

International VIEWPOINT

International Viewpoint—magazine of the Fourth International

IV415 August 2009

WORLD ECONOMY

China-USA: The uncertain aftermath of the crisis

PAKISTAN

Why Tariq Mehmood was arrested in Gojra?

Obituary
World Economy

**Greek political
prisoner nears death
on hunger strike**
Pakistan

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OBITUARY

Leni Jungclas (1917–2009)

At the end of the Weimar Republic Leni's father left the Social Democratic Party to join the Left Socialist Party (SAP), created in autumn 1931 after a fierce struggle by the left wing inside the SPD against the policies of "defence of the Republic" by supporting the regime and swallowing the anti-working class measures of the conservative government. At 14, Leni joined the "Sozialistischer Jugendverband", the SAP youth group. A milliner by profession, she participated in illegal work during the Third Reich.

After the war, like most of the former members of the SAP (which had not survived the debates of exile inside this party on the Popular Front, Stalinism, the unity of the socialist movement and so on) she joined the SPD and the association of working class youth in the "Falcons" (Sozialistische Jugend – Die Falken). From 1947, Leni formed part of a Marxist current inside the local section of the SPD, the future so-called "Trotskyist" nucleus in Cologne. At the beginning of the 1950s, she got to know Georg Jungclas, known as "Schorsch", became his partner, and then began to be active in the ranks of the German section of the Fourth International. Schorsch was the political secretary of the German section from 1946 to 1967, a member of the leadership of the International from 1948 to 1974 [1].

With him, she was in all the struggles: "entryist" work in the Social Democratic Party and above all in the youth organisations which had crushing hegemony in the workers' movement in West Germany, against the SPD's definitive abandonment of Marxism, not merely in practice, but also at the programmatic level (Bad Godesberg programme, 1959), movements against rearmament

and the atom bomb, solidarity with the Algerian revolution and so on.

Without joining the "Trotskyist" current Leni's father, Will Perz, agreed to become the legal director for the little journal *Freies Algerien* (Free Algeria, 1958–1962): "If it is useful for the revolution I will do anything", said the old social democratic militant. With her comrades in Cologne, Schorsch was the workhorse of the journal and many public initiatives, semi-legal and clandestine in support of the Algerian Front de Libération Nationale (FLN).

Leni has described the conditions the couple lived in: "The money Schorsch received from the organisation was hardly enough to pay for postal stamps, the telephone and a part of the expenses for political work. (...) Except during a fairly short period, we didn't have an office, everything happened in our flat, the meetings took place in our living-room."

In a speech made in 1997 at Leni's eightieth birthday party, our comrade Jakob Moneta noted: Schorsch was "said to have carried the little German Trotskyist movement on his shoulders. But we forget to add that it was Leni who carried Schorsch on her shoulders." It was Leni who carried out most of the household tasks and who earned the money which allowed them to survive and give hospitality to so many comrades. She worked first in a hat makers (she was the owner of a shop which also served as meeting room), later in a public service administration.

After the death of Schorsch in 1975, Leni continued until the end of her life to support the activities of our current as a member of the GIM, the VSP and after our effort of reorganisation in 2001, of the international socialist left organisation (isl). With her advice on political life, her formidable meals and her anecdotes on the life of quite a few leaders of

the International in the 1950s and 1960s she will
remain in the memory of those who have known

her, in Cologne and elsewhere.
Friedrich Dorn

China-USA: The uncertain aftermath of the crisis

MICHEL HUSSON ·

On the immediate future there is a broad consensus on this point at least: 2009 will be one of the worst years the world economy has known. 2010 could see an exit from recession, or in other words a return to weak growth. But even in this relatively optimistic scenario, the question remains open of what might happen then. A return to the previous situation seems ruled out for several reasons.

First one does not emerge from a crisis in the same state as one entered it. In the first place, the stupendous accumulation of bad debts, interconnected in every sense, will not have been purged in two years. We might here lay down a kind of theorem: the time necessary to rehabilitate finance will be inversely proportional to the degree of nationalisation (the new n-word) of the banks and financial institutions concerned. It is moreover striking to note that even *The Economist* has come out in favour of nationalisations [1].

