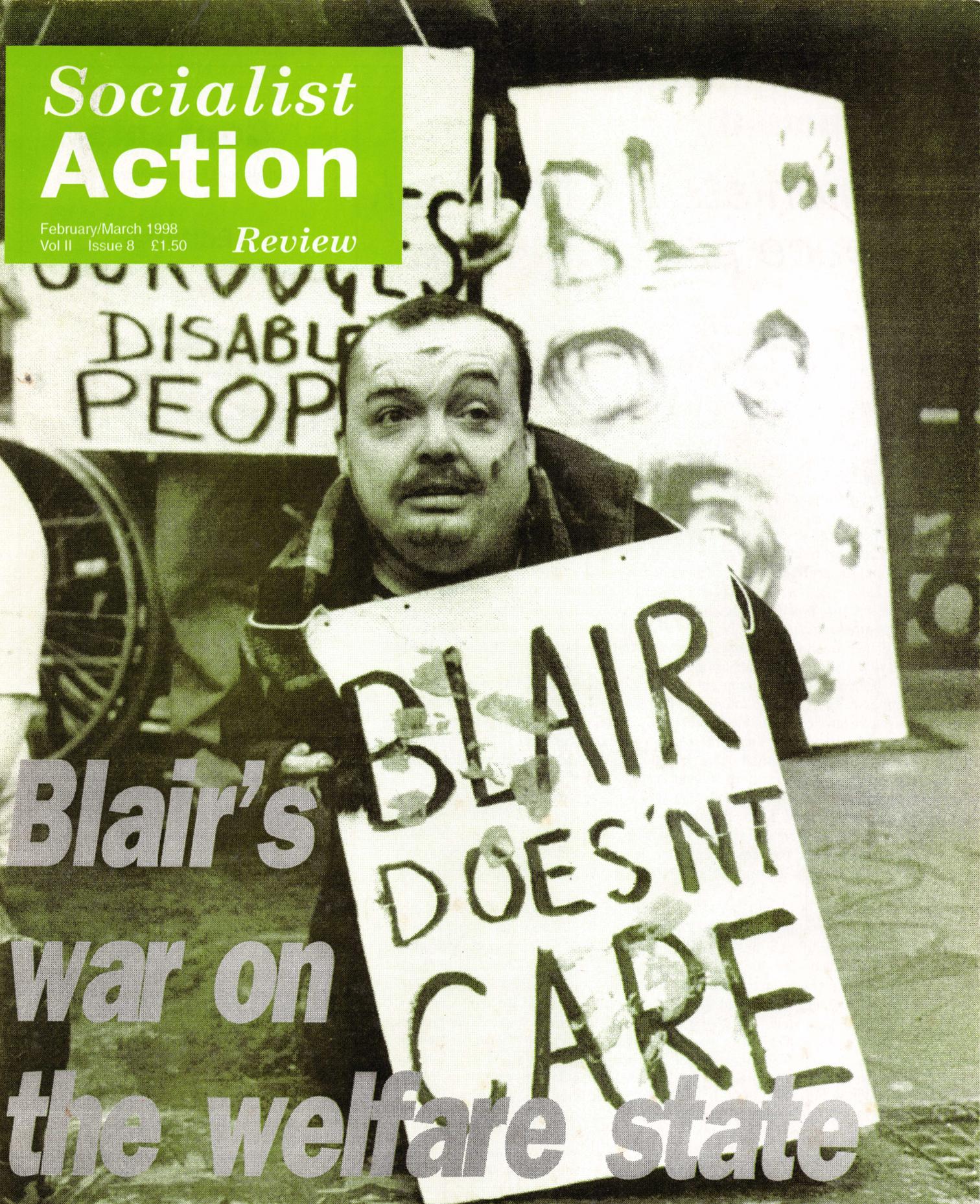


Socialist **Action**

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Review



Blair's war on the welfare state

- *New Labour faces new left*
- *Ireland: Unionists try to wreck the peace process*
- *Students: opposing fees, defending grants*
- *Behind the world financial crisis*
- *Russia*

Comment

Unionists try to wreck peace process

Unionist politicians and loyalist death squads are doing everything in their power to wreck the Irish peace process. While Ian Paisley boycotts the talks, David Trimble sabotages them from within by refusing to talk to Sinn Fein, and loyalist paramilitaries murder Catholics chosen at random. Their common goal is to block any fundamental change in Northern Ireland's status quo.

The Unionist programme is very simple. Northern Ireland must be maintained as a sectarian state in which nationalists are treated as second class citizens. Unionism stands for discrimination in employment, housing, education, culture, religion and politics. Nationalist resistance is met with sectarian murders, pogroms and legalised repression. Unionism correctly sees the partition of Ireland and British rule in the north as the guarantees of the privileges and discrimination which cement the Orange bloc.

Faced with demands for change, British governments have always hidden behind the artificially created Unionist majority in the six counties. In reality the London government has the power to dictate to Unionist politicians — whose entire position is dependent on British financial, political and military support. An independent Northern Ireland is simply not a viable option.

The problem for Unionism today is that it is no longer capable of enforcing its rule over the nationalist population.

The Anglo-Irish Agreement was an attempt to find a way out of this impasse. The common interest of Dublin and London was to try to stop the rise of Sinn Fein as an electoral force in the north and bloc its extension south of the border. While the Agreement's immediate aim was to isolate Sinn Fein, as the Unionists pointed out it nevertheless marked a further erosion of British sovereignty over Northern Ireland.

Sinn Fein continued to advance at the polls, however. When John Major kept Sinn Fein out of the talks for more than a year, the nationalist population responded by increasing Sinn Fein's vote. In May, Gerry Adams and Martin McGuinness won parliamentary seats, and in southern Ireland's recent election Sinn Fein won a seat in Dublin's parliament and narrowly missed winning two more.

All wings of Unionism believe that progress in the talks will take them a step closer to a united Ireland. Furthermore, for blocking talks and fostering a killing spree of Catholics Unionism was rewarded with a document from the British and southern Irish governments which watered down commitments to executive powers for new north/south bodies and proposed a Northern Ireland Assembly and a Council of the Isles linking Ireland and Britain.

Sinn Fein rejected the document but remained in the talks. That presents Dublin and the SDLP with a dilemma. If they accept an internal settlement they risk losing even more support to Sinn Fein. If they stand with Sinn Fein against an internal settlement they will help draw larger sections of Ireland's population into conflict with the British government — increasing the tendency for the fight for a united Ireland to take on 32-county dimensions.

On 25 January, at a London public meeting attended by nearly 1,000 people, Gerry Adams and Martin McGuinness appealed directly to the Irish community in Britain and to the labour movement to make their voices heard in support of a democratic peace settlement which opens the ways towards a united Ireland. They pointed out that what the British establishment most fears is the kind of society which the Irish may choose to create when Britain finally leaves.

The primary responsibility for success or failure of the peace process lies with the Labour government. It is not an 'honest broker' between Unionism and Irish nationalism. It is the force which imposed and maintains partition. It is entirely within its power to force Unionism to come to terms with the rest of the population of Ireland by indicating that the British presence is coming to an end. That is what the labour movement should start campaigning for.

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Battle joined over Labour's future

The first nine months of the Labour government have confirmed that Tony Blair is not simply 'another' right wing Labour leader. Blair's project is to dismantle the Labour Party as a party based on the unions, to destroy the elements of democracy which exist within the party and to transform the British political party system, through electoral reform, to make possible a long term governmental alliance with the Liberal Democrats and, if possible, the Heseltine-Clarke wing of the Tory Party. The obstacle to this project is the Labour left — linked to the growing opposition to Blair's attacks on the welfare state in the labour movement.

Blair and Mandelson believe, like those who walked out of Labour to form the SDP in 1981, that the risk of political radicalisation by the trade unions linking up with the left in the constituencies and parliament, makes the traditional mechanisms for right wing control of the Labour Party unsafe. But, unlike the SDP, Blair is using the central apparatus of the party and of government, to try to break up the Labour Party's structures from within.

His proposal for a 'patriotic alliance' with Paddy Ashdown and the Heseltine wing of the Tories, to campaign for British entry into the European single currency, is the long term political cutting edge of this project. He is bidding to exploit the split between big business and the Tories over the European Union. In essence, Blair is telling big business that a sanitised Labour Party moving away from the unions and into alliance with the Liberal Democrats is a safer bet than a Tory Party which may not be able to win another general election. He is reinforcing this message by giving a leading role in his government to private businessmen while ceremonially keeping the unions at arms length.

For the entire twentieth century the battles over policy in the labour movement have been fought within a unitary Labour Party. In a political system organised around the dominance of the Conservatives, Labour's periods in office served primarily to head off and demoralise the waves of working class discontent which shook British society in the 1920s, after the second world war and at the end of the post-war boom in the 1970s.

In this system Labour was 'a broad church' within which the left was marginalised by an unshakeable alliance of the right wing trade union bureaucracy and the parliamentary leadership. In the 1970s, the political radicalisation of the unions fractured that alliance. Although, under Kinnoch, Smith and Blair, the right wing regained control of the party, Blair and Mandelson believe that the central pillar of that control — the stability of the union leaderships' backing for the parliamentary right — cannot be relied upon, particularly in the context of a government trying to dismantle the welfare state.

Hence their drive to destroy all channels for union and rank and file influence over the Labour Party and to create a new political system based on governmental coalitions with the Liberal Democrats.

It goes without saying that in Blair and Mandelson's scheme of things there will be no place for the Labour left. The planned

purge of left-wing and 'Old Labour' Euro-MPs and the exclusion of left-wing MPs from the constituency section of the NEC are harbingers of what is intended at every level, including Westminster. In that sense Blair's project involves splitting the Labour Party to drive out the left. But what is not yet determined is whether that project can succeed, and, even were it to do so, what forces would exist on either side of the divide. Because, if it does not give in and pursues effective tactics, the Labour left cannot be eliminated as a mass, albeit minority, force in British politics. The exclusion of the left from the Labour Party would simply result in the emergence of a new party to the left of New Labour, with serious electoral support.

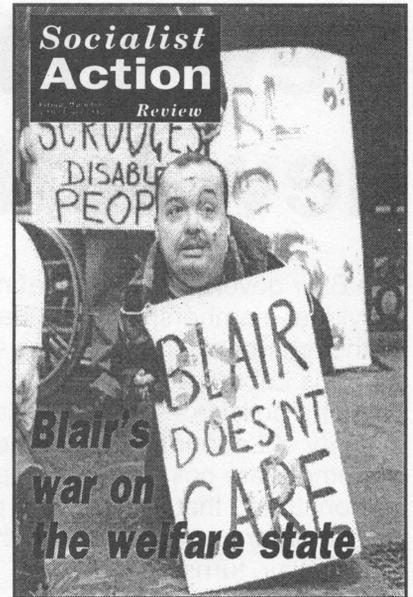
The Labour left is the single most powerful political force seeking to defend the working class against Blair's attacks. It did not give up on 2 May. It has not been bought off by posts in government. It is not isolated from Labour's individual membership — nearly 40 per cent of whom voted for Socialist Campaign Group candidates in last October's NEC elections and, for the first time since the early 1980s, the middle ground in the party is moving to the left.

The left shook the government by the breadth of alliances it led against cuts in lone parent benefits. And, although the trade union general secretaries at present are not rocking Blair's boat, Mandelson and Blair still fear an eventual link-up between the Labour left and trade unions forced by their memberships into opposition to Blair's policies. Even in the parliamentary party, where Blair has a firm grip, disagreement with the government's direction is already broader than the Campaign left — as shown by the election of Alice Mahon to the National Policy Forum by Labour MPs.

The first nine months of the Labour government have therefore confirmed that the battle over the future of the labour movement will pass through, not outside, the Labour Party. The Labour left is the most powerful ally of every progressive force in British society. It is now getting stronger, not weaker. Because Blair's project is to dismantle the Labour Party and the welfare state, he confronts not merely a small class struggle minority, but also substantial forces rooted in the traditional structures of the labour movement. The Labour left is starting to put itself at the head of that opposition.

That is why Tony Blair is going to try to drive the left out of the Labour Party before it can be reinforced by a radicalisation of the unions. The left clearly has no interest in allowing him to do so. It is not going to give in to Blair politically and it is not going to vacate the field of battle over the policies of this government.

After more than a decade of retreat the time has come for the left wing of the labour movement to move forward.



New Labour faces new left

The Blair government has met more rapid opposition in the ranks of the individual membership of the Labour Party, and even amongst Labour MPs, — though not yet in the unions — than at a similar stage in the life of any previous Labour administration. This will not, however, deter Blair from pursuing policies — on the welfare state, for example — rejected by the majority of Labour Party members. As a result tensions within the labour movement are going to increase steadily, with the Labour left having already demonstrated that it will be the political axis around which extra-parliamentary campaigns and the fight for an overall alternative policy to that of Blair, turns.

Tony Blair is not a traditional Labour leader of the type of Jim Callaghan, Harold Wilson, Clement Attlee or even Hugh Gaitskell. Those figures pursued policies in government which demoralised the labour movement and eventually smashed popular support for their administrations. But the basis of their power was a bloc of the right wing majority of the parliamentary party with the trade union bureaucracy which controlled more than 90 per cent of the votes at party conference and the majority of the national executive.

Against this bloc, the old Bevanite, then Tribunitary, Labour left based in the constituencies, was virtually powerless.

The only way to break through this right wing bloc would have been by challenging it from within the trade unions. But in the conditions of rising living standards of the post-war boom the broad mass of rank and file trade union members were not sufficiently receptive to the left to shake the control of right wing union machines. This problem was compounded by the fact that the Labour left did not organise directly in the unions, leaving this to the Communist Party which had no direct input into Labour politics. This created the impasse which pertained until the end of the 1960s, whereby the Labour left was confined to the constituencies, without a powerful trade union base.

What finally broke this logjam was the end of the post-war boom and the unrelenting attacks on trade unionists' living standards through wage restraint policies by successive Tory governments through the 1960s and 1970s. The shop stewards' movement at the base of the unions began to radicalise politically

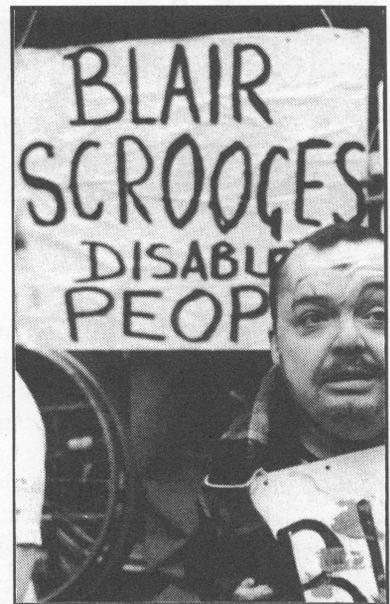
'Blair and Mandelson share the analysis of the old SDP that the bloc which guaranteed right wing control of the Labour Party has irrevocably fractured'

under the Wilson and Callaghan governments. This created the potential for a link-up between the Labour left and trade union militancy — the only thing capable of bringing sufficient pressure to break up the alliance between the trade union bureaucracy and the parliamentary right.

Two events demonstrated how dangerous this could be for the Labour right. First, Harold Wilson and Barbara Castle's attempts to bring in anti-union laws were defeated by trade union opposition in the Labour Party national executive at the end of the 1960s. Second, on a more generalised level, at the beginning of the 1980s the radicalisation of the trade unions came together with the Labour left to change the Labour Party constitution following the failure of the Wilson/Callaghan government of 1974/79. The Campaign for Labour Party Democracy formulated the proposals to meet rank and file demands for accountability of the parliamentary leadership.

This experience, where Tony Benn came within a whisker of being elected Labour's deputy leader, demonstrated to the Labour right and capital that, if the trade unions radicalised, their 92 per cent of the vote at Labour's conference and monopoly of the party's funding, would be transformed from the main bastion of right wing control into the opposite.

In particular, that section of the right wing Labour bloc most integrated into the state and linked to private capital understood this. That is why they split from Labour in 1981 to form the Social Democratic Party. They aimed to displace the Labour Party as 'Her Majesty's Opposition'. However, they miscalculated on two fronts.



First, although the SDP sliced deeply into Labour's electoral support — nearly pushing it into third place in 1983 — it was unable to consolidate institutional trade union support. The SDP-backed alliance of the EETPU, AEU and the Union of Democratic Mineworkers ultimately failed to split the TUC. As a result of this failure to achieve a real split in the labour movement, the SDP were steadily ground down by Labour on the electoral field, and ultimately absorbed by the Liberal Party. The latter gained as a result, continuing its steady rise since the beginning of the 1960s. But without an organised base in the working class, and with the temporary boost to the Conservative Party provided by North Sea oil, they could not advance against either Labour or the Tories at that time.

Second, Neil Kinnock, Roy Hattersley and then John Smith were able to isolate the National Union of Mineworkers and the Labour left, re-create a bloc with the great bulk of the trade union bureaucracy, and thereby re-assert right wing dominance within the Labour Party. As a result policies introduced at the peak of left support were successively overturned. The final result was the media backed, and capitalist funded, success in securing the leadership for Tony Blair.

Blair and Mandelson share the analysis of the old SDP that the bloc which guaranteed right wing control of the Labour Party for 70 years has irrevocably fractured. In spite of the immense weakening of the trade unions by Margaret Thatcher, they correctly view a trade union radicalisation allying with the Labour left, as the principal threat to

right wing control of the Labour Party. Furthermore, as events since 2 May have shown their policies in government are already resulting in the first signs of the very process they fear — as yet mainly confined to the individual membership and a small section of the PLP.

But rather than walk out of the party, Blair and Mandelson propose to transform the British political party system, and the Labour Party, to try to *permanently* eradicate this threat. That requires the break-up of 'labourism' as it has existed since 1900 — which is why they conflict not only with the left but also with sections of the 'Old Labour' right.

The opportunity for this is created by the long historical decline of the Tory Party, which reached a qualitative point in the 1997 general election. With Hague and the Conservative Party on a collision course with big business over European Monetary Union, the moment has arrived when serious capitalist support for a transformation of the political party system on the model of those prevalent in continental western Europe is forthcoming. On this, the most fundamental issue for British big business at the end of the twentieth century, Blair and Ashdown are closer to its objectives than the majority of the Tory Party.

