For Marx, however, it wasn’t a matter of a positivist sociology of classes but of a dynamic social relationship – since classes only exist in struggle. If you look at the relationship to property in the means of production, the form and level of wages from employment, and location within the social division of labour, the large majority of workers in the so-called tertiary sector (including an ever greater number of women)

are proletarians according to the initial meaning that Marx applied to the term. In 1848, the Paris proletariat discussed in *The Class Struggles in France* was not industrial but engaged in something more along the lines of studio-type craftwork. One can therefore easily mistake a weakening of class organization and consciousness (a consequence of political and social defeats) for an irreversible decline of class struggle. That said, we have to focus on the obstacles that now exist to working-class organization and consciousness: the privatization and individualization of social life; flexibility of work; individualization of work time and forms of payment; the pressure of unemployment and job insecurity; dispersal of industry and changes in the organization of production, to name a few.

Still, the capital/labour relationship is a central one within contemporary societies. On the other hand, I wouldn’t use the term “main conflict” since it tends to reduce the other contradictions to a “secondary” place. Rather, there are a series of contradictions that do not fall within the province of the same temporality (the same historical scale), but which are closely intertwined (or “overdetermined” by the prevailing logic of capital, to borrow a term from Althusser’s lexicon): gender (or sex) relations; the relationship between nature and human society; and the relationship between the individual and the collective. The real problem is one of linking these contradictions together.

Why do trade unions, feminist movements, environmental groups and cultural movements converge so spontaneously at the Social Forums? It’s because the overarching unifying force for all these different contradictions is Capital itself – and the generalized commodification that permeates the totality of social relations. But this convergence must be carried out in a way that respects the specificity of the different movements.

Moreover, there is an element of ideological struggle in this question. One can agree with sociologists like Bourdieu when they say that social relations are not simply captured from their natural state but built through representations; nevertheless, these representations still have to be based on something real. There are solid arguments – both theoretical and practical ones – for representing social life in class terms. It’s actually quite striking that while people often wonder about the existence of the proletariat, they never have such doubts when it comes to the existence of employers and the bourgeoisie. One need only examine the distribution of profits and economic rents to prove that the latter do indeed exist! There is a clear issue involved in this insistence on the actuality of class struggle: it is a matter of building solidarity across differences of race, nation, religion and so on. An upsurge of tribal and ethnic strife, religious wars and communal conflict awaits those who now elect to banish class struggle from their approach to the major problems of our time. Indeed, that gigantic step backwards is already underway in today’s world. The internationalization of class struggle is really the material (and not purely moral) foundation of internationalism as a response of the oppressed to market-driven globalization.

6. What are the points of convergence that you see today between Marxist theory and mass social movements?



I believe that at its core (the “critique of political economy” and of capital accumulation) Marxist theory remains the most effective tool for tackling free-market globalization and its consequences. As I’ve already said, its relevance or actuality is that of Capital itself. In fact, most social movements are inspired by Marxist theory, whether they are aware of this or not. In his time, the historian Fernand Braudel pointed out the degree to which the critical categories of Marxism have permeated our knowledge of the contemporary world, even among its detractors. In 1993 – not exactly a favourable time for Marxist theory! – the philosopher Jacques Derrida summarized the ongoing relevance of Marxism with the following formulation: “No future without Marx.” With, against or beyond – but not “without”! Marxist theory alone is not enough for gaining an understanding of contemporary society, but it is a mandatory component of any such effort. The paradox is that free-market ideologues who say that Marx is a “corpse” – outmoded, obsolete and dated – can do no better instead than suggest a return to the classical economists and the political philosophy of the 17th century, and to Tocqueville. Marx was indeed a product of his times; he shared a number of its illusions in science and progress. But given the nature of the object whose critique he undertook – capital

accumulation and its logic – he transcended his time and anticipated our own. It is in this way that he remains our contemporary – far younger and far more stimulating than all those pseudo-innovations that become obsolete the day after they appear.

*7. What is your opinion on today’s broader socialist movements and the fact that, unlike political parties, they seem better placed to foster struggles against capitalism? What do you think about the future of parties as such, and as components for building an international organization?*

We have to come to an agreement on what is meant by “broader socialist movements.” We are probably at the very beginning of a theoretical and practical rebuilding of movements for emancipation, following a century of terrible tragedies and defeats. To some extent, it sometimes feels that we are restarting from scratch. A party like the Workers Party in Brazil (PT) – born at the beginning of the 1980s at the time of the fall of the military dictatorship, and a product of the rapid industrialization of the 1970s – was at the time analogous to the large party of German Social Democracy before World War One. It had the same mass

character and its ideological diversity was comparable. But we are at the beginning of the 21st century now and there will be no getting around the lasting effects of the 20th. In less than a quarter century, the PT went through a process of accelerated bureaucratization and became trapped in the contemporary period's mesh of contradictions, the economic and political relationship of forces, and Latin America's place within the reorganization of imperialist domination, among other things.

When it comes to organizing resistance and oppositional struggles, social movements initially appear to be more effective and concrete than party-type organizations. Their emergence signals the beginning of a new phase of experiences, without which nothing would be possible. However, Marx criticized his contemporaries for their "political illusion" – which amounted to the belief that securing civil and democratic freedoms was the ultimate in human emancipation. In the same way, today we are faced with a "social illusion" that takes for granted the absence of a political alternative and condemns us to an eternity of resistance to free-market capitalism. This is the "left" version of "the end of history." Yet the crisis of capitalism is so profound – and the threat it poses to the future of humanity and the planet so

grave – that there is an urgent need for an alternative equal to the stakes involved.

Here we hit on questions of political project and strategy – and of the forces involved in pursuing such matters as a specific endeavour. Either we seriously fight for such an alternative, or we settle for putting pressure on existing social-liberal forces and "rebalancing" Left forces that are less and less left-wing. The latter approach is a recipe for piling demoralization on top of demoralization. Building a real alternative requires patience, conviction, and firmness without sectarianism. Without these things, we will be crippled by pointless ventures undertaken in the name of realism – and by repeated disappointment. It will be a long haul, since the slope we have to climb back up is steep and treacherous.

Regarding the rebuilding of an international movement, this is an even bigger question. Some compare today's alter-global movement (with its global and continental social forums) to the early days of the First International – a fairly loose gathering of trade unions, social movements and political currents. There is indeed some of that. And one positive side of capitalist





globalization is that it encourages an international convergence of movements (just as the World Fairs of the 19th century provided the opportunity for the meetings out of which the First International was born). But there is a difference. Here again we can see the lasting effects of the 20th century; the political divisions and currents produced by that experience will not vanish overnight. We can't just hit the reboot switch. This is why convergences and gatherings like the Forums are positive and necessary. No one can predict what will come out of them. That will depend on struggles and political experiences currently in progress – as in Latin America or the Middle East. This initial rebuilding phase is far from over. There are further openings for this process in Asia and Africa. But the condition for, and proof of, the movement's maturity will be in its capacity to maintain unity in action and even to grow further still, without imposing limits or censorship on necessary political debate. It is clear that an initial phase of resistance – what I call a “utopian moment” by analogy with the nascent socialist movement of the 1830s and 1840s – is now drawing to a close.

The phrase “change the world without taking power” sparked a degree of interest (especially in Latin America, but not only there), but very quickly fell out of favour. That's because the task today is to take power in order to change the world. In Latin America, it is hard to imagine holding a Social Forum that avoids questions of political orientation and refuses to draw a comparative balance sheet of the Brazilian, Venezuelan, Bolivian and Cuban (!) experiences. And it is hard to imagine a European Social Forum not discussing the need for a European alternative to the free-market and imperialist European Union.