The OECD devotes a good part of its recent report on economic perspectives [2] to comparing the experiences of Sweden and Japan, confronted at the beginning of the 1990s to a crisis similar to that which has just struck the whole world. Sweden nationalised (to re-privatise after purging) whereas Japan dallied. In the first case, the crisis was of limited length; in the second, it was strung out over at least a decade. The logic of the measures taken until now has contributed to making a Japanese-style scenario probable.

The recovery and safeguard plans will then lead to huge budget deficits. The OECD envisages for 2010 a deficit of 7% of GDP for the whole of the euro zone and 11.9% for the USA. At the same time, job destruction will lead to a step change in the unem-

ployment rate. Again according to the OECD, it will go from 7.5 to 11.7 % in the euro zone and from 5.8 to 10.3% in the USA between 2008 and 2010. The question of a return to growth after 2010 will then be posed in a context marked by contradictory objectives: improving competitiveness while creating jobs, and reviving demand while carrying out new cuts in social budgets so as to reduce deficits. Of course, these are projects of bourgeoisies concerned to restore capitalist logic in general and their sources of income in particular. It is necessary to advance very different proposals challenging this logic of competitive growth which turns its back on the satisfaction of social needs and the adequate treatment of climate change.

But it would be completely wrong to think that capitalism is capable of self reform other than under the pressure of the social movements. The OECD report cited above moreover sends a chill down the spine because it unambiguously expresses the will of the dominant classes that everything goes back as it was before, since the measures implemented to deal with the crisis could have harmful consequences; it stresses the necessity of rectifying the public deficits, which implies new cuts in social budgets.

Can the US model function as before?

With a little hindsight, we can better measure how prophetic in relation to the US model were the analyses of lucid economists like Wynne Godley, who pointed out ten years ago the list of seven non-sustainable processes [3].

The US model [4] can be summed up in the following manner: internal demand tends to be structurally higher than national production and this disequilibrium essentially stems from household consumption which increases more quickly than

household income. At the time of the crisis, the savings rate of households was virtually zero, which effectively means that they were consuming 100% of their incomes. Three factors had rendered this headlong rush possible:

- the financial illusion: the swelling of household income through shares or property gave them the illusion of a lasting wealth. They no longer consume according to their current income but the growth of the (virtual) value of their assets: this is the wealth effect.

- generalised over-indebtedness: consumption was boosted by a recourse to indebtedness which has affected every category of household. It is the poorest 20% of households which have most increased their indebtedness (by 90% between 2000 and 2007): this was the weak link of the system, the natural public for the subprimes. But in mass of credit, the richest 20% of households contributed in themselves half of the progress registered between 2000 and 2007 [5].

- credit growth: this overconsumption has led to a growing trade deficit which has been covered by an inflow of capital originating from the rest of the world.

Can the US rediscover the same rhythm of growth it had before the crisis? That seems unlikely, notably because of the behaviour of households. Their savings rate will increase and has already begun to do so once their net wealth begins to fall, rendering necessary a fall in indebtedness. The study by the McKinsey Institute mentioned above estimates at 27 points the gap between the rate of household indebtedness and its historic trend. To lower this ratio by 5 points, it would be necessary to increase the household saving rate from 2.3 to 5 %. But this could lead to a loss of hundreds of billions of dollars in consumption in the years to come.

Another approach [6] relates the evolution of the consumption of households to the valorisation of their assets, measured by the S&P500 stock market index. The message is the following: in order for consumption to be maintained, it is necessary that stock market prices return to, indeed exceed, their

pre-crisis level. In short, a new stock exchange boom is needed.

If, on the other hand, share prices stabilise at a level equivalent to the average of the last 10 years, consumption falls by 3 % and by 6 % if prices return to their pre-Internet boom level.