In this sense, Blair's policies on the economy and welfare state, his promotion of big business leaders into the government, his relentless pursuit of a bloc with the Liberal Democrats, his anti-union stance, his changes to the Labour Party constitution, and his cautious but definite support for EMU, are inextricably bound together in a single political project.

Blair is aware that, without a change in the political system to some form of proportional representation and state funding of political parties, the attempt to break the Labour Party from the unions could result in a split in which the party, without union support, could, like the SDP, be ground down by the first-past-the-post electoral system. This is because no party within a bourgeois democracy can achieve political dominance without an institutional class basis of support. The core of the old Tory Party was the City of London, big land-owners, the English shires and Ulster Unionism, with which the leading industrialists were allied in a subordinate role. The core of the Labour Party has been, for nearly a century, the



trade unions and the urban working class. It was from this core that Labour's electoral base was rebuilt after 1983. The fundamental base of the Liberal Democrats is that section of big capital most committed to European economic and monetary union. Once the SDP failed to create an equivalent class base, by linking pro-EU big capital and the EETPU/AUEW right wing of the unions, it was doomed.

Tony Blair is committed to breaking the constitutional role of the trade unions within the Labour Party. But this would only become viable given two factors: firstly, in the context of state funding and a new electoral system in which even a much reduced Labour Party could aim to remain continuously in government in alliance with the Liberal Democrats — hence PR; and, secondly, in the event of all or a significant part of the TUC accepting a relationship more like that between the AFL/CIO and the Democrats.

That is why Blair is moving relentlessly towards electoral reform — starting with the European elections, then the Scottish Welsh and London assemblies, then the referendum on electoral reform for Westminster.

It is also why Blair is at such pains to consolidate an alliance with the Liberal Democrats — phoning Paddy Ashdown in the early hours of 2 May to make clear that, notwithstanding Labour's landslide in seats, cooperation was still on and later establishing the cabinet level committee with the Lib Dems. The political basis for this Lib-Lab bloc is the shared commitment to participate in European Monetary Union, the first step in this direction being

taken with the transfer of control of monetary policy to the Bank of England.

The Monks wing of the trade union bureaucracy, and its ideological advisors in the Democratic Left, are quite comfortable with this project. But they are an influential *minority* within the trade union bureaucracy — whose largest part is aligned with the *labourist* Edmonds/Bickerstaffe/Morris centre. The latter's closest equivalent in the Parliamentary Labour Party is the so-called soft-left/soft-right around Margaret Beckett, John Prescott and Robin Cook.

The key to the present situation in the Labour Party, therefore, is that, until Blair can move much further towards PR, reducing the union link and eliminating the Labour left, he requires the support of the labourist centre of the trade union bureaucracy, and its parliamentary reflection, to carry his policies and attacks on party democracy through the Labour Party.

In this sense, Blair has a delicate balancing act to perform. He intends to break up labourism altogether, but the elements are not yet in place to make this possible in any form other than another another SDP or Ramsay MacDonald split to the right. As Blair is going for a much bigger prize, he, therefore, for the moment, has to rely on the labourist centre of the trade union bureaucracy's acquiescence to carry his proposals in the Labour Party — while, of course, relentlessly proceeding to saw away on the branch on which Morris, Edmonds and Bickerstaffe are sitting.

Blair is able to do this because the labourist centre of the trade union leaderships, hoping for at least

'It remains the case that by far the largest part of the most militant wing of the labour movement looks to the left wing of the Labour Party.'

some progressive reforms on employment law and the minimum wage, are going along with Blair, and trying to ameliorate rather than defeat his key proposals, notably on the structure of the Labour Party. This is possible because, at the tail-end of the upswing of the economic cycle, real wages are rising faster than inflation and unemployment is falling, which reduces the pressure on the trade union leaderships from their base. Although in some individual areas, like the public sector workers facing pay freezes or privatisation, conflict will develop more rapidly, the overall situation in the unions may not move significantly until the economy turns downwards. This will happen over the next 18 months — under the impact of high interest rates and an over-valued pound (which are Brown's alternative to raising taxes on dividends and top earners). When union members' living standards fall and unemployment rises discontent with the government will start to find its way through the trade union structures.

At the same time the political contours of a new left wing of the labour movement, into which trade union dissent could dovetail — when it comes — are starting to emerge more rapidly in the Labour Party.

After a decade in which the middle ground in CLPs moved steadily to the right, the NEC elections registered a significant shift in the opposite direction. The driving force of this turn-around was the experience of just a few months of Labour in office. Party members had not expected tuition fees and the abolition of grants in higher education, abolition of lone parent benefits, attacks on disability benefits, lengthening hospital waiting lists and a looming assault on the welfare state. Even those who joined on the crest of the Blair wave did not do so in anticipation of rising mortgage bills.

These processes mean that Blair will face more and more opposition within the labour movement as time goes on.

Internally, unease about the first decisions of the government connected with a strong reaction by party activists, by no means limited to the left, against the *Partnership in Power* proposals to give the Prime Minister dominance in Labour's policy-making process — notably by ending the right of CLPs and unions to move motions direct to party conference. The attempt to use

the government's honeymoon period to push these plans through without debate provoked a backlash from middle ground constituency activists previously supportive of Blair.

As a result, the relationship between the Blair leadership and a significant section of the individual membership at CLP level has already started to come apart. This shift at the base of the party has manifested itself in new alliances between left and centre-left pressure groups.

The first sign of a major political realignment was the public row between the middle ground pressure group, Labour Reform, and Peter Hain's *What's Left* group of soft left MPs over the latter's acceptance of the leadership's parody of consultation on *Partnership in Power*. Labour Reform issued a press release which warned: 'Labour Reform now fears a 'stitch up' between the soft left and some of the trades union leaderships at the expense of ordinary members, activists and trade unionists.'

This was followed by an agreement between Labour Reform and the Campaign for Labour Party Democracy to campaign jointly for

motions to the annual conference calling for *Partnership in Power* to be delayed for a year. The results were spectacular: an unprecedented 150 motions and amendments critical of the leadership's plans were submitted.

The process of realignment deepened with *Tribune* newspaper editorialising against the main proposals of *Partnership in Power*.

The development of these alliances was accelerated by the leadership's attempt to get Peter Mandelson onto the NEC. This was a bridge too far for party and trade union members extending far beyond the traditional left.

The result was a surge of support for the candidate objectively best placed to stop Mandelson — Ken Livingstone who had been 16,000 votes ahead of Hain in 1996. In response to a *Guardian* editorial suggesting a vote for Hain or Livingstone to stop Mandelson, *Tribune's* editor wrote in pointing out that Livingstone was best placed to defeat Mandelson. On the same *Guardian* letters page, Labour Reform announced their support for both Hain and Livingstone — which

'The political contours of a new left wing are starting to emerge'

PR heralds purge of MPs and end of selection rights

Indications that proportional representation and centralised ranking of candidates for the European Parliament elections are going to be used to purge Euro-MPs and abolish the right of party members to choose candidates give a flavour of what is posed by the Electoral Reform Commission's remit to look at the introduction of PR for Westminster.

Labour has acknowledged that under PR it anticipates losing up to 30 of its 62 MEPs. In London, for example, where Labour currently has nine seats, it is braced to lose up to six. In Scotland, with currently six Labour held seats the party could lose three MEPs.

Centralised control of candidate selection will be used to determine where candidates are positioned on party lists. In the European elections only the top 30 or so will have any hope of being elected. The party leadership will thereby gain full power to purge candidates, overturning mandatory reselection.

The procedures proposed for the European selections — to have been completed, with candidates in place, before this year's Labour Party conference — would give the party membership merely a right to *nominate*, not to select or vote

for, candidates. Selection, to determine the names on the list for each region and ranking of the list, would be decided by a leadership appointed panel.

Of the five members of the Electoral Reform Commission four are publicly known to support some form of PR. Chaired by SDP founder Roy Jenkins and encompassing the political editor of the *Economist* and pro-PR Tory peer Lord Alexander of Weedon, the Commission is clearly not going to have the election of future Labour government's as its central concern.

Under PR the last general election would not have resulted in a Labour government. In Scotland the Additional Member System agreed for the Scottish Parliament will hand Labour seats to parties to its right — the Liberal Democrats, SNP and even the Tories will benefit — and almost certainly lose Labour the majority it would have under the present system.

PR at Westminster would consolidate a new centre party bloc committed to a pro-EMU, low wage and anti-welfare state agenda. Its corollary would be state funding to allow Blair to eliminate the trade union vote within the Labour Party.

was a move to the left as they had not previously indicated support for Livingstone. The *Morning Star* also ran an editorial backing Livingstone.

Thus a *de facto* left/centre-left alliance emerged around the NEC elections. Mandelson polarised the situation — with him included on a hard right slate on one side, backed by Labour First, while a significant part of the middle ground added its votes to the left. This sequence of events shows that the increase in the vote for Socialist Campaign Group candidates from 31 to 39 per cent of the vote, represented the coming together of *different* strands within the party — not a simple expansion of the influence of the left. The same process had been expressed at the Labour Youth conference earlier in 1997, where a broad left candidate for the NEC won a third of the total vote and the majority in the trade union section of the electoral college.

While this political process is mainly confined at present to individual membership in the CLPs, it is a real threat to the Millbank Tendency. It represents a combination of political forces which could also break through into the trade unions and even have some, more limited, effect on alliances among Labour MPs. That is precisely what happened in the parliamentary rebellion against cutting lone parents' benefits which definitively established that the political centre of gravity of opposition to the line of Blair in the working class will be the left wing of the Labour Party — and not the Socialist Labour Party or other currents outside Labour's ranks. The vote for Skinner in the NEC elections was greater than the total vote for the SLP in the general election.

The lone parent rebellion marked a political watershed for the government, establishing that the Labour left now occupies the moral high ground with a broad section of Labour's electorate, though remaining very much a minority in the party as a whole due to the slower pace of movement in the unions.

The success of the left/centre-left alliance in breaking new ground in the NEC elections and on the issue of lone parents also raises the possibility that the new structures may be less effective at stifling the rank and file and the left than Blair intends.

The leadership will try to exploit the gap between the emergence of dissent in the CLPs and the unions to try to break up the momentum

towards a broader Labour left. The option of shutting up the left by integrating it into a junior role in government does not seem viable given the resignations over lone parent benefits. Therefore the leadership will try to break up the emerging centre-left coalition in the party by, on the one hand trying to woo back the middle ground, and, on the other, attacking the left — as an end in itself and to try to intimidate the centre. Within the Labour left, sectarian opposition to broader alliances (led by *Socialist Organiser/Workers' Liberty*) was roundly defeated even at the conference of the Network of Socialist Campaign groups.

In the CLPs the emerging broad left remains a minority, and is hemmed in at present by the trade union bureaucracy's determination not to rock the boat for fear of losing hoped for government concessions. That block to their right will at first break up around individual issues on which the government will not be able to satisfy capital and labour simultaneously. What are these?

- The first was lone parent benefits — a campaign to which the union leaderships gave merely passive support.

- On disability benefits a campaign is already gathering momentum and the unions will be under greater pressure to participate because the proposals would affect more of their members more directly.

- On the welfare state, Blair is trying to make the case for change without spelling out his proposals. A broad united front supporting universal benefits now needs to be constructed.

- The abolition of grants and introduction of tuition fees is not supported by most back bench MPs nor the trade unions. But, they will go along with it unless there is a massive reaction from the student unions. The extent to which that develops will depend on the ability of the left in the National Union of Students to overcome the sabotage of the NUS' right wing Mandelsonite leadership.

- On the national minimum wage, the government will go for the lowest possible figure — helped by the TUC's willingness to discuss a lower figure for young workers. But this will collide with the interests of millions of low paid trade union members creating problems for the trade union bureaucracies if they go along with it.

- On employment rights, the gov-

ernment is not going to legislate the demands adopted by this year's party conference for rights to begin on day one of employment.

- In Scotland, the large vote for a parliament with tax raising powers was a mandate for a Scottish parliament to restore public services. Scottish Labour will therefore be squeezed between Blair's attempts to rigidly enforce his line north of the border and the threat that the SNP would, as a result, be enabled to outflank Scottish Labour with left rhetoric. The purges in Glasgow and on the Scottish Labour Party executive are part of Blair's efforts to crush all signs of independence within the Scottish labour movement as a corollary to devolution. The result will be to introduce the national question directly into the labour movement — increasing pressure for Scottish Labour to break with Blair in order to survive electorally in circumstances where, by conceding PR for the assembly, it has probably thrown away the chance of a Labour majority.

**'Blair is
moving
relentlessly
towards PR'**

A'race' has therefore begun between, on the one hand, Blair's efforts to close down all channels through which a left wing alternative can be expressed within the Labour Party, and, on the other, the ability of a broadening Labour left to break through into the trade unions and thereby challenge Blair's grip on the party before he is able to break the union link.

Even were Blair to be successful — which would ultimately require breaking the links with the unions, proportional representation and a wholesale purge of the left, including in parliament — the Labour left, if it had avoided being trapped and isolated, on the one hand, and giving in politically on the other, would be a significant electoral force to the left of New Labour. This is already the case in most other European Union states.

While the balance of forces today remains in Blair's favour, the peak of his authority was on 2 May. The subsequent process, where virtually every major decision in government exposed Blair as a latter day Ramsay MacDonald, is now on course to accelerate. What is absolutely clear is that this battle, which will determine the political shape of the British labour movement in the period to come, is far from over. It is, on the contrary, only just beginning.

By Louise Lang

Blair's strategy for dismantling the welfare state

The biggest social change of the last two decades has been the tremendous growth of unemployment and poverty, reflecting the redistribution of wealth from the poorest to the richest that took place under 18 years of Conservative governments. Far from seeking to redress inequality, however, New Labour is expunging the very notion of redistribution from its agenda, with a wholesale assault on the concepts underlying the welfare state.

Harriet Harman's proposal for an 'affluence test' is a frontal attempt to overturn universal benefits. What is being proposed, for example, is means-testing of child benefit, maternity allowances and pensions. This would destroy the elements of universality which are still, despite the extension of means testing over the last 20 years, central to the welfare state.

The aim is to create a system on the US model, where social insurance is a matter for the individual and welfare benefits are vestigial, a temporary relief for the very poorest.

The first necessity for carrying through such a transition is the acceptance that the benefits of the welfare state should not be universal. This would be the effect of the so-called 'affluence test' — those above a certain income level would cease to be eligible to receive what are presently universal benefits. The second necessity is to break with the principle of social insurance. If benefits are not universal, the interest of the majority in defending the welfare state is undermined. Why should people want to contribute to a system from which they receive nothing in return?

Some of the thinking behind the government's welfare strategy is contained in a recent OECD paper with the revealing title *Employment and social protection: are they compatible?*¹ This argues that the combination of 'over-generous'

welfare benefits and statutory employment rights that exist in western Europe undermine the incentive to work. The paper says this is particularly so in the case of 'income support benefit which may be available for a long duration, eg unemployment and disability benefits'.

The paper argues that: 'low minimum wages and the availability of relatively low social protection benefits encourage high levels of employment and job growth.'

The author contrasts the United States favourably with western Europe, noting that in the US, low minimum wages, low levels of income support and few legal constraints on hiring and firing 'have been accompanied by rapid employment growth, especially for low-wage workers; high and rising wage inequality; slow wage growth'.

The OECD makes clear that its prescription is not aimed simply at the unemployed but includes pushing those who are currently exempted from seeking work onto the labour market: 'As well as unemployment benefits, other income support

programmes also enable working-age individuals to opt for non-work/reciprocity status. Early-retirement and disability benefit programmes are two such alternatives.'

This reads like a blueprint for the policies being elaborated by the current government.

The economic basis for the welfare state in west Europe was the long boom of post-war capitalism, while its political spur was the threat to capitalism from the advance of communism in eastern Europe.

By providing a social safety net the post-war welfare state acted as a check on the blind play of market forces. By spreading the costs of reproduction — such as the costs of raising children, sickness, disability, old age, unemployment — more evenly across society than previously was the case, the welfare state was to some extent an equalising and progressive force. The aim now is, by dismantling the welfare state, to end its tendency to act as a check on capital's ability to force down the price of labour and force up the rate of productivity. This would force

the working class to absorb a much greater share of the burden of reproduction of labour, and increase inequality and divisions — between those who can afford to pay for services, pensions etc and the majority who cannot.

Since 1979 successive Conservative governments have achieved a radical shift in wealth from labour to capital. Wages dropped from 66 per cent of gross domestic product in 1979 to 62.7 per cent by the end of 1994 — the equivalent of £17.50 a week for every wage earner.

This redistribution of wealth — achieved through a combination of labour market deregulation, regressive taxation, and steps towards dismantling the welfare state — was pioneered in Britain by Margaret Thatcher and successive Conservative governments. It is now the driving force behind New Labour's welfare reforms.

By Meg Bradley

1 In *Family, Market and Community — equity and efficiency in social policy*, Social Policy Studies, OECD, 1997.

Campaign to Defend the Welfare State

*Eve of Budget
Lobby of Parliament*

Work and Welfare
Defend universal benefits

Monday 16 March

2pm-7pm

Lone parent benefit — The end of Blair's honeymoon

Tony Blair's honeymoon came to an abrupt public end with the vote of 47 Labour MPs — and the abstention of many others — against the government's proposals to abolish single parent benefits. The government's attacks on the living standards of the poorest women and children in the country not only provoked a parliamentary rebellion unprecedented so early in the parliament, but also a public outcry which signalled a clear turning point in the Labour government's popularity. The impact of the campaign to save lone parent benefits and the unexpectedly big revolt of MPs means that, while Blair plans to proceed with attacks on disability benefits, pensions and other pillars of the welfare state, he will face still more determined opposition.