As such, there is nothing contradictory about contributing to these broad gatherings while defending the memory and project of a political current with its own history and organizational structures. On the contrary: such an approach is a perfect complement to movements uniting different forces – and is a pre-condition for achieving clarity and respect within them. Currents that try to conceal their political identity in public are always the most manipulative ones. If what a French philosopher said about there being no clean slates in politics – and about “always starting again from the middle” – is true, then we should always be in a position to embrace new developments without losing the thread of lessons learned.

*8. Can Marxist philosophy exist within the bourgeois university? Can you tell us about your experience in this regard? How can the bourgeoisie tolerate the presence of Marxists within the university – one of its ideological apparatuses?*

It's a matter of the relationship of forces in society. The educational field is not a closed space cut off from social contradictions. Indeed, this is one of the dangers of an analysis based on the “ideological apparatuses of the state”; it gives the impression that these are mere cogs in the state machinery of bourgeois domination. In fact, schools and universities play a dual role – reproduction of the prevailing social order, to be sure; but also the transmission and creation of knowledge. These institutions are therefore steeped in the relationship of forces.

Before and after 1968, Marxism was quite influential in French universities (even though we shouldn't exaggerate things and imagine that there was a “golden age” of Marxism in France). There was real space for freedom of instruction and pedagogical experimentation. Such relative gains are not irreversible. Indeed, since the free-market counter-offensive of the 1980s, academic normalcy and pedagogical order have largely been restored. This can be seen in curricula, methods of assessment and university budget management. But some space remains. For example, I am entirely free to set my course of instruction each year. This year, I am once again teaching a course on reading *Capital* (I hadn't done so for 15 years); I have another course on global war and the permanent state of exception; and another on philosophies of globalization and international law. The problem is that the “Marxist generation” of the 1960s (this is a simplification because it was never more than a sizeable minority) is on its way out; the younger generations have learned critical thinking through Foucault, Bourdieu and Deleuze – which is fine, except that there are fewer and fewer people around to pass on the Marxist heritage.

It's obvious that the relative freedom existing in the universities depends directly on the social relationship of forces beyond their walls. As soon as things change for the worse in the broader society and the social movement suffers defeats, you can feel the effects in the universities. But this is a fight that has to be waged inside and outside the university, because it is also possible to create unofficial channels of popular and movement-based education. **R**

Paris, 29 December 2006

*translation from French: Nathan Rao.*

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**BASICS... continued from page 33.**

## **SELF-RELIANCE**

Incredibly, we have done all this on a shoe-string budget, using only the dues collected from our membership and a small proportion of funds collected from non-corporate advertisers and subscriptions to our paper. After 5 years of work, we spent less than \$15,000 in all the work we've done. So to do everything we've done with so little money illustrates that our greatest resource has been the people. Because our orientation has been to *serve the people*, we have always found a way to pay for our paper and grow our work out of our social base. Meanwhile, many staff-driven organizations with hundreds of thousands or millions of dollars strain themselves to put out a newsletter and hold a few public meetings. This is the difference between the bureaucratic organizations that are the bane of the ‘workers movement’ today and the independent and democratic *people's organizations* or *mass organizations* that we must develop to advance our struggles.

*Continues on page 51.*

# A Chinese Alternative?

## Interpreting the Chinese New Left Politically

Lance Carter

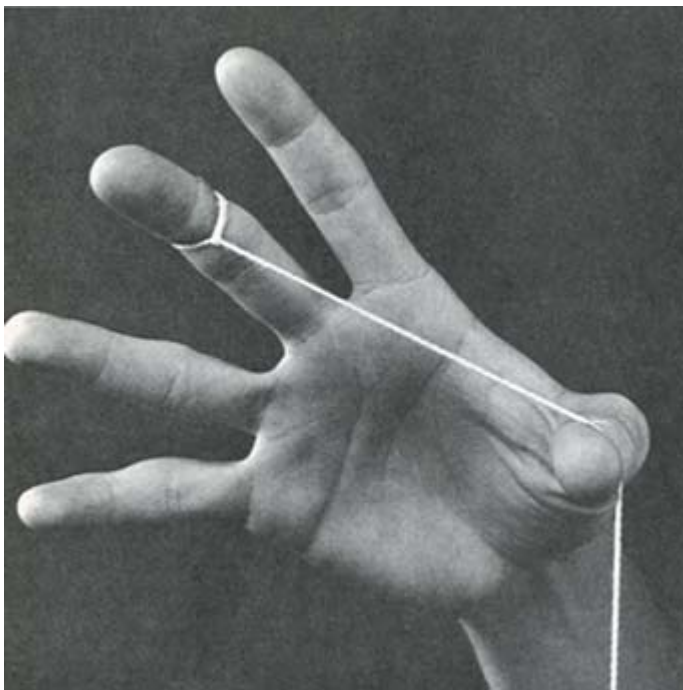
In a country where the Communist Party has dominated “left-wing” politics for over sixty years, dissent has often been deemed a “right-wing” or “counterrevolutionary” affair. Subsequently, many dissidents and parts of the general population have embraced the term “right-wing” as implying something antiauthoritarian or progressive. To make things more confusing, since 1978 the CCP itself has moved farther and farther to the right while still claiming to be socialist. All this has contributed to a very strange political environment in mainland China. On the one hand, Chinese liberals employ the rhetoric of individual rights, parliamentary democracy, and free market capitalism in opposition to the state, yet find themselves in open support of the CCP’s drive to “liberalize” and push forward market reforms. By contrast, the Chinese “New Left” is left defending many aspects of the pre-1978 Maoist system and the last vestiges of state control over the economy while opposing state-driven market policies. With but a few exceptions, what remains is either tacit or explicit support for the CCP on both sides of the political spectrum. This rather bizarre phenomenon is related to the peculiar nature of the contemporary Chinese state. Thus, a clear understanding of the nature of the state is indispensable if the Chinese “left” is to have any hope of moving away from both its authoritarian past and its current capitalist trajectory.

In China, the terms “left” and “right” or “radical” and “conservative” produce somewhat different associations in the popular mind than what we are used to in the West. While in most capitalist countries “left” and “right” are understood largely in economic terms, in China these concepts tend to be deeply entangled within a framework defined by the state, the Communist Party, and nationalism. As a result, Chinese political debates have tended to presume a rigid dichotomy between “left-wing” state socialism and “right-wing” capitalist liberal democracy. The denominations “radical” and “conservative” are equally problematic because they are not fixed to any objective criteria and refer merely to the degree to which one desires change in the status quo. The latter terms have become particularly ambiguous in China since the 1980s, when CCP ideologues began to present Maoism as a “conservative project” and neoliberalism as a “radical” freeing of productive forces. Despite attempts by a few intellectuals within the “New Left” to move away from such simplicity and distortion and create a more nuanced political landscape for China, such efforts have failed in at least two respects. First, these intellectuals have not succeeded in disentangling Chinese “left-wing” political debates from an excessive identification with the state. Second, and more importantly, what achievements have been made in the realm of academia have so far failed to translate into concrete political action.

The term “New Left” was first used by Chinese liberals in a pejorative sense to describe a group of intellectuals who emerged during the 1990s as opponents of market reform. With the repudiation of “radicalism” that began in China after the ascendancy of Deng Xiaoping in 1978, the designation “leftist” came to be associated with militarization, ideological controls, national isolation, and ascetic egalitarianism. Because of these adverse associations most intellectuals within the New Left reject the label yet continue to use it for lack of a better term. Irrelevant to its negative connotations however, the term has also been disputed on ideological grounds by scholars like Wang Hui. Wang sees the crude dichotomy between liberal and New Left as a myth created by Chinese neoliberals intent on appropriating liberalism for themselves. Wang insists that “liberals” in China actually divide into two categories – the first, socially progressive liberals (which would include members of the New Left); and the second, neoliberals and neoconservatives. A similar remark was made by Xudong Zhang who pointed out that “an advocate for New Deal-style economic and social policies in China was considered to be a liberal in the 1980s, but ‘New Left’ by the century’s end.” This has prompted some to embrace the name “liberal left” (*ziyou zuopai*) in order to stress the group’s continuity with the proponents of “democratic socialism” and “humanistic Marxism” of the 1980s. While this enthusiasm for liberalism may seem reassuring to a more conservative Chinese audience, it leaves non-Chinese radicals rather disheartened.