The trade deficit is tending to shrink, but we are entering a period of lastingly reduced growth. Such a slowdown will be hard to sustain taking account of the degree of social inequality. Here we touch on one of the most astonishing features of the US model, which is the extraordinarily unequal distribution of the "fruits of growth". Between 1992 and 2006, the average income per household after tax increased by 2.1% per year before inflation. But the increase was only 1.1% for the poorest 20 % of households against 2.9% for the richest 20% [7]

In other words, two thirds of the increased income provided by growth was appropriated by the richest 20 %, one third of this by the richest 1%! If we add to this note the formation of an enormous public deficit, the conclusion is that the main condition for a return to a more balanced growth in the US is a flattening out of inequality through a radical tax reform and a better distribution of incomes. Faced with such a perspective a very powerful opposition bloc emerges made up of the beneficiaries of the model and the major part of the industrial apparatus which has found in unbalanced globalisation an essential source of profits, not to speak of finance in all its forms. In the short term, from their viewpoint, what matters is to deflect the cost of the crisis on the taxpayers, at a constant tax structure. In the medium term, the obstacle resides in the enormous gap between the economic conditions of another model and the current relationship of forces.

Can China continue to finance the US?

Before the crisis, one could argue that the USA-China duo, considered as a whole, had acquired a relative coherence. To simplify, China sold to the US, accumulated dollars then invested them in Treasury bonds so as to finance the US trade

deficit. This schema allowed sustained growth in the two countries, and each could benefit, all the more in that a good part of Chinese exports are the result of US investments in China and that low price imports allowed downwards pressure on the value of labour power in the United States.

The crisis represents a considerable shock for this model and poses the question of its possible renewal. The main question is whether China and in general the emergent and/or oil producing countries will indefinitely agree to finance the US deficit. China has already accumulated 1,700 billion assets denominated in dollars, which makes it in fact the US's main creditor [8].

The "optimists" stress that China has an interest in continuing to finance the US, lest the dollar fall, with the consequential devaluation of the assets denominated in dollars that it holds. According to the director general of the commission of Chinese banking regulation, this is indeed "the only option" [9]. But what are the limits of this process? The huge US budget deficits would indeed necessitate a growing recourse to external financing. According to some estimates, the net US foreign debt could be multiplied by 3 and reach 10,000 billion dollars in 2015, the gross foreign debt going up to 23,000 billion dollars [10]. It would then be necessary that the Central Banks collaborate in the reconstruction of the United States. On the other hand, the reabsorbing of the US trade deficit would have the advantage of reducing global imbalances and thus the excess of global liquidity which is one of the sources of the current crisis.

But we have seen that this involves a radical change in the distribution of income and/or a lasting slowing up of growth in the US, and thus a reduction in Chinese exports. The question of the dollar thus appears central. To restore its trade balance, the US has to bring the dollar down, but this fall renders all the more difficult the inflow of capital. It could be attracted by higher interest rates but at the risk of slowing down growth and increasing the weight of the debt.

The other big argument of the tenants of the "as you were" positions is that growth can only be drawn by exports and that China will continue to finance US deficits to ensure expanding market openings. But that can only go on for some time because the Chinese mode of growth is not sustainable. On the economic level, the structure of demand is aberrant. With an excessive weight of exports (41.3 % of GDP in 2007) and investment (42.7 %) and a decreasing share of private and public consumption in the market outlets (49.6 % of GDP in 2007) it is then exposed to risks of over-accumulation and, symmetrically, of under-consumption

The trade surplus has played a motor role in recent years, but it is menaced by the lower growth of market openings and, in the long run, by growing energy dependence. One can even predict an energy crisis in China from 2020 which will restrain its growth [11]. For now on, China needs to refocus on the internal market under the pressure of the social tensions relating to jobs, health and pensions. These social and energy preoccupations are moreover very much present in the recovery measures taken by the Chinese government. However, somewhat as in the US this reconversion of the growth model comes up against the challenging of social inequality that it implies.

In both countries, another often neglected factor must be added, which is the relative irreversibility of the international division of labour. The US simply no longer produces a part of the goods that it imports and neither can the Chinese productive apparatus be easily reconverted towards the satisfaction of internal demand because of the rigidity of the productive structures and also the very unequal income distribution.

The main stumbling block immediately is the exchange rate of the yuan. The Chinese currency (yuan or renminbi) is undervalued and the US has for several years pressured the Chinese in favour of a revaluation of its currency, moreover indexed against the dollar. This is what was done between July 2005 and July 2008: the yuan then regularly

appreciated in relation to the dollar, by 21% over these three years. Since then, the Chinese authorities have again maintained a fixed exchange rate in relation to the dollar.