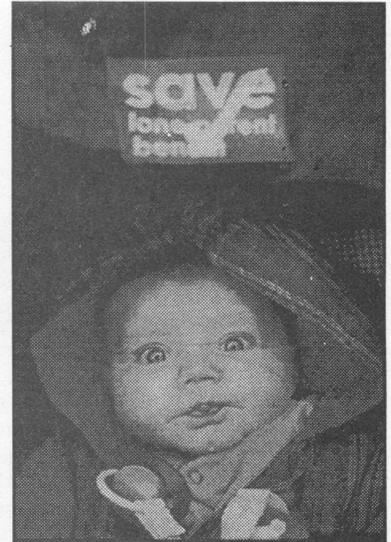
The unfolding of events in the weeks leading up to the vote on 10 December demonstrated two key points: firstly, the importance of the Labour left taking a clear campaigning stand against such anti-woman, anti-working class and deeply unpopular policies; secondly, the crucial role played by a campaign led by women — the Save Lone Parent Benefit campaign — and orientated to linking up with parliamentary and labour movement opposition. This was particularly important in the context of the failure of the majority of Labour's new women MPs to represent women's interests — and the divisive use to which this was put by the government.

Among Labour MPs opposition to the government's proposals was registered by a *de facto* alliance spanning the Campaign Group, the centre left through to individuals from the traditional, pro-welfare right. The 47 Labour MPs who voted

against ranged from backbench MPs like Audrey Wise, Ken Livingstone and Diane Abbott, together with Roger Berry, Ann Clwyd and Gwyneth Dunwoody, through to five holders of office, who consequently either resigned or were sacked from their posts (Alice Mahon, Malcolm Chisholm, Gordon Prentice, Michael Clapham and Neil Gerrard).

A further 57 Labour MPs did not vote, many in a conspicuous display — remaining in their seats while the vote was taken.

The political range of Labour MPs represented by the vote echoed, but on a much wider basis, that seen around Labour's National Executive elections earlier in the year. The *Economist* tactically advised Blair against provoking an 'unwise' rebellion, because it understood that the sight of 'a Labour government scuttling around the television studios justifying cuts in social security for lone parent families sickens members across a wide range of views'



'withdrawing lone parent benefits will add to the development of a two-tier labour market where women disproportionately feature among the low paid, insecure, part-time, "flexible" sector'

and provided 'an issue which aligned [the left MPs] with the wider centre and right of the Labour Party against the Blairite modernisers' (13 December). An *Observer* headline summed up the potential when it asked: *A new dawn for a New Left?* (14 December)

A *Guardian* poll published the day before the vote showed public opinion against the government by a majority of three to one. This climate, together with the number of MPs involved, meant that despite well-publicised threats, the Labour leadership was unable to discipline any of the MPs who voted in defence of lone parents. This is in spite of new parliamentary Labour Party standing orders which made it a disciplinary offence for MPs to vote against the government.

The day after the vote the *Guardian* editorialised: 'There's little point rehearsing the arguments against the measure. Labour will have heard them all day from the single mothers demonstrating outside Parliament, and the thousands of others who telephoned their anger into radio call-in shows and constituency offices...The *Guardian* congratulates Malcolm Chisholm, Gordon Prentice and the others who put principle before promotion' (12 December).

The government's arguments were demolished by the Save Lone Parent Benefit campaign. This was underlined repeatedly in the intense media coverage through the weeks

Women MPs against women?

Only eight Labour women MPs voted against the attacks on lone parent benefits — with a handful of others conspicuously abstaining. Despite more than 90 MPs signing the parliamentary motion against the proposals tabled by Audrey Wise MP, outbursts of anger at meetings of the PLP addressed by Harriet Harman, protests and vocal opposition from women Labour Party members and lone parent organisations — even Glenys Kinnock MEP added her name to a petition and letter against the proposals — the new batch of Labour women MPs were largely noticeable by their absence. Of 97 MPs who, by 2 December, had signed Audrey Wise's Early Day Motion, only 9 were Labour women, and of these only 2 were from the batch of women MPs elected for the first time in May 1997.

There is no clearer test that these women MPs could have failed than this one, involving the fate of the poorest women, and children, in society. Ninety per cent of lone parent families are headed by women. The proposals will have a racist impact, since a disproportionate number of black women are lone mothers. Removal of lone parent benefits will thus increase the proportions of black women and children among the poorest in society.

The women MPs who voted to cut lone mothers' incomes did not, however, negate the Labour Women's Action Committee's fight for women's representation. On the contrary, they underlined LWAC's argument that women's representation has to be backed by accountability to women collectively organised. LWAC fought for more women MPs to get *political* change. The actions of Labour's women MPs is connected to the fact that, in the period running up to the



May 1997 election the Labour Party's policy of women-only shortlists — now completely abandoned by the leadership — was manipulated to ensure the selection of women as close as possible to the Blair leadership.

The coincidence of policies which will ratchet down the living standards of the poorest women with some women MPs prominently supporting these policies also highlights why the Labour leadership has chosen this moment to try to put the final nail in the coffin of Labour's women's organisation. Policy making women's conferences have been abolished and will henceforth only consist of 'training'. At the Greater London Labour Party conference on 24 January no votes on resolutions were allowed and the conference was dominated by 'guest speakers' — including new Labour woman MP Joan Ryan, whose speech was devoted to the need to modernise parliamentary procedures, the issue on which she thought women MPs would be judged at the end of five years in office!

The Labour government's attacks on women — of which lone parent benefits will be added to by others such as a low national minimum wage, cuts in disability benefits and possibly abolition of statutory maternity pay — will provoke political opposition from women.

Preventing this from

translating into pressure within the Labour Party requires ending the mechanisms whereby women can influence policy and can have some control over which women MPs represent them.

Such measures are well underway, but the impact of the opposition to cutting lone parent benefits is a boost to those women organising to retain the political lessons of the struggle for women's self-organisation and representation and ensure there is the most effective continuing political organisation by women.

Those Labour women MPs who have sided with this attack have done so in the assumption that they will not be affected, that somehow women like themselves will be able to make continued progress. Despicable as this is, it is also wrong. The steady destruction of the welfare state and the ratcheting down of the conditions of employment for women — and in turn for the entire working class — has implications for the whole position of women in society. The welfare state, together with widened employment opportunities, higher pay levels and greater access to education propelled the social and political advance of women in the post-war period. This dismantling of the welfare state and driving down of women's position in the labour market is the engine house for the exact opposite process.

of the Bill's rushed parliamentary progress. The impact of this campaigning was reflected in the tone of the Commons debate in which a mere handful of MPs spoke to support Harriet Harman and had their arguments pulled to shreds.

Opposition to the government's proposals began to emerge immediately after Gordon Brown's July budget, which was followed by a statement from Harriet Harman at the Department of Social Security explaining the intention to end one parent supplements to Income Support and Child Benefit by April and June 1998 respectively.

At the carefully stage-managed Labour women's training conference in mid-July, defence of the proposals by Baroness Hollis and new Labour MP and ex-NUS president, Lorna Fitzsimons as not pleasant but 'necessary' contrasted with a well attended and heated Labour Women's Action Committee (LWAC) meeting addressed by Audrey Wise MP, which effectively launched the campaign within the Labour Party to save lone parent benefits.

With news of the proposals getting through to Labour Party members over the summer LWAC, and Labour women MPs, took the initiative to launch the Save Lone Parent Benefit umbrella campaign. Within the Labour Party amendments were circulated — resulting in the Labour conference in October being presented with a composite motion in defence of lone parent benefits. Although timetabled for discussion, on the day of the debate this composite was dropped from the agenda, in an effort to prevent a vote and even the mere broadcasting of the issue to delegates at the conference and to the wider media.

Further angered by this suppression of discussion, Labour women activists, MPs and single parent groups organised a public meeting in November at the House of Commons to brief MPs and lobby them to oppose the proposals.

The meeting succeeded in coalescing representatives of major lone parent and child poverty organisations — despite some reluctance on the part of one of the major charities because of political sympathies with Blair by leading individuals — national trade unions, women's officers, local government anti-poverty organisations and MPs. Until then there had been very little national media interest. From this point on, however, the issue was daily

news.

In addition to Maria Fyfe, Audrey Wise and Lynne Jones who spoke from the platform, 25 other MPs attended, an exceptional turn-out of MPs for such an event. The tone was set by speakers such as Sue Cohen of the Single Parent Action Network who condemned the government for 'riding on a climate of bigotry towards lone parents created by the last Tory government' and Marion Davis of One Plus, the major one parent organisation in Scotland, who pointed out that 'the present government is looking towards the US' and asked 'Do we really want to live in a society where lone mothers have to queue up at soup kitchens as they do in the US?' GMB representative, Donna Covey, and TGWU national officer, Diana Holland, also spoke. Up to this point the national trade union leaderships — although privately opposed — had limited their public statements on the proposals. Donna Covey criticised those of the 101 Labour women MPs who might be supporting the proposal to cut benefits, saying that they had 'no right to get elected on the back of women only shortlists and then vote for anti-women policies'.

This united front of public opposition to government plans gave a further substantial impetus to opposition in parliament. The day after the meeting the committee dealing with the changes to Income Support entitlements met. It was disrupted by women accusing the Labour members of 'hypocrisy'.

Of the 10 Labour members on the committee, 6 were women: Maria Eagle, Caroline Flint, Kate Hoey, Siobhan McDonagh, Shona McIsaac and Gillian Merron. Their failure to mount the slightest objection was scathingly attacked in an article by Nick Cohen in the *Observer* newspaper: 'I don't think anyone who believed that a Labour Government would make life slightly better for the poor could read the record of the meeting without embarrassed disgust... It was left to Damian Green — a Tory man, of all things — to ask them if it was for this that they spent "years in the political wilderness as Labour activists, hoping to become members of Parliament." No one answered.' (*Observer* 23 November).

By the time the committee dealing with the cuts in Child Benefit was due to meet, on 19 November, the growing Labour opposition was the subject of increasing media scrutiny.

There were 13 Labour members on this committee, including 3 women: Kali Mountford, Sandra Osborne and Gisela Stuart, all newly elected on 1 May. Other Labour MPs on the committee included Chris Pond, whose previous job was as director of the Low Pay Unit. They backed the cuts. This sharply contrasted with the situation in the House of Commons as a whole, where the call to save lone parent benefit was led by left wing Labour MPs.

The following day's meeting of the Parliamentary Labour Party gave vent to Labour MPs' anger. Addressing the meeting, social security secretary Harriet Harman faced overwhelming criticism and accusations of hypocrisy for implementing proposals she had personally attacked when they were suggested by the last Tory government in November 1996. Statements by those supporting the government's view gave a flavour of the thinking now tolerated on the Blairite right. Stephen Pound, MP for Ealing Acton was reported in the press as chiding women protesting at the sums they would lose by saying 'It's no more than the price of a couple of packets of cigarettes.'

Following the PLP outbursts, Labour opposition was front page news. The next day's *Guardian* headline blasted 'Rebels close in on Harman'. The *Times* reported 'MPs give Harman "roasting" over cuts'. The story loomed large on all television and radio news.

With savings from the combined cutting of Income Support and Child Benefits for lone parents estimated as £60 million in the first year rising to £195 million in the third year, peanuts when set against a total social security budget of £100 billion — and substantially less than the £800 million being squandered on the Millennium dome — and news emerging that the Public Sector Borrowing Requirement for the current year was likely to undershoot by £3 billion, the government found itself under mounting pressure to withdraw the proposals. Even the *Financial Times* pointed out that the decision, announced in the pre-budget statement in late November, to cut corporation tax would, from 2003-04 'cost the exchequer £2bn a year, far more than the government will save from its controversial decision to implement Tory cuts in lone parent benefit' (26 November).

One manifestation of the government's weakening position was the leap in the total number of names on the Audrey Wise EDM. Of 97

What the cuts will mean



The abolition of the lone parent rate of Child Benefit will mean that new lone parent claimants will get £6.05 a week less than current claimants. Child Benefit is essentially an *in-work* benefit. A lone parent who finds a low paid job will no longer have the incentive of knowing her income would be added to by Child Benefit and she will know that if she lost her job — very likely in the current labour market — and again needs to claim benefit, her Income Support will be lower because she will be a 'new claimant' and thus entitled to less money than before she became employed. Cuts in Council Tax and Housing Benefits for lone parents, to begin in April 1998, will also mainly affect lone parents in work.

The cuts in Income Support — agreed in tandem with the Social Security Bill but by regulation, that is without even a vote on the floor of the House of Commons — will mean that after April 1998 a new lone parent with one child, for example, will receive £78.70 instead of £83.40.

Ending benefits for new lone parents comes on top of the fact that the government has chosen to maintain the freeze in existing lone parent benefits announced by the Tory government. Lone parent benefit is to be allowed to fall in value until the equivalent benefit paid to two parent families increases to reach the same level as that paid to lone parents, indicating that the Labour government has accepted Peter Lilley's false claim — when introducing these proposals last year — that single parents face no extra costs compared to two parent families.

Already two thirds of lone parent families live on or below the poverty line. The average income of a lone parent family is just over a third that of a two parent family. Three-quarters of lone parents with dependent children have no savings at all. With black women disproportionately represented as lone mothers the policy will widen the inequality gap between black and white.

These statistics add up to hard choices for single mothers: single mothers are 14 times more likely than mothers in a two parent household to go without food to meet their children's needs. Abolishing lone parent benefits, which reflected some acknowledgement of the greater costs facing single parents, will push them and their children more surely into poverty.

MPs who had signed it by early December, 51 were Labour. Of these only 9 were Labour women: Diane Abbott, Anne Cryer, Maria Fyfe, Lynne Jones, Gwyneth Dunwoody, Llin Golding, Julie Morgan, Ann Clwyd and Audrey Wise. A few others who had initially signed withdrew, reportedly under pressure from government whips, including Rosemary McKenna, Jim Cunningham, Nick Palmer, Jim Fitzpatrick, Syd Ropson, Phil Sawford, and Eric Clarke.

Since Gordon Brown's budget statement made no concessions at all to the lone parent lobby, pressure on the government grew in the period up to the bill's decisive Third Reading in the House of Commons. Despite massive pressure by the government to force MPs into line, 120 MPs signed a 'private' letter to Gordon Brown calling for delay in the proposals at least until an assessment of the government's 'Welfare to Work' policies was possible.

In the final days before the Third Reading — of which a mere 10 days notice had been given by the government — campaigners' efforts to mobilise met an astonishing response from charitable institutions, political and public figures and by lone parents themselves. Far from 'the issue... "not registering" as a matter of concern outside the parliamentary party' as Blair told Tony Benn (*Observer* 7 December), the public response was overwhelming. A letter published in the *Guardian* on 9 December was signed by representatives of 20 children's charities alongside even Glenys Kinnock and Helena Kennedy. One published in the Scottish press the following day had the support of the Scottish Trade Union Congress, 10 Scottish based children's charities and all wings of the Christian churches. At the same time, however, major national trade union leaderships declined to sign a similar letter to the London based press.

On the day of the vote the Save Lone Parent Benefit campaign's press conference saw a platform uniting some of the traditional labourist right with others from the centre as well as left of the party. MPs on the platform included Audrey Wise, Alice Mahon, Maria Fyfe, Ann Clwyd, Julie Morgan and Gwyneth Dunwoody. At the subsequent photocall lone parents and their children were also joined by Malcolm Chisholm, who had just resigned his ministerial position in a move which presaged the scale of



'The campaign to save lone parent benefit registered a breakthrough for the Labour left'

the impending revolt.

The subsequent Third Reading debate was remarkable for the ferocity of backbench opposition and the scarcity of MPs willing to come to the government's defence. Speaker after speaker pointed out that the budgetary savings from the cuts were insignificant.

MPs repeatedly interrupted Harman and the chamber fell silent as Alice Mahon explained why she could not support income cuts to the poorest children in Britain. Rubbing salt in the wound to lone parents, as MPs were making their points the government was entertaining pop stars at Downing Street in one of the parties on which, since taking office, it has spent more than will be saved next year by the Child Benefit element of the cuts.

The government's assault on lone parent benefits for new claimants is part of a raft of measures intended to add to the creation of a two-tier labour market within which women disproportionately feature among the low paid, insecure, part-time, 'flexible' sector.

The government wants to create a US-style labour market, where because virtually no welfare safety net exists, unemployment bears more directly on the working class, forcing people like lone parents to work for extremely low wages and without employment protection. This 'Americanisation' of the labour market is now being extended to lone mothers — together with disabled people, Harman's next target, and young workers, who are to be exempted from any national minimum wage and subjected to their own 'New Deal'.

In this sense the attacks on lone parents are part of a coherent strat-

egy codified by bodies like the Organisation for Economic Cooperation and Development (OECD) as 'making people less reluctant to work'. These policies seek to force unemployed people and those currently accepted as outside the labour market — disabled people and lone mothers for example — into employment by making the alternative intolerable.

Lone mothers are to be denied welfare benefits and obliged to work for low rates of pay and radically insecure conditions. This is what Harriet Harman and Patricia Hewitt mean when they talk of lone parents or disabled people having the 'right to be included in the welfare to work strategy' and ending the 'culture of welfare dependency'.

The campaign to save lone parent benefit registered, as even those generally supportive of the government's strategy have acknowledged, a significant breakthrough for the Labour left because it successfully identified with and led public, extra-parliamentary political opposition. The best possible political use of opposition to cutting lone parent benefits was made because it was left neither to enemies of the working class to cynically exploit — specifically the Liberal Democrats — nor simply to those most affected or more minority forces in the labour movement. Over the coming months the challenge for the left is to use this strengthened position to present an overall economic alternative to the government's anti-welfare policy and to link up with those sections of society mobilised to defend each separate plank of the welfare state.

By Louise Lang

The next steps for the student left

The government's decision to abolish grants and introduce tuition fees is creating political ferment in the National Union of Students. The Blairite leadership of NUS has so far blocked national action by students. But they face a broadening opposition which is fighting to replace them.

The Labour Students right wing faces the problem of trying to lead the student movement, while simultaneously accepting the Blair government's policy. Whether or not this contradiction will lead to the demise of Labour Students' grip on NUS depends on the extent to which a serious alternative, which will fight for the rights of students and which is capable of building wider alliances outside the student movement, can be forged.

Each attempt to put together a broad opposition has pushed forward the possibility of creating a new leadership of NUS. An emerging student left has already moved out of the political ghetto of ultra-left sectarianism. It now has to create a broad left alternative capable of removing the Blairites from office.