By all accounts, the New Left does not maintain or seem to desire a unified ideological perspective. Its emergence should be understood against the backdrop of the fall of the Soviet Union, the harsh neoliberal shock therapy impressed upon Eastern Europe, and the massive restructuring of State Owned Enterprises (SOE) and dismantling of social welfare that began in China in 1993. In the 1990s, as the Chinese state moved from an authoritarian “left” to an authoritarian “right” position in an attempt to duplicate the success of the Asian tigers, Chinese liberals began to call for increased “liberalization” and a further push toward the “right.” It was this shift within the doctrine of liberalism that caused a rupture with and the eventual formation of the New Left. In a certain sense then the theoretical positions of the New Left were born in opposition to a neoliberal turn among Chinese intelligentsia and the world at large. Despite claims of being grounded in the liberal tradition, in reality, most in the New Left have been heavily influenced by Marxism (though some identify with both traditions). Many are advocates of developing a novel form of market socialism which would blend aspects of both capitalism and socialism. That being said however, the New Left also manages to evade easy definition. This is in part due to

the plural nature of their ideological commitments. But more importantly it is because they embrace aspects of both Western liberalism and Marxism on the one hand and elements of Maoism and Confucianism on the other. In fact, one of their main points of contention with Chinese liberals is over the uncritical appropriation of values and institutions historically specific to the West. This tendency to reject universal values and the linear development path offered by modernity clearly distinguishes the Chinese New Left from not only their liberal opponents but also from Leninist and social democratic orthodoxy. Some have noted that this postmodern slant shares certain continuities with Maoism. Whatever the case may be, the desire to move beyond the simple binaries of tradition and modernity, capitalism and socialism, democracy and dictatorship has received considerable support among some of the intellectuals associated with the New Left. It has even led some to hope for the creation of a “Chinese alternative.”



Wang Hui is perhaps the most well known scholar associated with the Chinese New Left. He has published widely in both Chinese and English on issues relating to literary criticism, Chinese intellectual history, and contemporary politics. Unlike the other prominent figures in the New Left, Wang was educated in China, not the United States (though he has since spent considerable time abroad). Wang is by far one of the most original thinkers in China today. Both his polemical work and intellectual history borrow heavily from world-systems and postcolonial theory. However, his uniqueness is reflected in a Daoist inspired advocacy of transcending binary oppositions and a Foucauldian desire to recover subverted histories with which to continually critique the present. It is through this project of recovering lost history that Wang has tried to approach the question of a Chinese alternative.

In contrast to Arrighi and others who have dealt with this question, Wang Hui does not see China’s current development path as representative of a meaningful alternative. Moreover, he has shied away from a serious proposal for what a Chinese alternative might look like. Instead, Wang has taken on the more modest task of outlining a history of attempts by Chinese intellectuals to criticize, resist, and transcend global capitalist modernity. Wang first came to prominence in 1997 for an article he wrote in *Tianya* (Frontiers) entitled *Contemporary China’s Ideological State and the Question of Modernity*. He has since published a four volume intellectual history called *The Rise of Modern Chinese Thought*. In this latter work Wang interprets Chinese modernity as being rooted in fundamental contradictions. On the one hand, historically China recognized the necessity of entering into and competing within a modern system of nation-states. On the other hand, China’s modernization process was based on resistance to certain aspects of modernity and was pitted against Western imperialism. Wang sees the project of Chinese “socialism” then as a failed attempt to build a Chinese alternative to capitalist modernity. He traces these attempts not only to the establishment of the Chinese Communist Party but more importantly to earlier encounters with socialism beginning in the late-Qing (1644-1911) and even further back to neo-Confucian critiques of the dramatic changes China underwent during the Song dynasty (960-1279). Thus, *The Rise of Modern Chinese Thought* is a genealogy of “alternatives to modernity” as conceptualized by Chinese intellectuals.

Wang Hui’s interpretation of Chinese modernity as a kind of “anti-modernity” is closely connected to the issue of the nation state. For Wang the Chinese nation was built on the contradiction between a multi-ethnic “empire” with the potential to transcend the system of nation states and a Han nationalism rooted in the acceptance of China’s place within that system. Wang thus presents a deconstruction and subtle critique of Chinese nationalism and the state – which he appropriately describes as the natural political form of capitalist modernity. Yet for all his suspicion of the nation state, he seems to waver at the prospect of rejecting the state’s basic structural logic. Although he is rarely explicit about his own political views, this ambiguity is quite apparent in his more recent writings.

Wang’s latest work has focused on the problem of the de-politicization and bureaucratization of party politics. He convincingly argues that both one-party dictatorships and multiple-party representative democracies have bowed their heads to the interests of global capitalism; that popular struggles to eliminate class disparity have been replaced by compromise and bureaucratization; and that society in general has become depoliticized. Wang sees certain aspects of the Cultural Revolution (1966-1976) as having acted to correct these bureaucratic tendencies within the CCP. Here again using the past to critique the present, he highlights the pressing need for both “political and economic” democracy in China. He points to the possibility of mass participation in politics as a remedy to the potential bureaucratization and de-politicization of political parties. This call for participatory democracy (not to mention his skeptical attitude toward the Chinese state) allows Wang to



challenge liberal claims about the supposed antiauthoritarianism of the free-market. It also makes him one of the more anti-authoritarian Chinese within the “left” political spectrum. But what exactly is meant by “political and economic” democracy? And how is China going to get there?

Wang Hui is not the only voice within the New Left to pose the question of a Chinese alternative. Much of Cui Zhiyuan’s work is centered around this issue as well. Unlike Wang however, Cui has focused less on abstract sociological problems and more on an analysis of concrete institutions in his critique of market reforms. A University of Chicago political science graduate, Cui was one of the initial “liberals” to break with the turn toward neo-liberalism in the mid-1990s. The reaction to his 1994 article *Institutional Innovation and a Second Liberation of Thought* first established the name “New Left” as political terminology, which was branded upon Cui in a derogatory sense by his critics. Where Wang Hui frames his discussion of a Chinese alternative largely in historical terms, Cui Zhiyuan points to specific examples – such as rural industrialization – in order to express this potential alternative in concrete terms. By the late 1980s, China’s rural industries had grown to employ a quarter of the rural workforce and were contributing to half of rural domestic product. Rural enterprises, or Township and Villages Enterprises (TVE), consisted of local factories, mills, and foundries geared primarily toward the production of light industry. These ranged from being genuine village collectives to private entrepreneurial ventures to offshoots of local government. However by the 1990s, growth in rural industry had begun to stagnate, China’s vast peasant population became increasingly seen as a hindrance to development, and calls for further marketization and urbanization started to overshadow the past achievements of the TVEs. As academic opinion started to turn against the TVEs, Cui Zhiyuan, along with another well known “left-liberal” Gan Yang, began to champion small rural industry and collectives as not only economically practical (in regards to absorbing labour and raising income) but as a possible alternative to Fordist models of large-scale capitalist industry. For Cui, TVEs were seen as a means of avoiding village dependency on industrial products from the cities, as well as a positive counter to increasing rural/urban disparity. Cui provocatively linked this to the legacy of the Great Leap Forward (1958-1960) and Maoist attempts at local self-sufficiency. Many of these arguments were later incorporated into Wang Hui’s depiction of Chinese modernity as an anti-modernity. Thus, for both Cui and Wang rural industrialization became seen as fundamental to China’s attempt to seek out and pursue an alternative to a capitalist model of industrial development.