This configuration is not however definitive and the Chinese government has just taken two initiatives aimed at a reshaping of the international monetary system. The first is the proposal, put forward at the time of the last G20, of replacing the dollar by an international currency based on an extension of IMF special drawing rights. This proposal was supported by Russia, Brazil and Argentina. The second was the signature, from December 2008, of currency exchange agreements with several countries (Malaysia, South Korea, Hong Kong, Belarus, Indonesia and recently Argentina) for a total value of 95 billion dollars [12]. These measures show that China is seeking an exit from its face to face with the US by establishing non dollar relations with other trading partners.

Conclusion: a capitalism without alternative

The imbalances of the world economy are, with the universal decline in wages, one of the essential causes of the crisis. To emerge from it, a complete

remodelling of the world economy would be necessary, ensuring a refocusing of the economies on the satisfaction of majority domestic needs. It would allow the deflation and rationalisation of trade exchanges. Such a reorientation is then a necessary – but probably not sufficient – condition of a correct management of the environmental challenges.

However, the transition from the current chaotic configuration to this new balanced configuration comes up against two types of obstacle. The first is social and results from the resistance of the dominant social interests whose project is to return to business as usual which suits them perfectly. The second is at the economic level: the relative rigidity of the international division of labour installed by globalisation renders the transition, which could not be immediate, uncertain. In these conditions, the tensions between the will to maintain the existing order and the need for a profound reorganisation at the economic, social and environmental levels open a long period of instability and uncertainty. In essence, capitalism has no alternative - acceptable in its eyes – to the arrangements which led to the crisis, in such a way that the real exit from crisis passes through an alternative to capitalism.

GREEK POLITICAL PRISONER NEARS DEATH ON HUNGER STRIKE

Solidarity with Thodoris Iliopoulos!

OKDE-SPARTAKOS ·

Thodoris has been charged with felonies on the sole basis of witness accounts of the two riot police who arrested him; this is the only 'evidence'. He went on hunger strike on July 10 demanding his immediate release, after the renewal of his detention for another six months.

Today (August 26), he is in the 48th day of hunger strike and irreversible damage or even death are immediate dangers according to his doctors.

The pre-trial detention of Thodoris Iliopoulos is a punishment, an imprisonment without trial. It is an attempt of the Greek government under Karamanlis, already politically responsible for the murder of the 15 years old Alexis Grigoropoulos by a policeman on December 6th, 2008, to bring Iliopoulos to his physical and psychological limits and finding in him a target for its revanchist rage against the December revolt.

It is also an attempt to present the social struggles as criminal behavior and to construct an ever mightier police state as part of their solution to the current capitalist crisis.

In this case of unjustifiable, arbitrary and revanchist detention even after 48 days of hunger strike, it is where our solidarity is needed the most.

– We demand the immediate release of Thodoris Iliopoulos

– We demand the withdrawal of all charges against him

– We demand the withdrawal of all charges against the participants in the December revolt

– We call for actions of solidarity with Thodoris Iliopoulos in Greece and internationally.

OKDE-Spartakos, Greek section of the Fourth International

www.okde.org

PAKISTAN

Why Tariq Mehmood was arrested in Gojra?

FAROOQ TARIQ ·

He also alleged that 40 women are still missing and no clue is yet found about their presence. He condemned this atrocious and horrific act and demanded that the government probe the case. Over 60 houses were burnt by Muslim fanatics in the village on the accusation of blasphemy. This act led to another attack on the Gojra Christian community and nine were burnt alive.

On the 10th of August, a First Investigation Report (FIR) was registered by Gojra police and Tariq was invited by the police officer in Toba Tek Singh district for "talks" and as he arrived, he was arrested. Several serious charges have been labelled against him including seven ATA (Anti Terrorist Act) and 13 MPO and so on. He was produced in the court of an Anti Terrorist judge in Faisalabad and police asked a physical remand. The judge denied the physical remand and sent him to Toba Tek Singh jail on judicial remand.

The fact that a press release issued to journalists reached the police immediately has to be investigated yet.

Who is Tariq Mehmood?