A continuing political shake-up of the student movement is being driven by the government's proposals. Actual mass mobilisations of students will be crucial to defeating this attack. Opposition to the introduction of fees and abolition of grants has been expressed not only by students but also by significant sections of the labour movement, Labour MPs and a minority within the Committee of Vice Chancellors and Principals (CVCP). Parents groups, future students, women and the black communities, who are set to lose out further, are all potential allies in the struggle against these proposals. Such an alliance could force the government to retreat.

However, the leadership of the National Union of Students has refused to organise a single national action against these attacks because it puts loyalty to Blair before the interests of its membership.

Labour Students had argued that NUS' previous policy of a return to full grants at 1979 levels was unwinnable and that the only way to address student hardship was to accept the principle that students

should pay some costs towards education in the form of 'income-contingent loans'. They were able to convince a small majority at NUS conference in March 1996 that a bigger loan would be better than a grant which did not give students enough to live on. They argued that those who 'benefit' directly from education — students — should pay for it. Having conceded this, the door was left wide open for the government to propose that students should pay for both their maintenance and tuition. Against this background the student left began to elaborate serious economic arguments about how to fund education.

The main opposition at the time, the *Socialist Organiser/Workers Liberty* dominated Campaign for Free Education failed to advance any serious arguments on education funding. Instead, rhetoric about abolishing the monarchy was put forward. This helped those who

claimed there was no real way to fund free education and alienated many left wing students who sought serious arguments to help build the widest alliance in defence of state funded education.

The government's proposals, which are even worse than the attacks proposed in the Dearing report, were announced in the summer: means tested fees and the scrapping of grants, with no increase in the level of maintenance. The parental contribution would be kept. The poorest students would end up with the largest debts.

The NUS leadership's response was to move even further to the right to accommodate the government — to accept the abolition of grants, verbally oppose the fees, but to stay silent on the maintenance level, hence abandoning policy to end student hardship. Nothing was said about the fact that the poorest students would be the hardest hit. NUS have no mandate to accept the abolition of grants without an increase in the level of loan for maintenance.

Secondly, the NUS leadership actively demobilised the student movement by opposing a national

'The government's proposals are shaking up the politics of the student movement'

Student Lobby of Parliament Higher Education Bill

Weds 25 February 2pm
House of Commons

St Stephens Gate entrance (Westminster tube)

Meeting with MPs, trade unionists, academics, and others, Grand Committee Room, 2.30pm

Details: ring Sophie Bolt on 0181 692 1406



demonstration. An NUS ballot of student unions was held, in which an accompanying mailing called for the rejection of a national demonstration. The proposed date of 18 October would have given some universities only a week into the first term in which to mobilise (although this date was later changed). Local instead of national action was agreed, but with 61 colleges voting for a national demonstration as well, indicating substantial opposition to the NUS leadership's line, even in these unfavourable circumstances. A new campaign for grants and against fees, *Real Solutions*, played a significant role in campaigning for a national demonstration over the summer.

Despite tiny resourcing by NUS, the regional demonstrations on 1 November were well attended. This showed two things: firstly, that actions called officially by NUS have the potential to mobilise the largest numbers of students; secondly, the left should therefore work to win the official local, regional and national structures of NUS to take action. A properly organised NUS national march could have been huge.

On tuition fees, the NUS leadership's back-sliding on policy came out in media coverage. Quotes appeared in the press, calling for the introduction of fees merely to be postponed for a year: 'NUS wants tuition fees stopped, or at the very least, put back until 1999. There just isn't enough time to scrutinise the fees proposals effectively and then legislate on them by 1998' said NUS president Douglas Trainer on 2 September according to the *Guardian*.

'Labour Students are trying to lead NUS while accepting the government's proposals for higher education'

The *Times Higher Education Supplement* quoted Trainer as saying 'We are still asking the government to hold fire on tuition fees for next year so that all the details can be worked out properly' (19 September). In the NUS submission to the Education and Employment Select Committee on the Dearing Report this sentiment was reiterated: 'We call on the Government to scrap the introduction of the new scheme for 1998 and take the opportunity to review the principle and practice of tuition fees' and 'NUS has called on the Government to delay implementation for one year. It will give government the opportunity to think again about the principle and outcomes of the policy'.

Events at Labour Party conference reflected this conciliatory approach and prompted calls for an emergency NUS conference from student unions, led by Leeds University.

Labour Students put forward an amendment which said of David Blunkett's announcement on funding higher education: 'these measures go some way to offer a long-term solution to the long-term problems which higher education faces. Conference believes that the measures announced will begin the urgent process of making higher education adequately funded, more accessible and of a better standard across institutions over the course of this parliament.'

Blunkett then thanked Labour Students, Young Labour and those in NUS for their support. The day after the vote, which saw the motion opposing fees being remitted,

more reports appeared in the press saying that NUS was going to cooperate with the government in implementing fees: 'The National Union of Students, while it will still campaign against tuition fees, also appears to have thrown in the towel. Douglas Trainer announced this week that the union will now work to ensure the proper implementation of fees' (*THES* 3 October).

In NUS, although the emergency conference called for in response to this sort of conciliation did not take place, the wide support for this demand represented the coming together of a new broader left alliance within the student unions. This was the first such development since the demise of *Real Solutions* — which had been effectively wound up at the end of the summer by its convenors in order to stop it confronting the NUS leadership by campaigning for a national demonstration. This reflected a real problem in the student movement. With student union general meetings generally poorly attended there are few mechanisms whereby student union officers are held to account by those who elected them. This makes it easy for the national NUS apparatus to put pressure on student union officers who oppose NUS policies and makes it more difficult to hold officers to account when they give in to such pressure. The remobilisation of students around grants and fees is vital to reviving the democratic functioning of the student movement.

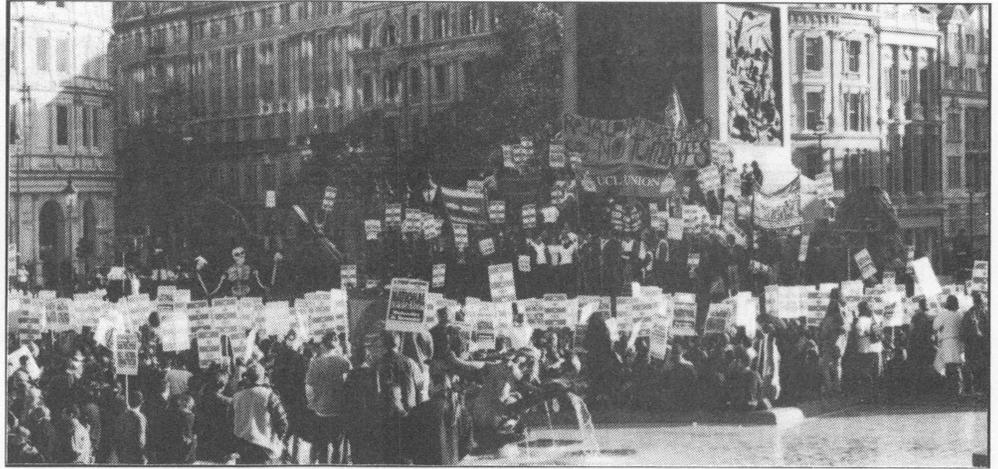
The demise of *Real Solutions* left a vacuum which was filled by a much smaller national demonstration.

This was the CFE demonstration, called for 26 November, even before the NUS had held the ballot of student unions. In the same vein, the CFE had rejected calls for a broader demonstration — called by student unions if NUS would not call one — because of the fear that any broader left opposition would prove impossible for *Workers Liberty* to control. This sectarian starting point contributed to creating a smaller demonstration than was possible.

However, since then a broader co-ordination between student unions against government proposals on funding has emerged, which represents the most serious possibility so far of breaking through the log-jam in NUS and giving voice to the broad layers of students who oppose the government's plans.

The latest expression of that is the wide support for the student union-led lobby of parliament on 25 February. This action will also mark the opening of the campaign running up to NUS conference in March, where a record number of motions on education funding have been submitted.

NUS conference is also posing further tactical issues. A broader left



alliance of candidates is running for the executive elections — with the most serious base of support for such candidates for some years. This initiative reflects the shifting mood in student unions and will present an alternative to the Labour Students' leadership.

Workers Liberty and the Socialist Workers Party are running their own slate, however, and rejected a broader left alliance. The opposition to Labour Students is much wider than *Workers Liberty*/SWP — such a narrow far left slate does not express

the breadth of sentiment opposed to the NUS leadership's stance on fees and grants and is no threat to the right wing.

The Liberal Democrats will intervene into this situation posing themselves as the left of Labour Students. But the official policies of the Liberal Democrats is to support the abolition of grants.

After the widespread opposition to the lone parent benefit cut, and with disability organisations gearing up for a campaign against benefit cuts, the government is concerned to minimise any opposition to its student funding proposals. This is why it is splitting the Education Bill — to avoid the rest of the legislation getting bogged down with potential problems around the higher education funding parts. However, the attempt to push this attack through quickly may fail and therefore the campaign over the next year will be crucial.

For the broadest possible response, the obstacle which the Labour Students leadership of NUS represents has to be removed and a new leadership of the student movement put in its place. This will require a serious political campaign to consolidate and develop further the left which has begun to emerge in defence of state funded and equal access to higher education. Only such a broad current, which advances an alternative economic strategy of how we can afford adequately funded education, has any chance of winning a majority inside the National Union of Students.

In the next few weeks this goal means supporting the candidates for president and other NUS leadership elections who represent this approach.

'The student left should work to win local, regional and national NUS structures to take action'

Self-organisation reasserted

The National Union of Students Lesbian, Gay and Bisexual Campaign recently held the first of its twice yearly conferences. It turned out to be a conference which saw a distinct decline in the influence of the politics of *Workers Liberty* in the campaign.

Under the banner of 'Left Unity', *Workers Liberty* supporters inside the NUS LGB campaign have held key positions for nearly four years — despite the fact that they are implacably opposed to self-organisation, Left Unity have been seen as the main alternative to the Blairite Labour Students.

This political influence of *Workers Liberty* has, however, seen self-organisation and campaigning subordinated to economic rhetoric. This year, however, *Workers Liberty* began to lose their grip against the efforts of students from the Student Broad Left who promulgated a strategy to unite campaign activists. Unlike *Workers Liberty*, the Student Broad Left promoted resolutions on key matters of concern to lesbian and gay activists, including demanding action on 'hate crimes'

to make homophobic motivation in violent crimes a criminal offence; welcoming MP Lynne Jones' Early Day Motion which calls on the government to order a full review into the unequal legal position of lesbians and gay men; opposition to the Labour government's plans to cut Lone Parent Benefit and spelling out the impact these would have, for example, on lesbian mothers; and support for a uniform minimum wage.

The reason for the success of these motions rested largely with the fact that they made explicit their link with the fight for lesbian and gay equality, unlike those put forward by *Workers Liberty* which were defeated.

A vote of censure on the convenors and the National Committee for ignoring conference mandates was carried.

The struggle to ensure that the NUS LGB campaign moves forward with a coherent strategy is vital, and the work of progressive currents, such as the Student Broad Left, to build a broad platform of support should be welcomed.

By Lawrence Wright

By Kim Wood

Landing the poorest students with the largest debts

The Higher Education Bill, which will soon begin its journey through the House of Commons, includes proposals to introduce tuition fees and abolish student maintenance grants. The Bill is an attempt to solve the funding crisis in Britain's universities by introducing a learning tax on students. The proposals are regressive in the extreme, because they demand the greatest financial contributions from those from the poorest backgrounds.

By the time Labour came to office in May 1997 the funding crisis in higher education could not be ignored. The government's economic policy, particularly the refusal to raise taxation progressively and the decision to stick to the Tories spending plans, dictated, however, that the only 'solution' was to charge students for going to university.

From 1979 to 1997 Tory governments attempted to engineer a massive expansion in higher education on the cheap. Between 1984 and 1996, for example, student numbers rose by 70 per cent, while between 1989 and 1996 alone funding per student declined by 28 per cent.¹ As a result a large annual funding gap has emerged, which the Committee of Vice Chancellors and Principals (CVCP) estimated would reach £3bn by the year 2000.² The Dearing Committee³ said an extra £350 million in 1998/99 and £565 million in 1999/2000 would be needed to avert a crisis.⁴

The Dearing Committee also proposed that the long-term funding needs of higher education be met by charging students a flat-rate annual £1000 tuition charge. Unlike the Labour government, however, even Dearing recommended the retention of maintenance grants, arguing that to abolish them would 'take away subsidies from the poorest families and redirect them to others'.⁵ Dearing's formula was rejected by the Labour government on the basis that it would bring in only £900 million a year.

Instead, Blunkett proposes to raise £1.7 billion per year — by abolishing maintenance grants, saving £1.1 billion per year, and introducing means-tested tuition fees, which will eventually generate £600 million per year.⁶ That is, the government intends to abolish subsidies specifically designed to enable those

from disadvantaged backgrounds to go to university.

The tuition fees proposed by the government will be means-tested up to a maximum of £1,000 a year, to cover roughly 25 per cent of average tuition costs. Students whose joint parental income is (1) less than £23,000 a year will be exempt from fees; (2) earn £23,000 to £35,000 a year will pay fees on a sliding scale in proportion to income; (3) £35,000 or more will pay £1,000 per year.⁷

The fee will have to be paid upfront by parents. Thus the fee is not based on graduates' future earnings, but on parents' ability and willingness to pay. Students whose parents pay tuition fees will be entitled to greater maintenance loans than at present in proportion to the level of fee paid, in order that the total parental contribution remains the same.⁸

Maintenance grants are to be abolished under the government's proposals and replaced with a maximum loan of the same value as the current grants plus loans package — £3,440 per year (£4,245 in London).

What is clear is that not only will average student debt rise considerably, but *students from the poorest backgrounds will see their debts rise most*. As John Carvel and Ewan MacAskill noted in the *Guardian*, 'The net effect of these grant and fee changes is that richer students will graduate after a typical three-year

degree course with a state-organised debt worth £8,055 (£9,255 in London). This will be £3,000 more than under the present arrangements. But for the poorest students outside London, the state-organised debt after a three-year course will be £10,320 — £5,265 more than it is now. And for their counterparts at universities in London, the 'official' debt will be £12,735 — £6,480 more than now.'⁹

Furthermore, as the National Union of Students *used to point out*, £3,440 is not enough to live on and, as the Dearing Report notes, 'Had the value of the total 'grants plus loan' package been increased in line with the rise in real earnings [since 1979], the total would be £1,000 higher per year than it is now.'¹⁰ Students currently borrow on average an additional £1,000 on top of government loans. Over the last 4 years there has been a 46 per cent increase in the numbers of students taking up part-time work.¹¹

A regressive learning tax

The government's main strategy has been to emphasise that on average graduates 'start to earn more than non-graduates within a few years of graduation, rising to 15 per cent within about five years and 20 per cent more within ten.'¹² Thus David Blunkett self-righteously advised, 'Let's not shed tears for those who are going to earn a great deal more because of the degree they get. If they don't get those higher earnings they won't pay under our programme, which is quite different from the present scheme...Why should it be the woman getting up at five o'clock to do a cleaning job who pays for the privilege of them [sic.] earning a higher income while

'Unlike the government, even Dearing recommended the retention of maintenance grants'



they make no contribution towards it?'¹³

This argument is seriously flawed, not least because under the government's proposals graduates will pay *whether or not they go on to earn large amounts of money*. According to the Department for Education and Employment (DfEE) graduates will be required to begin repaying their loans when their earnings reach £10,000 per year.¹⁴ This threshold is considerably below the £16,000 level for the current student loans and in no way can be termed 'higher earnings'.

Students are to be charged on the assumption that gaining a degree has given them an *opportunity* to earn above-average salaries and not *because* (or *if*) they earn high wages.

The government's funding proposals are predicated on the notion that a degree is a product the attainment of which is motivated solely by the prospect of financial gain.

Even if one *were* to choose to stress the propensity of higher education to add economic value, it would be reasonable to point out that the main beneficiaries are not individual students but capital. That is why the Confederation of British Industry (CBI) has been pushing for a dramatic increase in participation in higher education. Yet the government has ruled out taxing business to fund universities.

Impact on access to higher education

The prospect of accruing debts in excess of £13,000 is likely to have a seriously detrimental impact on access and aspirations to higher education, particularly for those from low income backgrounds. Universities admitted 23,000 more students than planned this August, as students rushed to get a place before grants are abolished and fees introduced.¹⁵ The University and Colleges Admissions Service (UCAS) have revealed that applications to universities for next year, when fees will just be introduced, have fallen by nearly 6 per cent compared with 1996-97. Significantly, this is despite a large rise in applications from EU and overseas students.¹⁶

These trends show that the government's policy would exacerbate Britain's class-biased higher education system. Even under the current funding regime, in 1996 those from so-called social classes IV and V constituted only 10 per cent of the student body at the end of 1996.¹⁷

Abolishing grants and imposing tuition fees won't solve the funding crisis

However, the irony of this situation is that abolishing grants and introducing tuition fees will not raise enough money to solve either the long-term higher education funding gap or the short-term cash crisis.

First, the government's bill proposes nothing to address the short-term funding gap which Dearing estimated would be £350m in 1997-98 and £565m in 1998-99 under the Tories' plan. Indeed, as the *Times Higher Education Supplement* pointed out: 'spending per student at English universities for 1997-98 is now less than planned for under the previous Tory government' (12 December). Under pressure from vice-chancellors, David Blunkett did announce an 'extra' £165m for universities in 1997-98. In reality, however, no 'extra' money has been made available — an accounting trick has merely been used to allow the bill for these funds to be settled in 1998-99 when the first tranche of tuition fees comes on line.

Furthermore, while the government asserts that its scheme will raise £1.7 billion a year by 2017, there still exists the problem of where the money will come from in the period after grants are abolished and fees introduced, but before graduates begin repaying their loans. One much touted solution is to change the government's accounting rules so that the loans will not be counted as 'expenditure' and so will not affect the PSBR.

In the longer term raising £1.7 billion a year from charging students is unlikely to be enough to maintain universities at current levels of student numbers, let alone facilitate an expansion.