Cui Zhiyuan has also written at some length about the prospects and meaning of democracy in China. Like Wang Hui, Cui is a proponent of “political and economic” democracy and is probably the one in the New Left with the most libertarian leanings. For Cui, democracy is not merely about a parliament and national elections but more importantly about “bringing politics into the economic sphere.” In several articles written over the past fifteen years, he has tried to uncover concrete examples of “native” institutions that could serve as a basis for moving ahead with local village elections and economic democracy in China. One of

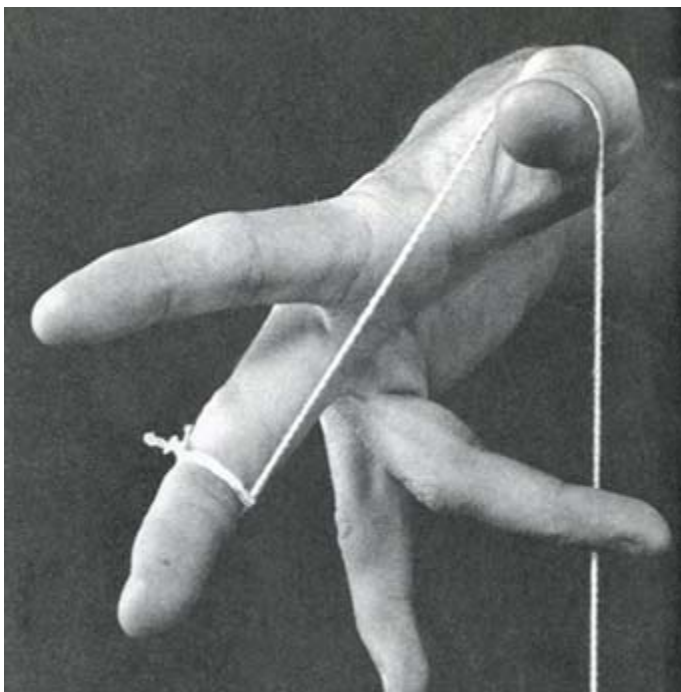
the things that distinguishes Cui’s approach from others is that he likes to take aspects of China’s past and present that are depicted as “backward” or “anachronistic” within liberal discourse and then demonstrate their actual similarities to current institutions in Japan and the West. By doing so, like Wang Hui, he is interested in cutting through the presumed binary opposition between capitalism and socialism. In addition, he intends to show how certain “collectivist” institutional structures can be both ethically just and practically efficient; and how modern capitalist nations have adopted these institutions to their advantage. Cui’s 1996 article *The Angang Constitution and Post-Fordism* is a good example of this. In it Cui compares the “worker’s management” clause in the 1960 Angang Constitution of China’s Anshan Iron and Steel Complex with contemporary trends in the Japanese and American automobile industries. His suggestion is that certain institutions from the Maoist period are entirely compatible with the most advanced organizational methods and demands of modern industry. However, despite the radical implications of many of his proposals, Cui’s writings on economic democracy generally display sympathy toward profit and management sharing schemes which reduce the tension between labour and capital. This compromising approach is consistent with his vision of a Chinese “mixed” economy that blends elements of capitalism and socialism.

While Cui goes much further than Wang in trying to articulate what a Chinese alternative might look like, it remains somewhat unclear as to whether he believes China is actively pursuing such an alternative or is in need of a radical reorientation. In the early 1990s, as the New Left was starting to coalesce, universal integration of China into the capitalist world economy had only just begun to take off. As a result, novel experimentation and reform still seemed possible on a wide scale. Such hopes were the basis for Cui’s call for a “second liberation of thought” in 1994. But a decade later this optimistic attitude was to prove untenable in the face of the competitive realities of the capitalist world market. Following Deng Xiaoping’s “southern tour” in 1992, a significant reorientation of China’s economy from a centrally planned system with limited markets to a kind of authoritarian capitalism in line with “the Asian tigers” began in earnest. Nine cities in the Northeast and Northwest and five cities on the Yangzi River were opened up to foreign trade and investment. New experiments in stock markets and private ownership as well as the granting of full business autonomy to state enterprises followed on the heels of these reforms. This marked the beginning of a massive restructuring of SOEs that persists into the present and has resulted in workers being laid off on an unprecedented scale. According to official statistics, in the ten-year period between 1993 and the end of 2002 layoffs in SOE and urban collectives amounted to 63 million jobs, with the biggest losses taking place after 1997. This represents a 44 per cent decrease in employment within the state sector. In addition to layoffs, increased urbanization and capitalist style boom-and-bust cycles began to define a new kind of development path for China. Cui Zhiyuan’s response to these changes was to advocate a “return” to the novel social experimentation of the pre-1992 period. In 2004 Cui began to promote the idea of what he dubbed a “petty-bourgeois socialism.” By this he meant a kind of market-socialism



that mixes both collective and state ownership of the means of production with private property and markets. Cui pointed to the economic writings of European “socialists” such as John Stewart Mill, Henry George, and Pierre-Joseph Proudhon as examples of alternatives to orthodox notions of both capitalism and socialism. His arguments were also heavily indebted to American analytical Marxist thinkers such as John Roemer.

When taken together – the development of rural industry, political and economic democracy, and market-socialism – we begin to get a basic picture of what Cui Zhiyuan’s vision of a Chinese alternative would entail. But there are several obvious problems with this vision. First, as Wang Hui himself has pointed out, it shares a naïve belief in the possibility of reform to significantly shape the contours of a capitalist-driven economy. Secondly, presuming that we accept reform as a strategy of change, will reforms be won from the bottom-up or handed down from the top? What is the role of the state in promoting a Chinese alternative and how does it differ from liberal strategies of tacit support and jockeying for political influence? Does Cui believe that China is moving toward this alternative? If so, what is there for him to be critical of?



Both Wang Hui and Cui Zhiyuan, though acknowledging certain positive aspects of the Maoist era, actually trace their roots to the “humanistic Marxist” tradition that came to fruition in the 1980s, as well as sharing a lineage with earlier traditions such as the May Fourth movement (1919-1927). This seems to be one of the clear divides among those within the New Left. While some New Leftists such as Wang, Cui, and Gan Yang have embraced the May Fourth spirit of pluralism and critique (while advocating a vague market socialism), others have affirmed a clear ideological commitment to a kind of “neo-Maoism.” This latter group would include scholars such as Gao Mobo, Li Minqi, and Han Yuhai. Still others identify with a more “conventional”

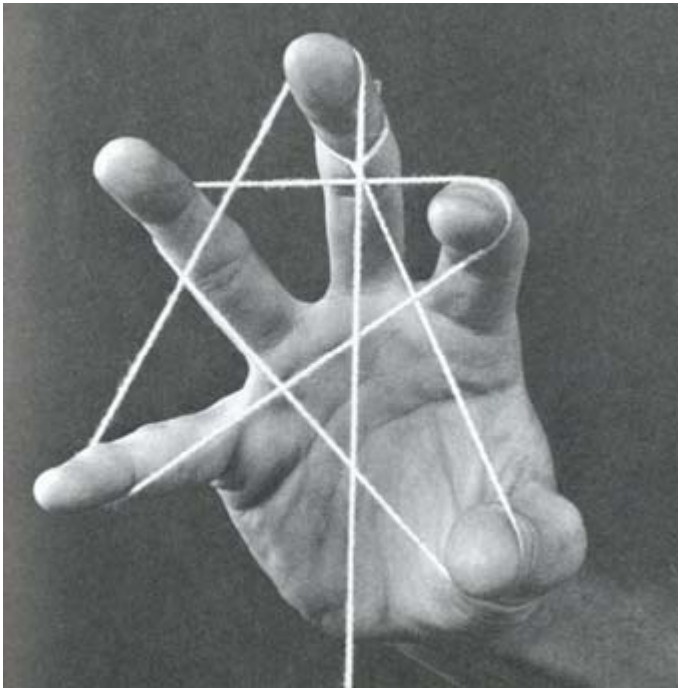
program of nationalization of production and social democracy. A well-known representative of this third position would be Wang Shaoguang.