A young activist (24) from Basti Danishmandan village in Toba Tek Singh district, he has been active with Labour Party Pakistan for five years already. He is also an official representative of Human Rights Commission of Pakistan in the district. He has been active in the social and labour movement and has brought thousands of youth, brick kiln workers, and public employees onto the streets of Toba Tek Singh on issues related to violation of human rights. Tariq has been helping all the cases where women have been sexually assaulted, raped,

tortured or been subject to violence after choice marriages. He has publically condemned the Muslim fanatics when they attacked a village of Ahmadis. In fact, he and his comrades have been on the back of every battle involving the working class. He helped rebuild the movement of Bhatta (brick kiln) workers and thousands have been on the streets demanding an end to bonded labour and the Pershgi (advance) system. He has helped the textile, shoe makers, and public employees in their struggle for a better life. A brave young man was followed by intelligence agencies and fanatics all the time. Yet he refused to stop his activities in favour of minorities and the working class. Many Fanatics termed him as Christian and not as a Muslim because of his consistent voice in their favour.

The Gojra Incident

Tariq Mehmood and his comrades were first to arrive at the spot in Korian village after the incident and had first hand information. He immediately issued press releases and condemned the action of Muslim fanatics. He helped many journalists from outside the districts cover the story. He also played an important role alongside his party members and Christian youth leaders to blockade the train services by bringing the seven bodies in protest to demand a case registered against District Police Office and District Coordination officer on the 2nd of August. This was international news and the protesters blocked the railway line for several hours until the government was forced to accept the demand. In a very unusual act, the police registered a case against their top police and administrative officers for failing to protect the lives of the Christians. The DCO and DPO were called back from their duties and a judge of Lahore High Court is now investigating the case.

The police and administration were looking for an excuse to attack him and other LPP activists in the district. Instead of looking into the allegation of rape and disappearances of the Christian women, police arrested him on very serious charges that can lead to the death sentence. The journalists are also angry with him. Most of them are saying that when Christian community leaders are not bringing these allegations of rape and disappearances, why is Tariq Mehmood doing that? In normal practice, a press release of this nature was to be investigated by the journalists. They have every right not to print it and say that they were false charges. But instead the press release has been handed over to police who have taken very drastic actions.

Labour Party Pakistan demands an immediate release of Tariq Mehmood and calls on the government to check the facts if women were raped and over 40 have disappeared. LPP will not let this incident go unnoticed. We have launched an international campaign for the release of Tariq Mehmood.

Send this letter

Please sign the following and send it to the addresses pasted below

Subject: release Tariq Mehmood, a human rights activist in Toba Tek Singh

Honorable Prime Minister,
Islamic Republic of Pakistan,

Dear Sir,

We wish to draw your attention to the illegal and totally unnecessary arrest of Tariq Mehmood, a well known human rights activist and the general secretary of the Labour Party Pakistan in Toba Tek Singh on the 11th of August which is being commemorated as the Day of Minorities in Pakistan. It is ironic to note that a staunch defender of the rights of minorities should have been arrested on a day officially dedicated to the rights of minorities, while the perpetrators of violence against innocent Christians of Gojra remain at large.

It is even more reprehensible that the Toba Tek Singh Police has framed absurd charges of terrorist activities against a peaceful and conscientious activist who risked his life to defend poor victims of religious intolerance.

He has consistently highlighted the case of the brutal burning to death at Gojra. He had also been demanding the arrest of those who were responsible for the killings. On the 6th of August, he was targeted and threatened of dire consequences by a group of religious fundamentalist at a press conference in Toba Tek Singh. Instead of protecting those who are in the forefront of a fight against religious extremism, the police are arresting them.

We demand Tariq Mehmood's immediate release and a probe into police behavior that has led to an unnecessary arrest of a human rights activist.

Please email and fax the appeal to the following addresses

Mr. Syed Yousaf Raza Gilani
Prime Minister of Pakistan
Prime Minister House
Islamabad
PAKISTAN

Fax: +92 51 9221596

E-mail: secretary@cabinet.gov.pk

a copy to all the following addresses

Minister for Interior
R Block Pak Secretariat
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Tel: +92 51 9212026

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or

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