This has not gone unnoticed by vice-chancellors, many of whom 'do not expect the government's current proposals to be the end of the story and are looking across the Atlantic, where institutions charge vastly different amounts [for tuition] and have scholarships for poorer students'.¹⁸ The CVCP is thus campaigning hard against the inclusion of Clause 18 in the government's Teaching and Higher Education Bill which would prevent individual universities from varying the rate of tuition fees, or charging additional 'top-up' fees. Worryingly, recent reports suggest the government may now back down on

this issue.

Just this chain of events has already occurred in Australia, where the introduction of tuition fees in 1989, initially set at 20 per cent of average course costs, was supposed to herald an end to under-funding in HE. Instead, successive governments have hiked up tuition fees to 35 per cent of course costs (and more for expensive courses such as medicine) and now legislation has been passed enabling individual universities to levy entrance charges and full-cost tuition fees. British vice chancellors are already demanding similar powers.

In Britain, if the Teaching and Higher Education Bill was implemented it would increase, not alleviate, student hardship, limit access to universities for those from financially worse off backgrounds — but it would not solve the funding crisis in higher education.

The reality is that the whole of society would benefit from an improved and expanded higher education system, especially one which opened up the opportunity to go to university for those sections of society who are currently vastly under-represented in higher education.

This is the crux of the matter: the only way to expand higher education on an equitable basis is for the government to redistribute wealth from capital and into education. The alternative is the government's present highly regressive and deeply unpopular proposals.

By Paul Lewis

1 CVCP, *The CVCP's evidence to the National Committee of Inquiry into Higher Education*, (November 1996)

2 *Ibid.*

3 The National Committee of Inquiry into Higher Education (NCIHE), chaired by Ron Dearing, was set up in May 1996, with all party support, to make recommendations on the future of HE, particularly funding.

4 NCIHE, *Higher Education in a Learning Society* (Executive Summary), (HMSO, July 1997), points 83, 85

5 *Ibid.*, point 111

6 *Times Higher Education Supplement* (THES), (25 July 1997)

7 Dept. for Education and Employment, *Supporting Students in Higher Education*, (HMSO, November 1997), 4

8 DfEE, *Higher Education in the 21st Century*, (HMSO, July 1997), 13

9 *The Guardian*, (30 September 1997)

10 NCIHE, 278

11 Research undertaken for the GMB by Labour Research Department

12 DfEE, (July 1997), 12

13 *The Guardian*, (29 September 97)

14 DfEE, (November 97), 8

15 THES, (17 October 97)

16 THES, (19 December 97)

17 House of Commons Library, (June 1997)

18 THES, (12 December 97)

Racism and the Labour government

While the new Labour government has signalled that it will pay lip service to fighting racism, it is already clear that its economic policies will both intensify racist discrimination and create the conditions for a growth in racism. Despite some limited steps — mainly within a 'law and order' framework, such as making racial violence a criminal offence — it is upholding key racist policies of the previous government, particularly on asylum rights. The anti-racist movement faces the twin challenges of trying to maximise every concession by the government while maintaining its political independence and campaigning against racist policies.

There has been no shortage of fine words, including in Tony Blair's speech to Labour Party conference where he deplored the continuing monoethnic character of public institutions — while also making clear he was against 'positive discrimination', which is the only way to seriously tackle such lack of representation.

A limited number of positive measures have been announced: the repeal of 'primary purpose', the Stephen Lawrence enquiry, the introduction of crimes of racial harassment and racial violence and the incorporation of the European Convention on Human Rights into British law are among them.

But at the same time, Jack Straw has announced that, contrary to pre-election promises, there will be no legislation before the next general election on the issue of religious discrimination and Islamophobia.

The suggestion that holocaust denial be outlawed has been dropped. And no new action is proposed to prevent fascist parties, like the BNP, getting free, racist, television broadcasts during elections.

The promise to take action to ensure non-EU citizens resident in the UK had full freedom of movement in the EU has not been acted upon. The CRE is threatened with yet another cut in its budget. And on the issue which was most campaigned on by anti-racists during the last days of the Tory government — asylum policy — there has been no shift: asylum-seekers are still without benefit rights and hundreds are being held in detention centres.

A number of internal government policy 'reviews' have been established — immigration and asylum policy, black employment in the Home Office, 'immigration detention', among them. These have yet to report, but already concerns are being expressed. While civil liberty, anti-racist and black organisations have been politely asked to submit their views, creating a veneer of involvement, the impact on the proposals remains to be seen.

The restoration of benefits to asylum-seekers is being treated

primarily as a financial matter. The denial of benefits to asylum-seekers is primarily political. The establishment of responsibility for asylum seekers by local authorities — as the result of a court judgement under the 1948 National Assistance Act — simply transferred costs from central to local government.

Thus the removal of benefit rights has both impoverished asylum-seekers and provided a basis for racism to be whipped up locally in the areas where there are ports or airports, and local authorities have therefore had to take on major costs.

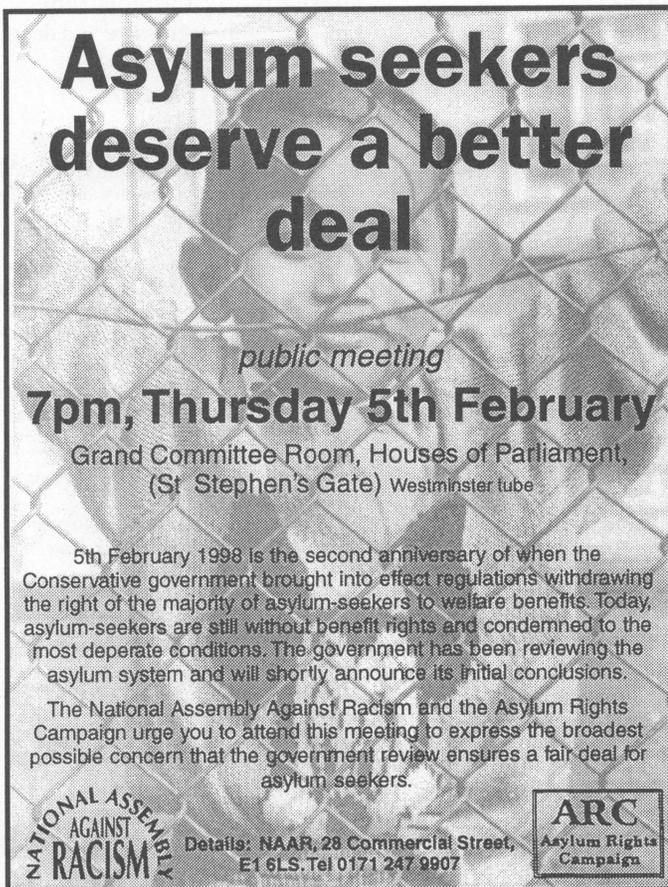
Racist campaigns have been encouraged by sections of the local and national media, counter-posing the needs, for example, of pensioners locally to the needs of asylum-seekers.

This was seen in the case of the Roma asylum-seekers in Dover. The local press ran a vicious racist campaign against the Roma. Nationally this was picked up by the *Daily Mail*, in particular, but also by television news broadcasts. Within a few weeks the National Front were organising a march through Dover. Roma asylum-seekers, having fled Eastern Europe to escape attacks by extreme right-wing skinhead gangs, racist campaigns in the press and media and the organised anti-Roma discrimination of local and national governments were again in fear of their lives.

Statements by Home Office Minister Mike O'Brien, which seemed to give credence to press claims that the Roma had come here to take advantage of Britain's benefits system, were an echo of past responses from Michael Howard, and fanned the tide of tabloid racism.

The government also appears to be toying with proposals to open government-funded 'reception centres' on the model of other European countries. Such 'reception centres', which deny basic legal and human rights to asylum-seekers, have become the focus of constant far right attack in other countries.

Similarly, on immigration detention, while an internal policy review is taking place, indications are that the government is not proposing any fun-



Asylum seekers deserve a better deal

public meeting

7pm, Thursday 5th February

Grand Committee Room, Houses of Parliament,
(St Stephen's Gate) Westminster tube

5th February 1998 is the second anniversary of when the Conservative government brought into effect regulations withdrawing the right of the majority of asylum-seekers to welfare benefits. Today, asylum-seekers are still without benefit rights and condemned to the most deperate conditions. The government has been reviewing the asylum system and will shortly announce its initial conclusions.

The National Assembly Against Racism and the Asylum Rights Campaign urge you to attend this meeting to express the broadest possible concern that the government review ensures a fair deal for asylum seekers.

NATIONAL ASSEMBLY AGAINST RACISM

Details: NAAR, 28 Commercial Street, E1 6LS. Tel 0171 247 9907

ARC
Asylum Rights Campaign



damental reform of the system — the most draconian in Europe.

Immigration and asylum cases are being dealt with piecemeal. There have been one or two positive rulings, including on the Onibiyo family and Prem and Prakesh. The right of MPs to intervene in a deportation has been restored.

Nonetheless there is no positive change proposed at a legislative level and the internal review on asylum and immigration law has been talked up by ministers and 'Home Office spokespeople' as being about further tightening up on procedures and on the law.

The time limit for an appeal against a first refusal of asylum in cases judged to be 'manifestly unfounded', was reduced administratively from 28 days to 5 days. This gives virtually no time to prepare an appeal, and no time in which to challenge the arbitrary designation of a case as 'manifestly unfounded'.

Before the summer, Labour minister Mike O'Brien had responded to the publication of the 1992-95 figures for the number of deportation orders actually carried out, by attacking the Tory administration as *soft* on 'illegal immigrants' and with a pledge to speed up the deportation rate — including a

threat to carry out 40,000 deportations. Following protests from a wide range of organisations this latter figure was disavowed, but the pledge to increase the rate of deportation was not.

On asylum and immigration policy the government has adopted the framework of the Tory administration — the framework set by the 'Fortress Europe' policies of the EU — shrouded in similar verbal concessions to the racist campaigns of the tabloid press against 'illegal immigrants', 'bogus asylum-seekers' and 'tides of gypsies'.

The government's refusal to stand up to the racist campaigns of the tabloids on asylum seekers indicates what should be expected when its economic policies hit the black communities and eventually lead to an escalation in racism in society as a whole.

The attacks on the welfare state already announced will hit the black communities in particular. Black women will be particularly hit by the cuts in lone parent benefit.

Young black people were more likely to enter higher and further education than their white counterparts. The introduction of tuition fees and the abolition of grants will hit

young black people particularly hard and will force them to look to the reality of their future employment prospects when deciding whether to run up huge student debts. The fact is that black students are less likely to find full-time employment, and those who do will in general be on lower rates of pay than their white counterparts.

It remains to be seen how the 'welfare to work' proposals will exactly impact on black people, who are on average three times more likely to be unemployed than a white person, but the racist danger is obvious.

Overarching this direct impact on the black communities, the overall direction of Labour's economic policy — driving down government spending to prepare for EMU entry coupled with a public sector pay freeze — hits the real direct and indirect income of the working class as a whole. As the economy is driven into recession by high interest rates, rising unemployment will put pressure on wages. These economic circumstances in other European countries — particularly France — have created a base for a rise in support for the extreme right, especially where these policies are being carried out by a social democratic government.

As the opposition to the gov-

ernment in France grew, from both the right and the left, the previous socialist administration made increasing concessions to the racist agenda of the far right, carrying out mass deportations, reneging on the promise to give immigrants the vote and echoing the racist rhetoric of Le Pen and his National Front party.

The British government is on course to replicate this experience of setting an economic and political agenda that will tend to exacerbate racism.

It is precisely because it has some awareness of the impact of its economic policies and of concerns about its agenda on racism that the government has made clear its opposition to positive discrimination and the Labour Party leadership has acted to undermine black representation: for example, constituencies in Birmingham which might have selected a black MP if left to their own devices have been suspended now for nearly three years. A new campaign — the Labour Black Representation Committee — has been launched to tackle black under-representation in Labour Party structures.

Without a powerful, independent anti-racist movement, led by self-organised black communities, the agenda on racism will tend to be set by the tabloid press and by the inclination to appease racism in front of these. This is not inevitable. The experience of the successful campaign to defeat the BNP in Tower Hamlets in 1994 demonstrated that the black communities in alliance with Jewish people, other minority communities, trade unions, community and faith organisations and all other anti-racists can both win the moral argument and defeat the racists.

The National Assembly Against Racism has adopted such a strategy and has launched a campaign for the restoration of benefits to asylum-seekers and against immigration detention. These are vital first steps to create the powerful independent pressure necessary to force anti-racism to the top of the political agenda.

By Anna Samuel

Behind the world financial crisis

The financial crises which began in east Asia and Japan in the latter half of 1997 hit what had been the most dynamic part of the world economy: cross-Pacific trade overtook trans-Atlantic trade a decade ago. Together with the gyrations they produced on world financial markets, these events showed that the world capitalist economy is nowhere near the new 'golden age' of prolonged economic growth predicted by some bourgeois economists in the United States. On the contrary, the chain of economic events which started in October 1997, with the greatest stock market crash since 1929, is continuing to work its way through the international capitalist economy. The crash of 1987 was followed by the 1990 collapse of the Japanese stock market, the crash of world bond markets in 1994, the Mexican crash in the same year, prolonged stagnation in the early 1990s in Japan and most of the European Union and, now, the crises of the Asian 'tigers', recession in Japan and consequent turbulence on world stock markets, with severe knock-on effects in Latin America, eastern Europe and Russia.

The fact that this chain of economic instability has worked its way through every single continent of the world demonstrates that its underlying causes are located not primarily in the failings of individual economies or regions, but in the functioning of the world capitalist economy as a whole. Their underlying root is that capital accumulation, that is in the share of the economy available for and devoted to investment, has declined in the most advanced capitalist economies (see figure 1).

The precondition for re-launching any new period of prolonged economic growth of the world capitalist economy, akin to the post-war boom, would be the reversal of this decline in capital accumulation. But the figures show that this has not happened and there is no tendency in that direction. As a result, economic growth on a world scale runs up against an international shortage of capital preventing synchronised expansion of the main centres of the international capitalist economy.

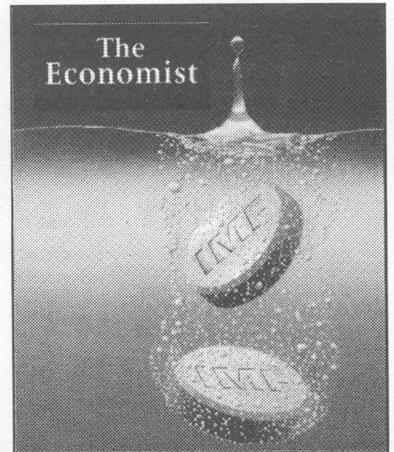
For *capital as a whole* the only way to reverse this decline in capital accumulation is to restore a high rate of profit by drastically increasing the rate of exploitation of the working class. The efforts to drive down real wages and dismantle the welfare state in western Europe and the United States precisely reflect capital's efforts to reduce sharply the share of the economy going to the

'international capitalism has not created the preconditions for a new period of prolonged economic growth'

working class. However, what has been done so far on this front is totally insufficient to reverse the decline in capital accumulation and has the political effect of radicalising the working class. Thus after the low-point of 1989-91 there has been a rise of working class struggle through the latter half of the 1990s.

If the only way out of this situation for capital as a whole is to drive up the rate of exploitation of the working class, *individual capitals*, conceived as separate companies and capitalist states, have an additional option — that is to increase their share of the total surplus value produced by the working class at the expense of other capitalists. At the level of the world economy as a whole, this takes the form of increasing competition between the main imperialist powers.

To get a sense of the scale of what both of these capitalist 'solutions' to the crisis involve it should be recalled that transition to the last great re-launching of the world capitalist economy — the post war boom — involved two world wars, the great depression of the 1930s, fascism in most of Europe and tens of millions of deaths. These had the effect of massively increasing the rate of exploitation of the working class in western Europe and Japan and for the most powerful group of capitalists, the US, militarily crushing its rivals and reorganising the world economy under its leadership. They



also, however, had the effect of a third of the world's population overthrowing capitalism altogether in Russia in 1917, Eastern Europe and Yugoslavia after 1945, China in 1949, Cuba in 1959 and Vietnam in 1975.

The fundamental point about the present situation is that, notwithstanding its advance into eastern Europe and the former Soviet Union from 1989, international capitalism has not created the preconditions, in terms of a sharp rise in capital accumulation, for a new period of prolonged economic growth. Therefore the worst is yet to come both at the level of attacks upon the working class, the third world and the intensification of inter-imperialist conflict.

It was precisely intensifying competition between the imperialist powers which sparked the crises in east Asia, as western Europe and Japan devalued their currencies in attempts to escape from five years of stagnation.

At the level of competition between the major capitalist powers, while the supply of capital available for investment has declined on a world scale, Japan and east Asia have established a new benchmark of the level of investment necessary to compete with the most dynamic economies.

In 1996 Japan's gross domestic fixed capital formation was 29.6 per cent of GDP — a decline from its peak of 30-35 per cent of GDP, but far in advance of its main capitalist

rivals. To reach that Japanese level Germany would have to increase the share of investment in its economy by 8.6 per cent of GDP — that is by £103.4 billion a year; the US by 12.4 per cent of GDP — equivalent to £571.4 billion a year; and the UK by 14.2 per cent of GDP — £105 billion a year.

Those figures show the enormous increase in the supply of capital which would be necessary to generalise the Japanese level of investment to the other main centres of the world capitalist economy.