Although such ideological commitments are quite diverse, there are a few points where members of the New Left do in fact converge. Aside from their obvious opposition to neoliberalism, most of those associated with the New Left have also challenged (to greater or lesser degrees) the Communist Party’s official interpretation of Maoism. This is usually characterized by a tendency to treat the Cultural Revolution as a rejection of Soviet-style political economy and a struggle for China to forge its own path. The notion of Maoism as a Chinese alternative is something that has received considerable attention both inside and outside China since at least the late 1960s and continues to feature prominently within New Left debates. In light of this it may be helpful to briefly review the arguments for and understand the various complications surrounding this view.

As an ideological position, Maoism is somewhat hard to identify. This is due in part to the different phases of Mao Zedong’s life and the consequent changes in his thinking which accompanied these phases. Moreover, it is also due to the difficulty of separating Mao’s thoughts and actions from that of the CCP as a whole. Maoists tend to stress the differences between Mao and the Leninist orthodoxy of the CCP. This is usually accomplished by a careful examination of Mao’s writings, in particular his Critique of Soviet Economics, which first appeared in print during the early years of the Cultural Revolution. To his supporters, Mao Zedong Thought represents not only an alternative to capitalist liberal democracy but also to the Soviet path of devolution into “state capitalism.” In fact, the whole notion of socialism with “Chinese characteristics” – which became popular during the reform period – was largely carried over from earlier Maoist rhetoric. According to Maoists, the Maoist model of socialism is exemplified by peasant revolution, rural industrialization, national and local self-sufficiency, partial decentralization of economic and political authority, mass participation in politics, the integration of mental and manual labour, and a strong emphasis on class struggle and voluntarism. In this interpretation (which is ironically similar to the CCP’s 1981 evaluation, only with the values negated) the Cultural Revolution looms powerfully in the foreground as an attempt by Mao to lead the masses in a revolt against party bureaucracy and toward the creation of a more democratic and egalitarian communist future. If we are to take these claims seriously then Maoism would surely appear much less authoritarian than say Stalinism.

There are some significant problems with this portrayal of Maoism however. The first is that it takes Mao’s writings and professed ideological commitments at face value and thus conveniently sidesteps much of the reality of Maoist political economy. The disasters associated with both the Great Leap Forward and the Cultural Revolution are often qualified either by blaming party bureaucrats (as opposed to Mao) for their failings or by claiming the true history of these events has been distorted in the post-Mao era. While admitting that the repudiation of Maoism and the restoration of Marxist-Leninist “orthodoxy” after

1978 have served a clear political agenda, the wholesale detachment of Maoism from its nexus within the Chinese Communist Party is another matter entirely. Such a task is not only quite formidable but also obscures the many parallels between Mao and the CCP. How can we judge Maoism on the basis of Mao Zedong Thought alone? After all Mao himself betrayed much of his “Maoist” rhetoric during the Cultural Revolution – this includes backing away from a more autonomous restructuring of the People’s Communes, turning against the worker’s revolution in Shanghai and the various ultra-leftist groups, and even normalizing relations with the United States. Surely Mao’s actions and not just his words are fundamental to an assessment of the sincerity of Maoism and the Cultural Revolution.



The second problem with this portrayal relates to means and strategy. While the stated goals of Maoism may be worthy of respect if taken at face value, the question of how to realize these goals is as important as it is overlooked. This is closely connected to the discussion of Maoism as a real alternative in practice. Although the Cultural Revolution and certain aspects of Maoist political economy clearly represent a decentralization of power away from the party, they were supplemented with an ideological centralization around Mao himself. While Mao presented his rift with other top-ranking members of the CCP as one of socialism versus state-capitalism, it seems to have been equally related to the role of ideological controls in developing China’s productive forces (and building Chinese modernity). This again draws into question the sincerity of the Cultural Revolution as a genuine challenge to the status quo and an alternative path to socialism. One cannot brainwash, manipulate, and coerce people to revolt if it is to have any kind of emancipatory potential. Such has more in common with obedience than with rebellion. Arif Dirlik’s insights into the contradiction between Maoist means and ends are quite helpful here.

...the Cultural Revolution was doomed to failure because the policies that motivated it, if they were to be workable, required a social and political context different from the structure of power that had been put in place after 1949...rather than challenge the existing structure of power as the Cultural revolution professed, Maoist policies ended up as instruments in a competition for the conquest of power within the existing structure, a competition that the Cultural Revolution did much to unleash.

Though the view that Mao was opposed to party bureaucracy certainly has some legitimacy, his alternative vision of mass campaigns controlled ideologically from above seems to seriously contradict the idea of decentralization and participatory democracy. The role of the state is crucial here. For it was precisely Mao’s position as Chairman, his control of the People’s Liberation Army (PLA), and his access to and manipulation of media outlets which enabled him to steer the Cultural Revolution. Despite the Maoist condemnation of party bureaucracy, the state apparatus was never challenged and its coercive powers as well as an ardent nationalism remained an integral feature of the Cultural Revolution. In practice therefore, Maoism, though somewhat divergent from the Soviet model, remains incredibly authoritarian in many respects; particularly in regards to its reliance on ideological controls and the coercive powers of the state.

Maoism as a Chinese alternative is thus highly problematic. Most neo-Maoists in the New Left have admitted the overall failure of the Cultural Revolution yet wish to vindicate Maoism based on its professed aims. But how are these aims to contribute to a Chinese alternative in the present if the means to achieve them have been proven so misguided in the past? New Leftists in general tend to remain silent on the issue of strategy. While people like Wang Hui and Cui Zhiyuan have harbored reservations toward the state, they have not suggested any alternatives to a top-down model of change supported by the state apparatus. Liberals and neoliberals, despite all their rhetoric, are avid proponents of state-lead market reforms and state protection of the private sphere. Why then do Chinese political debates lack a serious voice critical of the state? One reason is surely due to state control of the press and publishing agencies and the party’s blatant intolerance of dissent. Another reason may have to do with the legacy of a China divided from within and without and the sense of national vulnerability that is perceived to accompany a weak state. A third reason, however, stems from the state’s ambiguous role as both mitigator and patron of capitalism. No doubt it is this latter phenomenon that stands as the major obstacle to the creation of a real Chinese alternative.