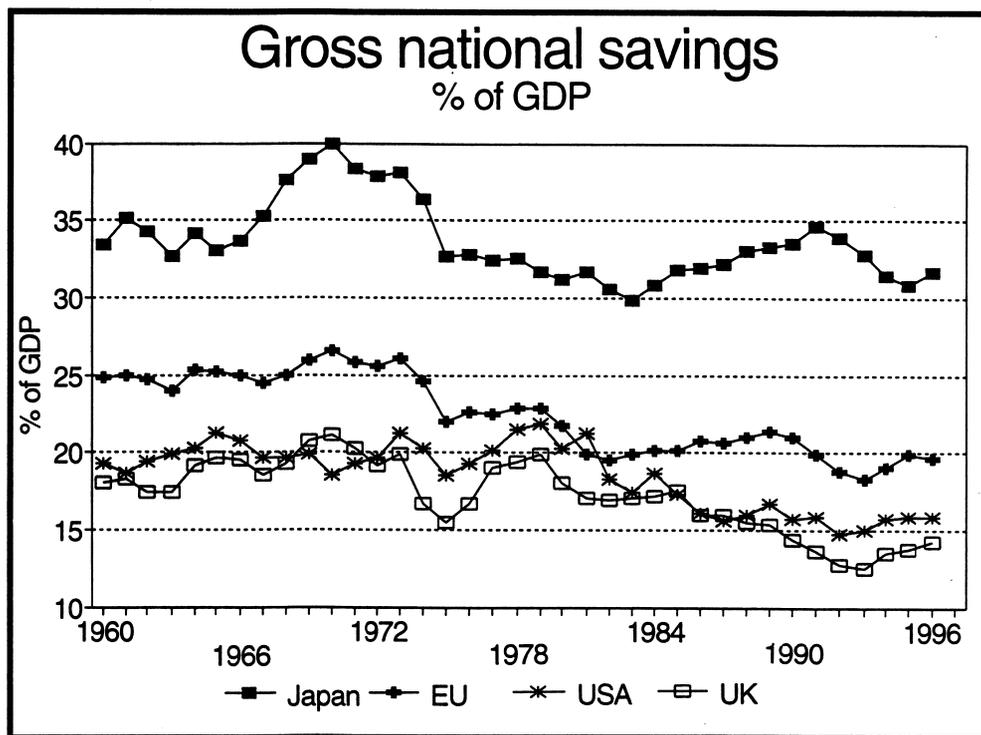
Given that every percentage point of GDP devoted to investment is not available for consumption, such a shift in western Europe and the USA is completely impossible without the most colossal social and political upheavals.

The slowdown in capital accumulation has the result that the world capitalist economy as a whole does not have sufficient capital to finance economic recovery in all of the main imperialist states simultaneously. As a result, economic growth in one part of the world takes place at the expense of recovery elsewhere.

At the same time, the struggle, in particular by the United States, to alleviate this problem by seizing as much as possible of the capital accumulated elsewhere in the world has resulted in successively greater shocks being transmitted through the world's financial systems.

The starting point of this process was the transformation of the relationship of the United States to the world economy as a whole in the middle of the 1970s. Between 1950 and 1979, the US was a net exporter of capital to the rest of the world economy — thereby acting as a 'locomotive' for the world economy as a whole. From 1979 the US became a net importer of capital, financing part of its domestic investment with resources drawn on a massive scale from the third world and Japan. In its current economic recovery, net US borrowing from the rest of the world has increased from \$50.5 billion in 1992 to £149.5 billion in 1996.

This shift in the relation of the US to the world economy opened a new period in the relations between the leading imperialist states. In essence the US was able to partially compensate for its relative economic decline by drawing on the resources of the rest of the world economy, and thereby striking blows against its capitalist rivals — with large parts of the third world being hurled backwards as a result, and Japan and



Germany having their growth rates pulled below that of the United States in the 1980s and 1990s.

Without the flow of capital from Japan through the 1980s and 1990s, the US economy would not have been able to carry out the scale of military build-up which was critical in breaking the Soviet economy, nor to sustain a higher rate of economic growth than Germany or Japan.

However, although Japan has the largest pool of capital available for investment in the world, events have shown that even Japan is not capable of simultaneously funding economic growth domestically and in the US. As a result, the impact of the 1987 stock market crash was simply transferred from the US to the Japanese economy and every subsequent attempt to revive economic growth in Japan simultaneously with the United States, re-created a world shortage of capital. The resulting rising international interest rates then choked off the recovery in Japan, the US or both.

It was the rise in interest rates in West Germany and Japan in 1987 which triggered the US stock market crash of that year because they reduced the flow of capital into the US and so undermined its economic growth.

The subsequent sequence of events was as follows. The Japanese decision to cut interest rates following the 1987 crash — faced with the choice of giving in to the US or seeing the world economy come apart — allowed the United States to es-

cape with an economic recession rather than a 1930s-style slump.

But the price paid by Japan was to transfer the financial crisis to Tokyo, undermining its financial system and creating a period of stagnation from which it has still not escaped.

The US recession after 1987, which resulted in George Bush losing the presidency, then eased the pressure on the international supply of capital, allowing interest rates to fall and a flow of capital to Latin America and Eastern Europe.

But the recovery of the US economy from 1993, and with it the resumption of capital imports from Japan, once again pushed up international interest rates, culminating in the bond market collapse in 1994 — which involved the biggest financial losses since 1929. Simultaneously, rising international interest rates reflecting a renewed shortage of capital as the major capitalist economies attempted to move out of recession, resulted in funds being pulled out of Latin America and Eastern Europe causing the 1994 financial crashes in those countries and necessitating the IMF's biggest ever financial package (until Korea) to prevent a financial meltdown in Mexico.

Having experienced five years of the worst stagnation of any major capitalist economy, Japan at the beginning of 1995 tried to revive economic growth by cutting interest rates to 0.5 per cent. However, as the Japanese economy started to revive, in the context of rapid growth and

'Japan's attempt to pull itself out of a period of stagnation underlay the crisis in the east Asian economies'

therefore demand for capital in the US, the world shortage of capital again emerged, pushing up long term interest rates first in Japan, then the US, UK and Germany — choking the Japanese recovery.

The ability of Japan to bail out the US economy after 1987 by the resumption of a massive influx of capital — to the tune of \$100 billion a year — illustrated the key advantage of the world capitalist economy vis a vis the Soviet Union — it was able to function on an *international* level. The function of the deregulation and globalisation of capital markets being to allow the US to prop up its own economy on the basis of capital flows from Japan and elsewhere. As events since 1989 and 1991 have shown, the planned economies in the Soviet Union and Eastern Europe were *more* efficient than capitalism has subsequently been in those countries. But the Soviet Union faced not merely individual capitalist states, but an *international* capitalist economy — which the strategy of 'socialism in one country' was unable to overcome. This was because, on the one hand, it weakened the most important ally of the Soviet Union, which was the class struggles in Asia in the post-war period, and, on the other hand, it alienated the Soviet working class by subordinating their living standards to heavy industry in a utopian struggle — in the framework of the economy of one country — to catch up with the most advanced capitalist states.

Although it succeeded in cracking the Soviet economy, however, this effort of funding both its own investment and the United States' placed an enormous strain on the Japanese economy. In the first place it cost Japan literally hundreds of million of dollars.

Secondly, it created the 'bubble' on Japanese stock and property markets which finally 'burst' with the collapse of both in 1990. Japan had reduced its interest rates to zero in real terms, taking account of inflation, which had the effect of channeling a vast flow of capital into the US. This prevented the financial melt-down which otherwise would have followed the 1987 crash. However the effect of such low interest rates was to fuel a mass of speculative investments in Japan — inflating the bubble — which then became unprofitable when Japanese interest rates finally started to rise at the end of the 1980s — bursting the bubble.

That in turn undermined the Japanese banking system — the 50 per cent fall in the stock market in 1990 and the 70 per cent fall in property prices wiped out a large part of the asset base of the banks. At the same time, companies which had borrowed money for investments at ultra-low interest rates could not repay the loans once interest rates rose above the rate of profit on those investments at the end of the 1980s — creating the raft of non-performing loans which still threatens the viability of a significant number of Japanese banks today.

The resulting 'credit crunch' has kept the country on the verge of recession ever since. The Japanese economy which had grown at an average rate of 10.5 per cent a year in the 1960s, 4.5 per cent in the 1970s and 4 per cent in the 1980s, essentially stagnated in the 1990s — with growth averaging little more than one per cent a year.

It was the way in which Japanese capital, from spring 1995, tried to pull itself out of this period of stagnation which underlay the crises in the east Asian 'tiger' economies. Traditionally the motor of Japanese economic growth had been exports which in the 1960s grew at an average rate of 15.9 per cent a year — 50 per cent more rapidly than the economy as a whole.

By the 1990s, however, the Japanese economy was so large — with an annual GDP two thirds the size of that of the US — that a Japanese export offensive would destabilise other key areas of the world economy, notably the US.

US capital therefore urged a different course upon Japan — that is Keynesian stimulation of its domestic economy, by cutting interest rates and public spending programmes, together with the deregulation of its inefficient agricultural and service sectors, where, unlike in manufacturing industry, productivity lagged far behind that of the US. This would have had the advantage for the US of allowing it to penetrate those sectors of the Japanese economy where US capital had a competitive edge. It had the disadvantage for Japanese capital of creating political instability because either the Japanese working class or petty bourgeoisie would have to pay for the public spending programmes necessary to stoke up domestic demand.

The attempt to make the Japanese working class foot the bill, with the collaboration in government of the Japanese Socialist Party, simply re-

sulted in a growing switch in votes to the Japanese Communist Party (see box).

Secondly, pressure for deregulation of Japanese agriculture and services threatened the entire Japanese political party system — whose linchpin, the Liberal Democrat Party, is dependent on the urban and rural petty bourgeoisie for a very large part of its electorate.

Thirdly, a strategy of developing domestic consumption would reduce the share of profit in the Japanese economy, which was not an attractive proposition for the Japanese bourgeoisie.

This course was therefore abandoned in spring 1995 in favour of trying to restore economic growth by a new export offensive. The mechanism for this was to push up the exchange rate of the dollar against the yen, by a flow of Japanese funds into the US. As a result, between spring 1995 and the first week in December 1997 the exchange rate of the yen fell by 28 per cent against the dollar.

In consequence, the Japanese balance of payments surplus started to increase rapidly — impacting particularly in Asia which absorbs 40 per cent of Japanese exports. It was this fall of the yen against the dollar, together with the rapid rise in China's manufacturing capacity and a 35 per cent devaluation of the Chinese yuan in 1994, and significant devaluations of those European Union currencies tied to the German D-mark, which put the competitive squeeze on the east Asian 'tiger' economies whose currencies were tied to the dollar.

South Korea's balance of payments deficit, for ex-ample, rose from \$4.5 billion in 1994 to \$23.7 billion in 1996. This rapidly became unsustainable, and the crisis ridden devaluations in the second half of 1997 were the result.

These then knocked into the financial systems in the region — because South Korea, Thailand, Indonesia and Malaysia had become dependent on large volumes of short terms loans denominated in dollars. Massive devaluations against the dollar meant that these loans could not be repaid without a colossal level of financing by the IMF — with South Korea receiving the biggest IMF-organised financing package in history, \$57 billion, linked to conditions which are already provoking massive domestic opposition to the mass redundancies and opening up of the economy to foreign capital

'The trigger for a Wall Street crash would be any reversal of the capital flow from Japan'

which will follow.

The unfolding financial crisis in east Asia then impacted back into the Japanese banking system, with the collapse of its fourth largest investment company and threatening many others. This will get worse because the profits of Japan's big industrial companies will be hit by the devaluations in east Asia — which are essentially a defence mechanism against Japan — and in western Europe. That would leave the US as the principal target of a Japanese export offensive, hitting the US industry and provoking rising trade tensions.

The demand by the Japanese banks that the government bails them out will pose anew the political problem of how to make the Japanese working class and petty bourgeoisie pay for a crisis which is ultimately the result of Japan's role in propping up the US economy.

Finally, the link between the bubble on Wall Street and the situation in east Asia is that it has been the flow of capital from Japan to the US which has fuelled the rise of American stock markets to historically unprecedented — and unsustainable — levels. By the second half of 1997, US dividends had fallen to their lowest levels in history, roughly a quarter of the interest rate on 10-year government bonds. Rational investors would put their money into shares rather than bonds only on the basis of the expectation that share prices

would continue to rise. If the expectation became that share prices would fall, this would create a panic to get out of shares, provoking a crash. For the yield on US shares to rise to that of US government bonds, the stock market would have to fall by something like 75 per cent. That would far exceed anything which happened in 1987 or 1929.

Furthermore, unlike in 1987, Japanese capital probably could not bail out the United States a second time. With Japanese interest rates at 0.5 per cent, it would not be possible to reduce them further to aid the US financial system — so that the consequences of a financial crash for the US real economy would be far more severe than the recession which followed 1987.

The trigger for such a Wall Street crash would be any reversal of the flow of capital from Japan. At present it is profitable to invest in US shares on the basis of funds borrowed in Japan because Japanese short term interest rates stand at 0.5 per cent and are negative for investors in the US because they have to be paid back in a yen which is falling in value against the dollar. However, a rise in Japanese interest rates, or rise in the exchange rate of the yen, or both, would make investments in the US less profitable, quite probably provoking the fall on Wall St which could then trigger a severe financial crisis in the US. It is the fact that Japanese interest rates did

not rise during the latter half of 1997 which provided an element of stability to US stock markets.

The east Asian link in the chain of financial crises will have significant results. First, as growth stalls in the 'tigers' world economic growth will slow. Second, devaluations by the former 'tigers' will intensify competitive pressure on the European Union, and above all upon the high exchange rate countries — the US and Britain. Third, the attempts to make the working class of the region pay for the financial crisis will start to break up political stability and result in rising class struggles — already evident in South Korea. The role of the US and IMF in this, that is their efforts to seize control of chunks of the 'tiger' economies, will lead to anti-US political currents and weaken the bloc of the 'tigers', US and Japan against the rising weight of China.

Overall, these events show that no new prolonged upswing of the world capitalist economy is imminent. The necessary preconditions, a qualitative rise in the level of capital accumulation in the major imperialist states, do not exist. Notwithstanding the immense negative impact of capitalism's breakthrough into eastern Europe and the Soviet Union in 1989/91, there is no coherent imperialist strategic project analogous to that of the US at the end of the second world war, for resolving this situation. The only way out for capital as a whole — to drive up the rate of exploitation of the working class — is creating significant political radicalisation: in Russia, western Europe, east Asia, and even a shift to the left at the top of the trade unions in the USA. And, at the level of 'many capitals', the US seizure of surplus value accumulated by other capitalists, notably Japan, is putting increasing strain on the 'globalised' capitalist economy, the chain of financial crises being a symptom of this.

This inability of capital to consolidate its gains of 1989/91 has allowed the left wing international workers' movement to start to recover. Regroupment has begun on the basis of the re-emergence of significant working class mobilisations — on their greatest scale in Russia, but also in the EU, South Korea, Latin America, South Africa and in the United States.

'No
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Growth in support for Japanese Communist Party

The most prolonged economic slowdown since the second world war in Japan is driving a crisis of the country's main bourgeois and social democratic parties and a significant growth in support for the Japanese Communist Party (JCP).

With a membership of 370,000 and 2.3 million daily sales of its newspaper, the Communist Party fielded more candidates than any other political party at the general election in October 1996. In the election it won 7.26 million votes, 13.1 per cent of those cast, its highest vote ever. This followed smaller increases in elections in 1995 to the House of Councillors, the lower house of Japan's parliament, when the party increased its seats from 5 to 8, and the 1996 election to the House of Representatives, the upper house, when it increased its seats from 15 to 26. A further election to the Upper House, which has 252 seats, is due this year.

In July 1997 the JCP doubled its representation in the Tokyo Metropolitan Assembly election, from 13 to 26 seats, second only to the ruling Liberal Democratic Party in the city assembly. In the country as a whole, with 4,051 seats, it is the biggest force in local government.

By contrast the Liberal Democratic Party government has dropped to a record low in support of 30 per cent recently and the Social Democratic Party, formerly the main left of centre party, is facing electoral oblivion having lost credibility by allying itself with the LDP.

By Geoffrey Owen

US moves to reassert hegemony in Latin America

US President Bill Clinton paid a surprising six-day visit to Venezuela, Brazil and Argentina in October last year. The purpose of the visit was to secure support among the three strongest and biggest Latin American economies for his Free Trade Area of the Americas (FTAA). This would turn the whole of Latin America into a bigger and broader version of NAFTA, the treaty that allowed the US to subordinate Mexico to the US' economic needs for cheap raw materials, labour and a dumping ground for exports of manufactured goods and foodstuffs.

Ever since July 1991 when George Bush, announced the US' view of the future relations between North and Latin America, which he called 'Initiative for the Americas' and whose content was the creation of a free trade zone from the Yukon to Tierra del Fuego, Latin American leaders have been wary of the US' intentions. Their weariness intensified in 1995/96 with the Mexican economic crash and the collapse of the peso, the 'tequila' effect which threw out of balance most Latin American economies and Clinton's \$50 billion rescue package — mainly to bail out Wall Street investors — which left Mexico more or less to the total mercy of the Federal Reserve Bank. One interesting response to the irresistible US free trade embrace has been the development of intra Latin American trade and the strengthening of regional common markets. The most important of these is MERCOSUR, a regional common market involving Brazil, Argentina, Uruguay and Paraguay, plus Chile as an associated member.

MERCOSUR includes two of the largest Latin American economies (Brazil and Argentina) which when added to Chile, the Southern Cone 'economic miracle', makes it a market of about 200 million people. MERCOSUR has established a high level of economic integration and, with the exception of Chile, member nations have reduced tariffs on imports to unprecedentedly low levels. This has led the MERCOSUR countries to display some political independence from the US, particularly on knotty issues such as the US blockade against Cuba and the extra-territorial Helms-Burton Law.

Ostensibly, most Latin American nations are committed to the US project of the creation of a Free Trade Area of the Americas (FTAA).

'The MERCOSUR countries have displayed some political independence from the US'

However, Clinton has found it very difficult to obtain special fast track legislation to speed up the integration of the Latin American economies with the US. Chile, for example, which is next in line after Mexico, has been waiting for several years. So far very little has happened. Negotiation between the President and the US Congress has, for all practical purposes, stalled in Washington. The uncertainties about the FTAA have given extra impetus to the prospects of a commercial alliance among South American countries centred on MERCOSUR, and for which the main external economic partner is the European Union.

Trade between MERCOSUR and the European Union has grown significantly in the last years. Currently 52 per cent of exports and 51 per cent of imports to and from the European Union's total trade with Latin America is with MERCOSUR. The six largest economies in Latin America (Argentina, Brazil, Colombia, Chile, Mexico, and Venezuela) account for more than 80 per cent of Latin American trade with the European Union. Furthermore, six European Union members (France, Germany, Italy, the Netherlands, Spain and the UK) account for more than 80 per cent of European imports from Latin American and almost 90 per cent of sales to the region.¹

With respect to foreign direct investment, 30 per cent of the EU's total direct investment outside the Organization for Economic Cooperation and Development countries went to Latin American in the 1990s, whilst for the United States the figure was 64 per cent. That is, despite the huge advances made by the European Union in Latin America, the Northern giant is still a giant. What has changed, however, is the distri-

bution of US imports, exports and direct investment to Latin America which are heavily skewed towards Mexico (although there is still a big US economic presence in Brazil and Venezuela), whilst those of the EU are heavily skewed towards MERCOSUR.