As China’s GDP continues to grow at an astonishing rate (while much of the rest of the world languishes in recession) we would do well to remind ourselves that the likelihood of radical changes taking place there are slim. No meaningful alternative will be implemented from the top down. And there will be no significant challenge to the status quo so long as economic growth continues. Although the Chinese New Left has had some limited success in de-linking the positions of the “left” from those of the

Chinese Communist Party, none of their ideas have yet developed into serious political demands. With the exception of some support from NGO and student volunteer groups, the New Left remains almost entirely academic in nature. Whatever one's thoughts are on the idea of a "Chinese alternative" and the various problems that surround it, to think that an alternative of any kind is possible without a grass-roots political base is pure fantasy. In all fairness, however, without freedom of speech, press, and association, support for any independent social movement will not be easily forthcoming. It is the ultimate irony that the Communist Party now plays the most important role in the capitalist exploitation of the peasant and working classes. The CCP uses the powers of the state (both local and central) to keep wages low, working conditions horrendous, and squash dissent. Yet at the same time it is the state that has thus far prevented the complete privatization of the economy (perhaps most importantly the privatization of

land). This contradiction presents a major obstacle to the Chinese New Left. If they are sincere in their attempt to break with the CCP and the old Stalinist "left" then a thorough examination of the state's role in supporting capitalist exploitation is in order. This is true for not only the post-Maoist but for the Maoist period as well. While intellectuals like Wang Hui, Cui Zhiyuan, and Gan Yang have begun to move in this direction, they hesitate to take their arguments to their logical conclusion. Moreover, their ideas have been largely confined to the realm of academic and political debate. As China's role in the world economy becomes increasingly important, it is imperative that the Chinese left break free of the dogmatism, nationalism, and authoritarianism which has defined its past. Only then can we begin to talk about alternatives. **R**

This article originally published in *Insurgent Notes* #1.

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## **Position Statement of Old Revolutionaries on the Present Upsurge of Worker Action in China**

**Uphold the Constitution, Respect and Ensure Human Rights,  
Support Honda Workers' Just Struggles,  
Condemn Foxconn's Inhumane Management  
(June 6, 2010)**

To:

General Secretary Hu Jintao and Members of the Central Party Committee,  
Chairman Wu Bangguo of the People's Congress  
Premier Wen Jiabao, Vice Premiers, and Members of the State Council  
Compatriots throughout China, and all Media Outlets:

There have recently occurred numerous incidents in our country that signal intensified social contradictions. According to media reports, Shenzhen-based Foxconn with Taiwanese investment have treated workers as machines (or worse, just spare parts!) to generate profit for the company and instituted an inhumane management system that destroys the health and spirit of workers to the extent that some have felt that life is not worth living. Thirteen workers in this company have jumped to their own deaths in a short period of time. Their tragic deaths break our hearts. It is a situation that has shocked the world!

Based in Foshan, Guangdong, Honda Auto Parts Manufacturing Co., Ltd. is a Japanese-owned company. While the capitalist owner has made a huge profit, the wages are too low to support workers' livelihoods and the company's union does not represent the interest of the workers. Nearly two thousand workers have gone on strike in their struggle for wage increases and to initiate a reform of the union. But the Japanese management only agreed to a small increase, far from what the workers have asked. Moreover, the management unjustifiably demanded workers to sign a "no strike" commitment and threatened to fire workers who take part in the strike. They indeed fired two leaders among the workers.

Other incidents in the media also show increased conflict between capital and labour. Some workers in Chongqing Qijiang Gear Transmission Co. Ltd were forced to work overtime during weekends and died from overwork. The long-term exhaustion, low pay and management corruption led workers to strike. Close to 1700 workers from Taisheng Furniture Company, based in Dongguan, Guangdong Province, had a three-day strike to protest against overstress and low pay. Over a thousand workers in the spare parts factory that supply Beijing-based Hyundai went on a strike to demand a pay raise. Workers at Lanzhou Vinylon Company went on strike because they cannot sustain a basic livelihood. In Datong City (Shanxi Province), the state-owned enterprise Xinghuo Pharmaceutical Company was forced into bankruptcy and its laid-off workers had their numerous petitions refused. Following this, over 10,000 people staged a sit-in at the municipal government building; some of them were beaten up by armed police. Workers on strike from Pingdingshan Cotton Spinning Mill (Henan Province) were brutally beaten by thugs brought in by police vehicles, resulting in injuries of many women workers. In Shenzhen workers who are taking the lead to demand back pay or protect workers' rights have had their names placed on various blacklist, which makes it difficult for them to obtain employment. These are just some of the recent incidents that illustrate the scope of the problem.



On the whole, the bourgeoisie have transferred the burdens of the economic crisis onto the workers and have waged a more fierce attack on them. The working class is forced to rise up and resist. But as workers have become a weak social group in recent years, and with the deprivation of basic rights prescribed by our country's constitution, they are in the sad situation where their deaths are unanswered, their strikes unsupported, and their grievances unheard. According to our country's constitution, particularly the four basic principles and the basic rights accorded to citizens, we issue the following appeal to address the current situation and problems.

**First, we should firmly support workers in Foshan Honda and other factories in their just struggles for survival and against oppression.** Article 33 of our country's constitution states, "the state respects and ensures human rights." The right to strike is an inseparable part of human rights and is also a basic civic right prescribed by constitutions around the world. We firmly support all reasonable demands that Honda workers have raised so as to change their harsh working conditions and low wages. We are strongly opposed to the management's threat to fire workers. The two leaders who were fired should be immediately given back their jobs. We believe that our call will be supported by all those who uphold the authority of the constitution, respect human rights and stand for justice.

**Second, we should demand Foxconn and other similar enterprises to immediately stop their inhumane and harshly exploitative management methods.** We demand that the management respect workers' integrity and dignity, obey the state laws, improve working conditions, strictly implement a 8-hour working day and compensate workers for overtime. They must ensure that workers are paid wages that are enough for their own sustenance and their reproduction. This is the only way to ameliorate labour-capital conflicts and reduce or prevent the so-called "psychological" problems. To elide the fundamental labour-capital contradiction by one-sidedly emphasizing "psychological counselling" is to intentionally cover up the contradiction and to confuse cause with effect. It has been reported by the media that some who committed suicide also showed signs of bodily injuries caused by beating. There was also suspicion of some being pushed off buildings. These already warrant a criminal investigation. Government agencies should deal with it seriously and find out the truth.

**Third, unions should clearly stand on the side of the working class to represent and uphold the interests of the working class as prescribed by the constitution.** If any union organization ignores the constitution and "take the boss' shillings and do the boss' bidding," then they will be spurned by the working class. The leadership of the union in each enterprise must be democratically elected by its members. Relatives and representatives of the bosses should not be allowed to take any leadership position in the union. If such a case is found, it should not be approved by the union at higher levels. The union at higher levels should instead help such enterprise-based unions organize an all-members meeting and help rebuild the enterprise's union through democratic election.

**Fourth, government at all levels, particularly the local government, should protect civic rights by strictly following the law, earnestly resolve labour-capital conflicts and ensure citizens' freedom of speech.** Government should administer according to the law and should prevent and stop incidents that violate basic civic rights prescribed by article 33 of the constitution and other related regulations. It should actively deal with cases of labour-capital conflicts according to the law. Ignoring workers' reasonable demands either through inaction or siding with management should be resolutely corrected. In order to ensure people's right to information and right to supervision, media should be allowed to freely and truthfully report on labour-capital conflicts and other cases and convey people's voices without obstruction and interference.

**Fifth, we call for the restoration of the working class as the leading class of our country and the re-establishment of socialist public ownership as the mainstay in our national economy.** Article 1 of our country's constitution states, "**The People's Republic of China is a socialist state led by the working class on the basis of a worker-peasant alliance.**" Article 6 of the constitution states, "The basis of socialist economy of the People's Republic of China is socialist public ownership of means of production, that is, all people's ownership and labourers' collective ownership." "In the primitive phase of socialism, the state should build an economic system with public ownership as the mainstay and co-development of the economy through other ownership forms. Distribution should be based mainly on each according to his/her labour, with co-existence of other distributive methods." The Chinese Communist Party must be the real vanguard of the working class, strengthen its leadership of the people's polity, and reinforce the people's democratic dictatorship. We call for a reestablishment of public ownership as the principle part of the national economy. Only in this way can workers, peasants and people in general become masters of enterprises and the country and truly implement a distribution system primarily based on labour contribution. At present, it is imperative to improve working conditions and increase wages and benefits in the private economy (funded by domestic and foreign investments). It is completely just to actively support workers' struggles toward that end. But in so far as the capitalist privately-owned economy rather than the socialist publicly-owned economy dominates, the working class cannot change their weak position under structures of exploitation, nor the unfair distribution system and the disparity between the rich and poor. Under this condition, it is also impossible to transform our export-oriented economy to one that is independent, self-reliant and seeks to satisfy the material and cultural needs of people in the country.