The European Union has been building political and cooperation links with Latin America to facilitate its economic penetration of the region. Thus the EU's official development assistance to Latin America has gone up from 46.6 per cent of total bilateral aid in 1990 to 52.7 per cent in 1995; in the same time that of the United States has fallen from 32.5 per cent in 1990 to 17.2 per cent in 1995. The European Union is the biggest provider of official development assistance to Latin America contributing about three times more than the United States.²

All the EU's diplomatic initiatives are designed at obtaining better bases from which to challenge United States' hegemony in Latin America. In March 1997 French President Jacques Chirac visited four Latin American countries and heaped praise on MERCOSUR on more than 20 occasions suggesting that it was the world's fourth largest economic bloc and proposing a summit between the EU and MERCOSUR in 1998. At present MERCOSUR and the EU are negotiating the signature of an economic cooperation agreement.

This background explains Clinton's energetic diplomatic initiatives in Latin America. In typical fashion, the US is resorting to political rather than economic means to maintain its hegemony in Latin America and has taken a series of steps towards individual Latin American countries aimed at wrecking MERCOSUR. First, the US lifted the ban on sales of advanced weapons to Chile, thus allowing Chile to buy F-16 fighters, which breaks the military balance between Chile and Argentina. In order ostensibly to 'assuage' Argentina, Clinton offered Buenos Aires the status of a special military ally as a non-NATO member, eliciting a prompt protest from Chile that such

a move would upset the strategic balance in the region. Finally, in a move that appeared to be designed to stir maximum internal division in MERCOSUR, Clinton proposed to make Brazil a permanent member of the UN Security Council, prompting a strong adverse reaction from Argentina and Chile.

US imperialism is determined to prevent MERCOSUR expansion, particularly in alliance with its main economic rival in the region, the EU, continuing. However, Clinton's trip to Latin America was received with scepticism and some opposition to opening these economies further to US trade and investment, even though all the governments in these Latin American nations are staunch supporters of neo-liberalism. So, how successful can the US be in obliterating this challenge to its economic and political hegemony? So far US success has been limited to fostering temporary internal divisions in MERCOSUR. The time when the US used to dictate to Latin American governments to join in the fight against communism is over. Now the US faces a more determined concerted effort, on the part of some of the key South American nations, to take advantage of the degree of autonomy as a result of the existence of MERCOSUR, and particularly the latter's trading relations with the European Union. Even regarding 'communism', the US is not being very successful, for it faces unprecedented Latin American-EU opposition to the Helms-Burton Law designed to crush the Cuban revolution.

The contradiction for the current neo-liberal regimes in Latin America is that while they realise the tensions intrinsic in their relations with US imperialism they do not have any political strategy capable of winning the battle with the US which is looming on the horizon. When the real crunch comes they are likely to capitulate. In the next issue we will review the political alternatives put forward by the Latin American workers' movements.

By Javier Mendez

1 IRELA Briefing, "European Union-Latin American economic relations. Statistical profile, Instituto de Relaciones Europeo-Latinoamericanas, 15 November, 1996, p.1.

2 IRELA Briefing, "European Union-Latin American economic relations. Statistical profile, Instituto de Relaciones Europeo-Latinoamericanas, 15 November, 1996, pp.7-8.

Socialists from eastern and western Europe plan cooperation

The Budapest Discussion Forum on 1st and 2nd November 1997 brought together more than 200 socialists, communists, greens and representatives of social and civic movements from 35 organisations and journals working in different countries of western and eastern Europe, as well as Russia, Australia and the United States. Participants included members of national parliaments, the European parliament, social scientists and the representatives of civic movements, writes **Kate Hudson**

The conference concluded that the present phase of international capitalism, marked by the general application of neoliberal economic policies by governments in both the western and eastern halves of the European continent, as well as elsewhere in the world, takes place at the expense of the majority of the world's population and results in vastly increased inequality, poverty and social exclusion both within and between countries and that it is precisely these neoliberal policies which are responsible for the rising racism, anti-semitism and xenophobia in Europe and elsewhere in the world at the end of the twentieth century.

Given the common institutions of capital promoting and enforcing neoliberal policies, including on an international level, the participants agreed that cooperation is necessary across a diverse and pluralist left and social movements in central, eastern and western Europe, as well as other parts of the world, to address common concerns, including:

1. International cooperation in Europe to defend social provision, employment and democratic rights for women and men, immigrants and national populations.

2. To oppose the eastward expansion of NATO, and both the economic burden and the risks of new conflicts it will inevitably entail, at a time when the adversary it was created to fight no longer exists.

3. To reject the neoliberal framework for European Monetary Union imposed by the Treaty of Maastricht and the discriminatory approach of the EU towards the countries of eastern and central Europe and instead to work for the rights of all of the peoples of the continent to work towards a socially progressive Europe with no second class citizens or countries.

4. To argue for the radical reduction, or better elimination, of the burden of



debt to western governments and banks upon the countries of the so-called third and second worlds.

5. To work within their own countries to promote solidarity with trade union, feminist, ecological and other social movements defending jobs, social services and employment rights, and opposing racism, discrimination and the degradation of the environment.

The participants concluded that developing viable alternatives, which are socialist, humanist and democratic, to the current neoliberal phase of capitalism, in which grassroots initiative and democracy can play a crucial role, requires discussion and practical activity, not only on a national but also on an international level. In Europe, it requires a dialogue between socialists, communists, greens and other civic movements from both halves of the continent.

This conference has contributed to that dialogue between the left in central, eastern and western Europe, as well as other parts of the world. The suggestion that it should, alongside other international forums of discussion, be followed by further events of a similar kind so that left alternatives to neoliberalism benefit from an exchange of ideas encompassing peoples from the entire European continent and beyond was welcomed.

Russia's bankers' war

The speed and scale of the impact of the financial crisis in South East Asia on Russia demonstrated how fragile the capitalist regime remains in that country.

Russia was hit on a series of levels. First, there was a withdrawal of South Korean and Brazilian funds from the financial markets.

As a result interest rates on Russian treasury bonds peaked at 45 per cent in November and are still above 30 per cent as we go to press. This in turn threw the budget into disarray, as it had assumed interest rates of 14 per cent.

These high interest rates are necessary to prevent a devaluation of the rouble which would cause deeply unpopular price increases on the 55 per cent of the cities' consumer goods which are imported.

Finally, the slowdown in world economic growth is resulting in falling raw material prices, cutting Russia's export earnings. This international economic context will determine the pace of the continuing movement of Russian politics to the left in 1998.

Through the autumn and winter Russian politics has been dominated by the 'war of the bankers', with the country's leading financial groups fighting ferociously over the productive assets still under the control of the state. As a result, Russia's electronic and printed media, which are almost exclusively owned by the leading financial groups, were filled on a daily basis with revelations of the fraud and corruption used by rival groups to seize the country's accumulated wealth.

The most prominent 'victim' of this 'war' was Anatoly Chubais, the architect of Russia's corrupt privatisation program and the government minister closest to the United States.

Chubais was sacked as Finance Minister at the end of last year after it was revealed that he had received a \$90,000 'ad-

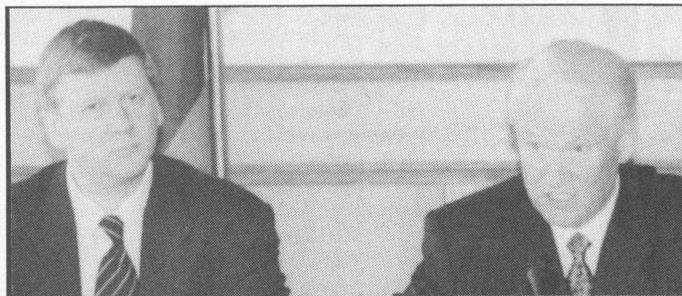
vance' for an unpublished book on privatisation from a publisher linked to Uneximbank, the main beneficiary of recent government privatisations. He retained his post as First Deputy Prime Minister because of backing from the US and the IMF. But Uneximbank's rivals and the left in parliament are still campaigning to get rid of him as we go to press.

The 'bankers' war' broke out because the Russian government did not have the financial resources to both head off mass unrest over wage and pensions arrears and simultaneously maintain the equilibrium within the capitalist class by a relatively equitable carve up of state assets between them.

When Chubais tried to make one bank, Uneximbank, the main beneficiary, its rivals launched an all-out onslaught on him.

Anatoly Chubais and Boris Nemtsov, the so-called 'new reformers', had been brought into leading positions in the government in March 1997. This represented a 'turn' by President Yeltsin to a more confrontational approach with the Communist Party-dominated parliament. Yeltsin had concluded that the net effect of the previous period of cooperation between Prime Minister Victor Chernomyrdin and the parliament had been to allow the Communists to advance, particularly through regional governor elections.

Chubais became First Deputy Prime Minister and Minister of Finance, Nemtsov was also made a Deputy Prime Minister and Minister in charge of the energy industry. The new team set about removing state housing and utilities subsidies, and started a fight — at the behest of the United States — to break up massive monopolies like Gazprom (which they lost).



They simultaneously relieved the immediate political pressure on the government by raising the funds to pay pensions and some wage arrears. This was done by collecting taxes from the big monopolies on which the 'nomenklatura capitalists' — including Prime Minister Chernomyrdin, are based. The increase in tax revenue allowed the administration to pay state pensions between March and June 1997.

However, the gain was temporary. Tax revenues increased from 42 per cent of the level projected in the budget in the first quarter of 1997, to 67 per cent in the second quarter. But by the third quarter had fallen back to 45 per cent.

A new problem then emerged. While pensions were being paid the army was not. This reflected Yeltsin's aim of running down the army, in which the free market liberals have little or no support. The administration thought that the army was too demoralised to resist, but this turned out to be a serious miscalculation when a powerful movement — 'The Movement to defend the army, military industry and military science' — emerged. This was led by General Lev Rokhlin, who had originally been elected to parliament as the second candidate on the list of Our Home is Russia, the party launched by Prime Minister Chernomyrdin. Rokhlin, the chair of the parliamentary defence committee, now turned against the Yeltsin regime calling for its removal by May 1998 and comparing the mass disaffection of the population and divisions in the army with 1917.

His movement won massive

support among the army officer corps and within the country's defence industries. It was well funded and held rallies all over the country with attendances of 10-20,000 people. It rapidly cut into the support of Alexander Lebed in the army. This is dangerous for the regime, because Lebed is a purely fake opponent — being close to the United States and backing NATO expansion into eastern Europe.

Rokhlin was a different proposition. While Lebed directed most of his attacks against the Communists, Rokhlin made an alliance with them.

In these circumstances, the government concluded that it had no choice but to raise the funds to reduce the army's wage arrears. But the failure of tax revenues to hold up meant that the money would have to be found elsewhere. Chubais' solution was to speed up the privatisation process.

It was this which sparked the bankers' war. Previously state assets had been shared out among the banks at fractions of their real values. In this way Uneximbank had obtained the largest nickel producer in the world, Norilsknickel, and the oil company Sidanko. Stolichny Bank had obtained Agricom Bank — the biggest retail banking network. Menatep Bank got the giant Lukoil oil company.

The disposal of these companies was transparently corrupt — with the same financial group frequently acting as both auctioneer and the winning bidder.

The next company in line for privatisation was Russia's

giant telecommunications company Svyazinvest. This had apparently been promised to Mostbank. But in order to pay the army, the government now raised the price to a level which Russian financial groups could not afford without western financial backing. Uneximbank, which is linked to Chubais, therefore put together a financial package with George Soros and foreign banks in which the latter put up three quarters of the \$1.9 billion for 25 per cent of the shares.

The Svyazinvest privatisation created a new situation. The state's assets were no longer to be shared between rival bankers. There would now be a ferocious fight to determine who got what. Furthermore, Soros' intervention showed that western companies were going to pitch in by linking up with Russian partners.

With the privatisation of Rosneft, a major oil company, imminent, Uneximbank's rivals were determined to remove Chubais from his post to try to stop future privatisations being rigged in Uneximbank's favour.

Chubais and Nemtsov moved first. They persuaded Yeltsin to sack the leading figure in the rival alliance of bankers, Berezovsky — reputedly the richest man in Russia — from his position as Deputy Secretary of the Security Council.

Berezovsky and his allies responded with a flat out fight for the removal of Chubais. This came to a head with what were obviously coordinated, and incredibly detailed (right down to bank account numbers), revelations of the payment of \$450,000 in book advances to Chubais and his team by a publisher owned by Uneximbank. These were taken up by the entire press and TV of the financial groups opposed to Uneximbank and by the Communist Party in parliament.

What had set the scene for these moves against Chubais was a further shift in the political relationship of forces. Towards the end of 1997 the Communist Party had put down a motion of no-confidence in the government. This provided Yeltsin with a constitutional opportunity to dissolve parlia-

ment. Chubais was for doing so, with Chernomyrdin against. But the President did his calculations and concluded that he could not be sure of winning the parliamentary elections which would follow a dissolution. So he did not back Chubais. This provided the financial groups opposed to Chubais with the opening for their onslaught against him. The left wing of the Communist Party participated vigorously in this.

Chernomyrdin then took the opportunity to move against Nemtsov too. By ruling that in future deputy prime ministers could not control specific ministries, Chubais was removed from the Ministry of Finance and Nemtsov lost oversight of the energy ministry.

The general temperature of the situation is indicated by the fact that the 100,000 turn-out on the anniversary of the Russian revolution demonstration on 7 November was the biggest since 1991.

Within the Communist Party of the Russian Federation the left has become stronger, with the parliamentary fraction shifting to the left. Whereas in 1997, the Communist parliamentary fraction supported the budget, albeit with 45 left wing MPs breaking the party line and voting against, by the time of the 1998 budget, it was agreed that the fraction should oppose it. Party chair Zyuganov accepted this decision, but made clear that he was not happy with it by not making the opposition speech against it in parliament. Twenty nine right wing members of the CP fraction broke the party line and voted for the budget.

The regime will now try to work on this division to break the Communists' control of parliament. Zyuganov will try to conclude a new bloc with Chernomyrdin, who has been strengthened at the expense of Chubais. And the left wing of the Communist Party will become more organised, quite possibly seeking a candidate to replace Zyuganov as the principal leader of the party.

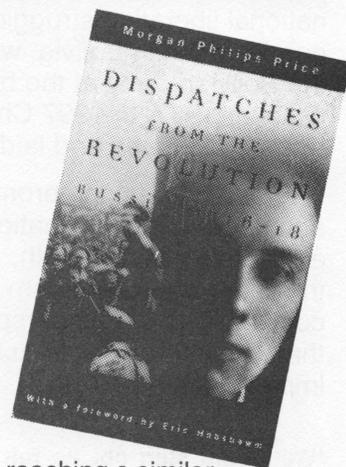
By Geoffrey Owen

A welcome reminder

Morgan Philips Price, a British journalist fluent in Russian, travelled extensively throughout Russia from 1914 to 1919, reporting events for the *Manchester Guardian*. His reports helped to inform the British public on the impact of the first world war in Russia, and on how the hungry workers and landless peasants were responding. This compilation of articles, letters and other writings in *Dispatches from the Revolution* also offers an eye-witness account of the Russian Revolution, writes **Stephen Adams**.

As a sympathetic observer, Price was able to recognise and proclaim the progressive nature of the February Revolution. But the jubilation recorded in his personal writings ('Long live great Russia who has showed the world the road to freedom') was rather diluted in his reports to be published, and so the inclusion in this book of the former — along with extracts from pamphlets and books penned later by Price — gives the reader a more rounded account of his experiences.

Dispatches traces Price from his initial excitement, through into months of hunger and disappointment at the Provisional Government's failure to end the war and put into practice the aims of the revolution. His descriptions of the parties in conflict, their class and regional basis, and their positions in the various institutions claiming authority, illustrate the confusion and instability of the inter-revolutionary period. The development of Price's analysis of events must have reflected that of many Russians at the time. His early scepticism of the Bolshevik 'fanatics' moved slowly towards a recognition that the end of the war, nationalisation of industry and land redistribution would be made a reality only under the Bolsheviks. The writings presented here describe the masses



reaching a similar conclusion, and consequently creating the October Revolution.

The final section of the book deals with the war negotiations, the beginnings of the civil war, and the interventions made by the hostile foreign capitalist powers. The anger that Price felt towards the Allies' support of the White armies is clear, causing his dispatches to be rejected by the British censor. Price nevertheless continued to send back reports of events, which are published here for the first time.

This book offers an excellent introduction to the history of the Russian Revolution, and at a time when many on the left have been all too eager to deny its achievements, perhaps some need to take another look at what happened in 1917.

Dispatches from the Revolution: Russia 1916-18
Morgan Philips Price
Pluto Press

Che Guevara

Create two, three, many Vietnams

Che Guevara was a central leader of the Cuban revolution and became the most famous martyr of the Latin American guerilla campaigns of the 1960s. He was one of the principle military leaders of the Cuban revolt against the Batista dictatorship and served as the president of the Cuban National Bank and as minister of industry. He disappeared from public view in March 1965, first to advise African national liberation struggles, and then to lead a guerilla band in Bolivia, where he was murdered by the Bolivian army at the behest of the CIA in October 1967. In 1997 Che Guevara's body was returned to Cuba and laid to rest at Santa Clara.

Che stood for uncompromising revolutionary politics and unswerving internationalism. To mark the 30th anniversary of his death, *Socialist Action* is printing the following extract from the speech in which Che coined the strategic perspective of creating 'two, three, many Vietnams' in the fight against imperialism.

'We would sum up, as follows our aspirations for victory: destruction of imperialism by means of eliminating its strongest bulwark — the imperialist domain of the United States of North America.

To take as a tactical line the gradual freeing of the peoples, by ones or by groups, involving the enemy in a difficult struggle outside of his terrain; liquidating his bases of support, that is, his dependant territories.