Based on the present conditions, it will only be through a long-term struggle that the working class can restore its leadership position and the national economy can be transformed into one primarily based on public ownership. We have the guidance of Marxism-Leninism-Mao Zedong Thought and have the constitution, particularly the four basic principles at its core, as our legal instrument. All members of the Communist Part and all people should abide by the constitution. The socialist modernization that we uphold fits the interest of the broadest range of people and corresponds with historical development of mankind. If all people who support socialism, love their country, and abide by the constitution are united and persistent, then through a long-term struggle, we will be able to realize our goal.

Signatories: Li Chengrui (Former Director of the State Statistic Bureau), Gong Xiantian (Professor of Beijing University), Han Xiya (Former Alternate Secretary of the Secretariat of All-China Federation of Trade Unions), Liu Rixin (Former Researcher at the State Planning Commission), Zhao Guangwu (Professor at Beijing University). **R**



# Suffering and Struggle in Rural China

*Will the Boat Sink the Water? The Life of Chinese Peasants.* By Chen Guidi and Wu Chuntao. New York: PublicAffairs 2006

Reviewed by John Riddell

Is China killing the goose whose golden eggs have financed its economic upsurge? Chen Guidi and Wu Chuntao pose this question in their gripping portrayal of the suffering and struggles of Chinese peasants today.

Their book's title refers to a 1,400-year-old Chinese saying, attributed to Emperor Taizong: "Water holds up the boat; water may also sink the boat." That is, the peasantry that sustains the state may also rise up and overturn it. Chen and Wu argue that in China today, the weight of the state is suffocating the peasantry; the boat may sink the water.

## A media and publishing sensation

First published in China in 2004, *Will the Boat Sink the Water* takes up what the authors call "fearsome 'forbidden areas' ... about which the public has been kept in the dark." It sold 150,000 copies in three months and received massive media coverage – a publicity blitz that had the impact of a "clap of thunder." Although the book is supportive of China's government and social order, authorities soon removed it from bookstores. It then sold an estimated seven million copies in pirate editions. Earlier, Chen had written a denunciation of the disastrous pollution of the Huai River, which helped spur the government into a clean-up effort. Unfortunately, the success was temporary; a few years later, the polluters were back in operation.

In *Will the Boat Sink the Water*, Chen and Wu describe peasant efforts to halt blatantly illegal extortions by local officials during the 1990s in the authors' native province of Anhui. In all the cases they describe, officials struck back violently, and several peasants were murdered by police or hired thugs.

The peasants organized protest marches and deputations, and in some cases won the sympathetic attention of high officials in Beijing. But orders from on high proved ineffective, and when relayed down to the local level, usually came to nothing. Even in rare cases where murderers were prosecuted, the victims' lot was no better.

Chen and Wu are master storytellers. Their accounts are vivid, poignant, and wise in their understanding of peasant life.

## Extortion by local officials

All of these struggles turn on the issue of local taxation and what is done with the money. During the period discussed, township officials had unlimited power to tax the peasantry. With remarkable ingenuity, they developed an array of 269 listed taxes, and many more that were unrecorded or were invented ad-hoc.

- Do you own a pig? If so, there are five taxes to pay, often levied even if you don't own a pig.
- Do you want to marry? Twelve taxes are due, including a "deposit for commitment to mutual devotion."
- Does this spur you to complain? An "attitude tax" applies.

Officially, taxes are not supposed to exceed 5% of income so these impositions were in large measure illegal. Many stratagems hid the excess levies and the siphoning of revenue to enrich government officials. The peasant struggles described by Chen and Wu usually involved pressing for an audit of the local government's financial records.

But the peasants portrayed in this book suffer from a crucial weakness: lack of legal recourse. The best they can do is appeal to regional level Communist Party officials – a dangerous and usually futile procedure. One sneering local official puts his finger on the key point: "Do you really believe that crap you see on TV and read in the newspapers about the rule of law? Don't be daft. Maybe in America ... but that is America, not China."

## Bureaucratic excess

As a result, Chen and Wu write, China's state bureaucracy has jumped "from 2.2 million in 1979 to well over 10 million today," mostly in the countryside. Meanwhile, government services to the rural population – the vast majority – have fallen to eight per cent of the budget, less than half the previous proportion.

Meanwhile, rural officials enjoy the backwoods equivalent of conspicuous consumption. China's countryside is a "gourmand's paradise," Chen and Wu say. The funds spent on dining at public expense, China-wide, could pay for four Olympic Games, every year – or "wipe out the disgrace ... of children being kept out of school" because of a shortfall in educational spending.

## China's two economies

The concluding section of Chen and Wu's book situates this drama of rural extortion within the longer story of "Chinese peasants' burden."

Confronted in the 1950s with the Korean War and economic sanctions, both imposed by Western countries, China's revolutionary government had no choice but "to prioritize industrialization and accumulate capital at the cost of agricultural development," Chen and Wu tell us.

“It is impossible to do justice to the magnitude of the sacrifice that the peasants made.”

Their brief account of rural collectivization parallels what I wrote in “50 Years After: The Tragedy of China’s ‘Great Leap Forward’.” They note that the vigorous peasant resistance to this process was crushed in the years just before the “Great Leap,” and that the “Cultural Revolution” (1966–76) struck further blows at agriculture. In 1977 the average Anhui peasant was producing no more grain than his or her counterpart two thousand years earlier.

Residency requirements kept the peasants tied to the land, unable to move to the cities and locked in second-class legal and social status, lacking the economic and social benefits accorded to city dwellers.

### **The burden of ‘reform’**

Following Mao Zedong’s death in 1976, Chen and Wu say, the introduction of a “household contract system” (making the family farm the basic agricultural unit) unleashed peasant initiative, and peasant income rose 15 per cent per year for six years after 1978.

But 1984 marked “a great historical turning point.” The government shifted its focus to urban development, and once again peasants paid the price. The crucial change, in Chen and Wu’s opinion, was endowing rural townships – successors to the people’s communes – with the power to impose and collect taxes.

Others tell the story somewhat differently. Mobo Gao, in his U.S.-published *Battle for China’s Past*, stresses government pricing policy – raising the price of agricultural produce after 1978, then lowering it after 1984. Whichever explanation applies, it seems clear that the peasantry’s post-Mao prosperity was short-lived.

### **The lure of migrant labour**

By 2000, “agriculture had become a losing enterprise,” Chen and Wu state. “An army of peasants turned their backs on the soil and marched into the city.” In 2005, a quarter of Anhui’s population had become migrant workers.

Migrant remittances to Anhui province are as large as the income generated within the province itself. Migrants return with new skills and ideas. Many of the migrants have been successful and become small-scale capitalists. Anhui has become more prosperous: enterprises founded by successful migrants in the province employ 17,000 workers.

Yet Chen and Wu stress the negative side of migrant labour. In the cities, migrants retain second-class rural legal status. They are subjected to unpaid and unrestricted forced overtime, exposure to dangerous and unhealthy working conditions, delayed or denied pay, and arbitrary firing in case of sickness or accident.

Back at home, “as the rural labour force drained away, local agriculture shrivelled and declined, creating a vicious cycle

of increasing poverty and decreasing investment.” No one wants to stay in the country; “the peasants do all they can to leave.” Able and energetic young people are the first to go. “The dwindling human resources soon usher in a decline in material resources” and a bleeding away of investment capital.

### **Continuity in governance**

Judging by Chen and Wu’s account, the exploitation of China’s peasants today has much in common with what they experienced under Mao. It does not involve seizing the peasants’ land and driving them out of the villages and into the cities – instead, migrant workers retain their land rights and can return home. Oppression is largely extra-legal and enforced by ad-hoc violence, backed by the authority of the Communist Party.

That may explain the party’s ambiguity regarding rural social conditions. Chen and Wu record six major national efforts to reduce burdens on peasants between 1993 and 2001, none of which, in their opinion, had significant impact. Local leaders routinely flout national directives with impunity.

Between 1990 and 2000, per capita taxes paid by peasants were, on average, six times as high as those paid by city dwellers, even though the peasants’ average income was only one-sixth as great as urban levels.

A peasant advocate in the party leadership – leader of a county in Hubei province – told Chen and Wu, “The Party Central Committee knows perfectly well that although problems appear at the bottom, the root lies with the top leadership. Why not pursue it at the top?”

But party leaders are reluctant to undercut the power of local chieftains, the mainstay of government authority in the countryside.

### **Repeal of agricultural taxes**

In 2003, in a major step to revive agriculture, China’s government eliminated all agricultural taxes.

Chen and Wu, whose book was written immediately after that reform, are sceptical about its impact. They note the absence of any move to prune back the rural bureaucracy or to provide it with an alternate source of income. Taxes are being replaced by fees, they say, which are equally open to abuse. The underlying disparity in power and lack of legal remedies in the countryside is unchanged.

Chen and Wu’s book was published too early to contain a balance sheet of the tax reform. But their subsequent personal fate is not encouraging.

Despite its moderate and fundamentally pro-government stance, their book was removed from bookstores. The authors were subjected to a harassment lawsuit, which won a favourable reception in the courts and dragged on interminably. Their names,

ideas, and legal predicament were blacked out from the media. Ultimately, in self-defence, they reluctantly sought international publicity for their case.

## Reformers' proposals

Chen and Wu's book concludes with a survey of the opinions of some reformers within the Communist Party who are concerned regarding the needs of peasants. Their comments are muted but insightful.

- Agricultural specialist Zhu Shouyin condemns the role of the township authorities as "independent entities with monopolistic power that tended strongly toward the pursuit of profits."
- Li Changping, editor of the magazine *China's Reform*, states, "Let the peasants enjoy the status of a citizen; give the peasants their basic rights."
- Yu Jianrong, an agricultural researcher, contends that "there is no such thing as citizens' rights" in China, "only the capital and power and privileges of a ruling clique." What's needed is a network of peasant organizations, truly representing their interests, to "rally the peasants ... to replace the current local bureaucracy by peasant self-rule."
- Noted economist Wu Jinglian closes the book on an ambiguous note. Famous as a proponent of "market reform," he now describes China today with words of Charles Dickens: "The best of times, the worst of times," and says that a positive outcome is far from assured. "We of course hope for a good one, but the future of China can only depend on our convictions and our efforts of today." **R**

## BASICS... continued from page 41.

In five years time, we have developed many links to community organizations and struggles throughout Toronto and indeed Canada, not to mention having played our own role in supporting and creating new organizations. We have built working relationships with many organizations throughout Toronto, including Migrante-Ontario, Barrio Nuevo, Esplanade Community Organization, Jane-Finch Action Against Poverty, OCAP, Greater Toronto Workers' Assembly, Justice for Alwy, NO COPS, May 1st Movement, Bayan Canada, Frente Norman Bethune Internationalist Brigade, Socialist Project, as well as many other groups and union locals.

BASICS has organized itself in Step-by-Step manner, which saw us develop slowly but solidly as an organization on the basis of direct social investigation of the conditions of working-class communities, consistent political education, and constant criticism and self-criticism of our work. The democratic workings of our organization began with a single organizing group in 2006, developed into a central organizing committee with representatives from multiple organizing groups by 2008. And now, in late 2010, we have discarded this organizational form to accommodate a much larger organization.

## NEXT STEPS

On October 23, 2010, our organization was formally launched as *Basics Community News Service*, with a Constitution and an Executive Committee to be annually elected from its General Membership. The rank-n-file membership of the organization will be expected to participate in all GMMs, committees, and sections of the organization, while the elected leadership will guide the organization from the center. Unlike bureaucratic mass organizations, such is the case even with many union locals and student unions, our work will have to rely on the active contributions of its rank-n-file members to survive.

Part of the immediate plans of the new Executive Committee of the organization is to consolidate and expand the community organizing side of the organization by increasing the distribution of BASICS Free Community Newsletter in working-class communities in Toronto and continuing to use the print edition as a concrete organizing tool for the people.

Furthermore, at our first AGM the Executive Committee reaffirmed previous plans to begin creating training modules in *people's journalism* skills in order to better train of rank-n-file activists of BASICS, affiliated community organizers, and the people more broadly, with the eventual goal of launching our *School of People's Journalism*.

At our first AGM, our new organization also reaffirmed its past affiliation with the May 1st Movement, and in fact requested of the Executive Committee that we more broadly engage our membership on the purpose and function of such a working-class coalition in order to better comprehend and execute our objectives of building the working-class movement. To this commitment of fostering greater collaboration of working people domestically was added the commitment to explore concrete possibilities for realizing our internationalist commitments to people's struggles around the world.

As our organization grows further, we look forward to the day when we will require a general staff to grow the organization into the hundreds and thousands of members, and with a media reach into the millions. But we will only succeed in this task if for every staff there is a hundred rank-n-file members carrying out the active mass work of the organization that has characterized our work for the last five years.

With our new organizational basis, we are looking to rapidly expand our membership throughout Toronto, and indeed the country, particularly in working-class neighbourhoods, but also throughout schools and workplaces. We are appealing to progressives with media skills, writers, community organizers, and working-class activists to link up with our organization and help build a people's media organization. **R**

If you are interested in joining, or for more information, visit our website [www.basicsnews.ca](http://www.basicsnews.ca), or email as [basics.canada@gmail.com](mailto:basics.canada@gmail.com).



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Editors: Leo Panitch and Colin Leys

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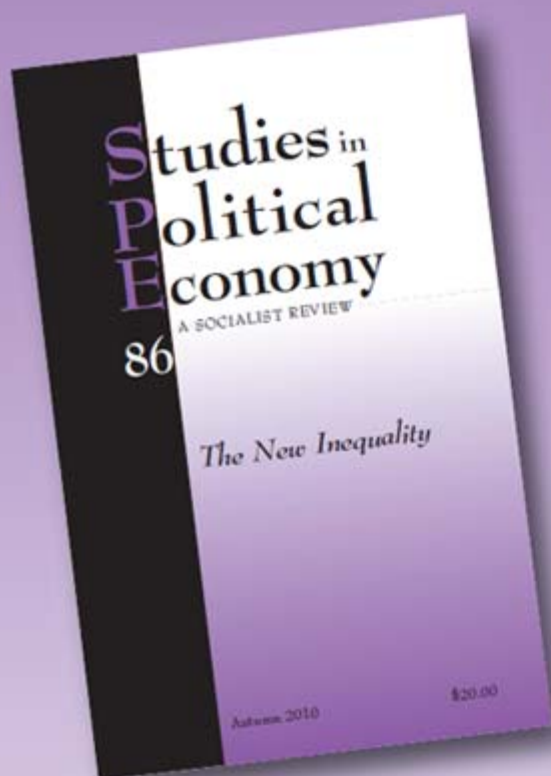
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