This means a long war. And, we repeat it once again, a cruel war.

Let no one be mistaken on this when he sets out to initiate it, and let no one vacillate in initiating it out of fear of the results which it can bring upon his own people. It is almost the only hope for victory.

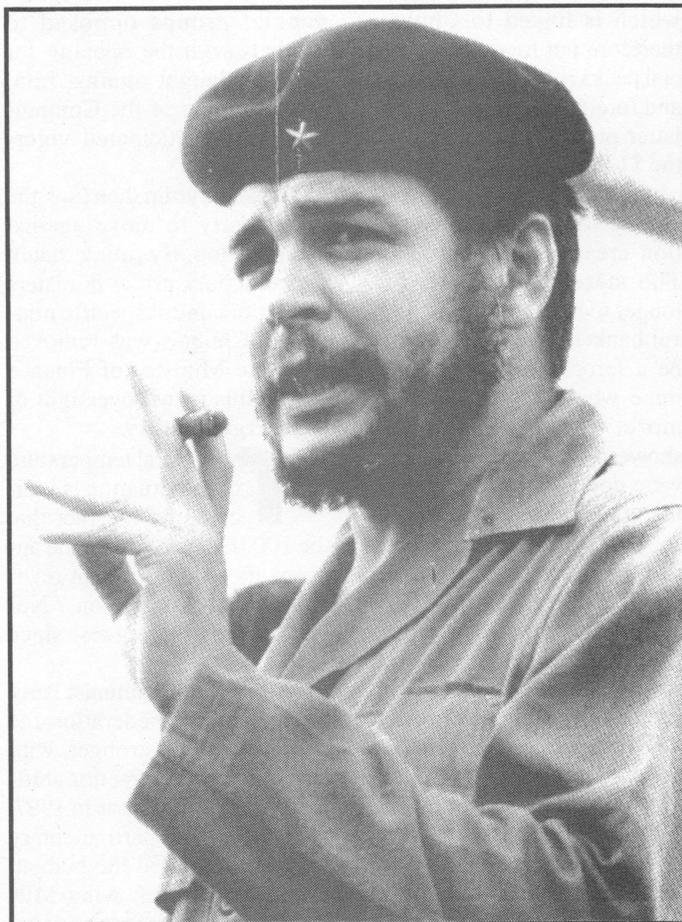
We cannot evade the need of the hour.

Vietnam teaches us this with its permanent lesson in heroism, its tragic daily lesson in struggle and death in order to gain the final victory.

Over there, the imperialist troops encounter the discomforts of those accustomed to the standard of living which the North American nation boasts. They have to confront a hostile land, the insecurity of those who cannot move without feeling that they are walking on enemy territory; death for those who go outside of fortified redoubts; the permanent hostility of the entire population.

All this continues to provoke repercussions inside the United States; it is going to arouse a factor that was attenuated in the days of the full vigor of imperialism — the class struggle inside its own territory.

How close and bright would the future appear if two, three, many Vietnams, flowered on the face of the globe, with their quota of death and immense tragedies, with their daily heroism, with their repeated blows against imperialism, obliging it to disperse its forces under the lash of the growing hate of the people of the world!



And if we were capable of uniting so as to give our blows greater solidity and certainty, so that the effectiveness of aid of all kinds to the people locked in combat was increased — how great the future would be, and how near!

If we, on a small point on the map of the world, fulfill our duty and place at the disposition of the struggle whatever little we are able to give, our lives, our sacrifice, it can happen that one of these days we will draw our last breath on a bit of earth not our own, yet already ours, watered with our blood.

Let it be known that we consider ourselves no more than elements in the great army of the proletariat; but we feel proud at having learned from the Cuban

Revolution and its great main leader the lesson to be drawn from Cuba's attitude in this part of the world: 'What difference the dangers to a man or a people, or the sacrifices they make, When what is at stake is the destiny of humanity?'

Our every action is a call for war against imperialism and a cry for the unity of the peoples against the great enemy of the human species: the United States of North America.

Wherever death may surprise us, let it be welcome if our battle cry has reached even one receptive ear, and another hand reaches out to take our arms, and other men come forward to join in our funeral dirge with the chattering of machine guns and new calls for battle and for victory.

Fixing up the world: GATT and the World Trade Organisation

Think of the world economy, and two household words come to mind: the International Monetary Fund and the World Bank, the two supranational bodies created by the Bretton Woods Treaty of 1947 when the allied powers constructed the post-war economic world order. It is less well-known that these two have been joined by another. The World Trade Organisation (WTO), formed in 1994 as a result of the 1986 'Uruguay Round' of negotiations under the General Agreement on Tariffs and Trade (GATT), has emerged as the third pillar of the post-war economic order.

Although generally presented as a simple continuation of GATT, the WTO has in fact inaugurated a fundamental change in the organisation of world trade.

The GATT has been transformed from an ineffectual chamber of commerce into a powerful device for restructuring the world market in the commercial and financial interests of the leading powers, the core requirement being to maintain the supremacy of the US economy in the face of the largest trade deficit in world history.

It is supposed to expand world trade, generally perceived as a positive and harmless benefit to all nations. But whatever the free-trade rhetoric, its actual role is to integrate the non-aligned and former Eastern bloc nations into an unrestricted market for the products of a select club of imperialist nations, to suppress national sovereignty in favour of institutional guarantees for the systematic plunder of this market, and to grant this same club immunity from every competitive threat which might result.

The control of trade, alongside better-known devices like financial extortion and debt-slavery, has finally burst from the belly of the world market to claim its place as a primary instrument of advanced-country domination.

The new trade agenda

The WTO enshrines a radical new agenda in world trade. Its cornerstones are:

(a) liberalising 'services' through GATS (General Agreements on Trade and Services) covering one-fifth of all world trade (\$1 trillion). This is an *institutional* change masquerading as trade reform. Since financial services are treated as a 'commodity' it encapsulates a legal obligation to free capital movement, overriding

the legitimate right to national economic sovereignty. Moreover the definition of exports has been extended in the case of services to include production by foreign-owned subsidiaries in the host country. Trade regulation has thus been extended for the first time to the internal market régimes of member states.

(b) a decisive new trade category of Intellectual Property Rights (IPRs). IPRs have as much to do with trade liberalisation as the free transport of slaves. They *outlaw* trade in products embodying any technology less than twenty years old — that is, almost everything — except as specified by the current owner of the technology. They are an absolute monopoly by the imperialist countries: 0.16 per cent of world patents are currently owned by third world residents (Mihevic) They make the owner of a technical process a separate legal entity distinct not only from the labourer but also the factory or farm-owner and the original inventor. They transform the ownership and control of technology into a marketable instrument of domination. They set in concrete the principal market mechanism that impoverishes the third world, namely the transfer of technological super-profit through trade.

(c) large-scale anti-dumping (AD) actions as the preferred protectionist device of the USA, EEC and Australia/New Zealand, a practice baldly described by the World Bank as 'a packaging of protectionism to make it look like something different'.¹ Before 1986, anti-dumping actions were exceptional events. By 1992 they were universal advanced-country practice: 1040 anti-dumping actions were initiated by the industrialised countries between 1985 to 1992, over half directed against either Eastern Europe (132),

the third world (137) or the developing Asian countries (297). The non-industrialised countries — three-quarters of the world's people — initiated a grand total of 91.

(d) the consolidation of a system of trading blocks — 'Free Trade Areas' around the dominant capitalist countries — the EC, NAFTA and APEC — with specific exemption from the measures imposed on all other WTO members. Though article XXIV of the GATT proposes stringent conditions that a Free Trade Area must satisfy, these are never applied. As of 1990, only four working parties (of a total of over fifty) could agree that any regional agreement satisfied Article XXIV, three of these before 1957, 'The GATT's experience in testing FTAs (free Trade Areas) and customs unions against Article has not been very encouraging...It is not much of an exaggeration to say that GATT rules [on regional agreements] were largely a dead letter' (HK). In short, the imperialist countries do what they like.

'The World Trade Organisation enshrines a radical new agenda in world trade'

From consensus to compulsion

This disparate series of changes is being cemented by convert-ing a treaty organisation — the old GATT — into a supranational enforcement organisation that imposes and legislates not just trading relations but the internal property, tax and subsidy régimes of its members.

GATT held protracted 'rounds' of multi-party negotiations aimed at the mutual reduction of specific tariffs, subject to consensus. In effect, it was a brokering organisation for extending the bilateral arrangements which the big players would have made in any case to a slightly wider circle of participants: 'In instances where the choice was between risking serious conflict and attempting to enforce the letter of GATT disciplines — for example on regional integration or subsidies — the contracting parties generally "blinked". In large part this reflects the nature of the institution, which is basically a club. The club has rules, but its members can decide to waive them, or pretend not to see violations.' (HK)

Although historians see the



GATT as the principal vehicle of trade liberalisation, this was in large measure because the major powers, under US hegemony, wanted to liberalise their own trade in any case to secure a share of exported US capital during the period when it still enjoyed industrial supremacy. GATT simply invited the others along for the ride.

The WTO marked two decisive changes. Firstly it moved from 'result-orientation' to 'rule-orientation'; trade was now governed by laws and formulas instead of targeted commodities. This extends to legal trade regulations which the WTO obliges member governments to write into their own laws. Most significantly, these rules are now policed: 'Formerly the GATT was not an international organization (i.e. a legal entity in its own right) but an inter-governmental treaty. As a result, instead of 'member states' GATT had 'contracting parties'... The WTO is an international organization that administers multilateral agreements pertaining to trade in goods (GATT), trade in services (GATS), and trade-related aspects of intellectual property rights.' (HK)

If a member country breaches a WTO regulation, an enforcement process is triggered and consensus is required not to implement sanctions but to *prevent* them. If a third-world country seeks exemption to protect its industries or agricultural producers from competition from the technologically more advanced Northern countries, it faces co-ordinated, punitive trade sanctions from all WTO members.

The reconstruction of the world market

What makes such threats effective

is a systematic expansion of GATT and the WTO which has culminated in the re-establishment of a global world market previously sundered in two by the outcome of the Russian revolution, two World Wars and the Chinese revolution.

GATT was a minority club with a mere 23 signatories. The balance of forces was so weak that it proved impossible to establish the international trade organisation (ITO), called for in the Bretton Woods agreements. In the 1949 'Annecy' round of negotiations a mere 11 countries took part. China withdrew in 1950 and the US, which had followed a fiercely protectionist stance between the wars, abandoned the attempt to secure congressional ratification of the ITO. Though the initial 1947 agreement secured a 21 per cent reduction in US tariffs, the next three rounds secured only a further 8.4 per cent reduction.

The term 'free trade' has never appeared on GATT's formal agenda. The GATT-1947 preamble calls for 'raising standards of living, ensuring full employment and a large and steadily growing volume of real income and effective demand, developing the full use of the resources of the world and expanding the production and exchange of goods'. The principal mechanism was to reduce tariffs and eliminate discriminatory treatment.

No planned economy took part until 1967 when Poland joined, and the third world countries succeeded in neutralising or blocking the application of the GATT trade agreements to themselves through the non-aligned movement and the 1964 establishment of UNCTAD — the United Nations Conference on Trade and Development — which was formed to press for trade measures to benefit developing countries. The 'Kennedy Round' of 1963 involved 74 countries and spun out for four years. The practice of picking and choosing was so widespread it was nicknamed 'GATT à la carte'. The 'Tokyo round' of 1973 involved 99 countries but lasted six years and was obliged to legalise preferential tariff and non-tariff treatment in favour of developing countries.

Thus though the developing countries were drawn into GATT's orbit, access to a separate economic system in the USSR and Warsaw Pact countries offered them an important degree of autonomy. Though governed (and impoverished) by the world market they could veto many imperialist proposals, imposing se-

lective controls on trade to protect domestic producers, and limiting the drain of capital brought on by unequal exchange, because they could always resort to (or threaten) trade with the Soviet or Chinese blocs instead. The 'Third World' — a term coined by Mao Tse-Tung — took part in trade negotiations, but acted collectively to veto or water down measures that damaged domestic producers, offsetting, though not overcoming, the impact of the world market on domestic accumulation.

By the end of the Uruguay round, which began in 1986 and ended a gruelling eight years later, the scene had changed utterly. There were now 128 member countries including most former Eastern European countries. The former USSR no longer presented an effective alternative outlet or supplier. Aggressive 'threat-based' US policies, the debt crisis and the draconian intervention of the IMF with its structural adjustment, export-oriented programmes, produced the 'neoclassical counter-revolution' (Todaro). Keynesians were replaced on the leading world financial institutions, and wave after wave of neoliberal advisors and political regimes came to the fore in development economics and in the third world countries themselves.² Resistance gave way to capitulation; the new order had arrived.

Divergence, big time

The most fundamental point to grasp is that free trade produces inequality. The neoclassical doctrine of 'convergence', for which the nearest adequate term is 'cretinous', is contrary to all known facts. Characterising 120 years of the world market as 'Divergence, big time', senior World Bank economist Lance Pritchett (1997) goes on to examine its more recent phase: 'From 1980-1994, growth per capita GDP averaged 1.5 per cent in the advanced countries and 0.34 percent in the less developed countries. There has been no acceleration of growth in most poor countries, either absolutely or relatively, and there is no obvious reversal in divergence...taken together, these findings imply that almost nothing that is true about the growth rates of advanced countries is true of the developing countries, either individually or on average.'

It is convenient to discover the errors of World Bank policies with the WTO around to enforce them by threats and blackmail; it no longer matters whether the hapless victims believe them or not. Like 19th cen-

'The systematic expansion of GATT and the WTO culminated in the re-establishment of a global world market sundered in two by the Russian revolution, two world wars and the Chinese revolution'

tury missionaries, the economists have done their job; now the armies take over.

Technological change under capitalist conditions gives advanced industrial producers, selling into the same market as a backward producer, an excess or 'super-profit'. Given a free market in goods and capital, this profit accumulates in the advanced nations, particularly if the state acts as guarantor of the capital transfer. This provides further funds to increase their technological lead, further increasing the gap. There is no end to this process under capitalism. The process of accumulation and technical change literally sucks the lifeblood from the poor nations.

This is the context for TRIPS (intellectual property rights) enforcement. This world *market in knowledge* is a major and profoundly anti-democratic new stage of capitalist development. The transformation of knowledge into property necessarily implies *secrecy*; communication itself violates property rights. The WTO is transforming what was previously a universal resource of the human race — its collectively, historically and freely-developed knowledge of itself and nature — into a private and marketable force of production.

As well as laying the foundation of hi-tech, software and genetic engineering fortunes the new category is transforming the whole nature of agriculture. Small agricultural producers the world over are now being forced, in effect, to abandon natural production from their own seed and pay premium prices for genetically engineered seeds. The consequence is no less than an end to the self-sufficiency of world agricultural production.

The WTO as institutional policeman

The second consequence is that the re-consolidation of a universal world market is, simply, the surest guarantee of descent into starvation and poverty of the mass of the world's peoples. The only escape for any nation except the small club of leaders is to except itself, in one way or another, from the general functioning of the market. This is why the old GATT could not be an enforcement agency and why the new WTO *has* to be an enforcement agency.

The WTO is now the third arm of the IMF and the World Bank, which work in consort to impose a complete institutional policy frame-

work on the world. The banks impose open markets and free trade as a condition of credit and debt relief. But free trade is *defined to mean* an institutional regime which overrides the economic sovereignty of all but the largest players. This includes not just full capitalist property rights and the free movement of capital but extends to taxes, subsidies or *any* measure that can be construed as 'unfair competition' — that is, any element of state provision.

The original GATT agenda sought to avert a repeat of the inter-war breakup into hostile trading blocks, and prioritised 'non-discrimination' and 'reciprocity'. Non-discrimination states that members must make the same trade concessions to all others as to their 'most-favoured nations' (MFNs). Reciprocity states that there should be, in some (usually poorly-defined) sense, an equality of loss, which implies an exchange of reductions in barriers. These principles could apply in a small club where they extended essentially bilateral agreements to a wider circle. But in any wider reduction the losses and gains for all partners cannot possibly be the same; there are losers and winners. This is why GATT functioned as it did, as a negotiating forum whose decisions were quite easy to avoid or bypass.

With enforcement and 'rule-based' tariff reductions it becomes impossible to ensure that all parties benefit. Therefore, everyone seeks exceptions to the rules. The industrial powers have established two systematic procedures for imposing their exceptions. This is the recourse to anti-dumping legislation, coupled with the GATT provision that exempts 'trading blocs' from most GATT regulations. The third world and transition countries have in contrast lost almost all exceptions to which they could previously resort. Moreover, the application of reciprocity is by nature asymmetrical between large and 'small' nations where 'small', it should be remembered, has to be translated into the language of money — in which India is one-fifth the size of the USA. As Hoekman and Kostecki note: 'it is a fact of life that small economies (i.e. most developing countries) have little to bring to the negotiating table.'

This is the background to two further principles which have risen to prominence with the WTO: 'fair competition' and 'market access'.

Under fair competition any non-

market production — or indeed, any element of subsidy — of any good for export is immediately in violation of WTO principles.

But the market access rule involves the most far-reaching consequences of institutional enforcement because of the role played by services, which characterise the new stage of capital exports. Fifty per cent of the global stock of foreign direct investment is now in services.

Most service activities can only be provided locally, so to reach foreign markets a service provider must locate in the host country. On US insistence, the WTO now provides that services provided by a foreign-owned subsidiary constitute exports and must be able to compete on a 'level playing field' with domestic producers. If generalised, this principle would mean, for example, that a US health company in Britain could initiate a GATT action against Britain for unfair competition by the NHS.

This position is not yet settled. The G-10 group of larger developing countries opposed it vigorously, supported by UNCTAD which proposed to define trade in services as occurring only when the majority of value added is produced by non-residents. The US proposal, a *property-based* principle, asserts that the economic right of the owner overrules the political rights of the people.

In 1990 Martin Khor Kok Peng accurately predicted that: 'the [Uruguay] round is an attempt by transnational companies to establish sets of international laws that would grant them unprecedented unfettered freedoms and rights to operate at will and without fear of new competitors almost anywhere in the world.'

By Alan Freeman

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