International VIEWPOINT

International Viewpoint—magazine of the Fourth International

IV457 February 2013

ARAB REGION

All the region is boiling

MALI:

Appeal by Women of Mali: Say "No!"" to the war by proxy

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International Viewpoint, the monthly English-language magazine of the Fourth International, is a window to radical alternatives world-wide, carrying reports, analysis and debates from all corners of the globe. Correspondents in over 50 countries report on popular struggles, and the debates that are shaping the left of tomorrow.

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ITALY

Italian Elections - some initial comments

ANDREA MARTINI ·

The results have contradicted all the forecasts and expectations: Bersani's well-oiled electoral machine failed in its objectives and once again the PD project of winning the elections by exploiting the so-called split between the main components of the ruling class and the Berlusconi's right wing political leadership has come to nothing. The big beasts of politics have also been disappointed: the EU's and ECB's "markets" and technocrats who are terrorized by the perspective of the significant ungovernability of a big, crucial country like Italy. Clearly their point man in Italy was Monti and they were all banking on "Supermario" playing an important support and constraining role in a future Bersani government. Instead the new parliament will be marked above all not only by the success of Grillo but above all by their defeat and the shrinking of the centrist project.

The breakthrough of the Five Star Movement (M5S), although to some degree predictable, was nevertheless stunning and devastating for the political equilibrium of the traditional Italian institutional parties. It was certainly the single most important fact of these elections: The success of Grillo's slate shows very powerfully the growing popular rejection of the politics of corruption and austerity. This rejection is particularly strong among the youth as can be seen in the different percentage of the vote won by the M5S in the parliamentary poll compared with the vote for the senate [where you have to be 25 to vote]. The M5S is the biggest political party and regions [indeed it just beat the PD on the national vote — Trans.]. This vote is a challenge that voters have made to all the old politics of the centre left; of the right, of the centre and even of the far left — they were all hit by the massive support for Grillo as well as by the increased abstention rate.

The level of abstention is significant, it is now 25%, an increase of 5% from the last election. 10.8 million voters did not vote (1,800,000 more than in 2008), they obviously were not inspired by politicians to bother to vote.

(...) What we are seeing is perhaps a mortal blow to the political system established by the socalled "second republic" — the alternating of centre right and centre left governments over the last twenty years.

The absolutely disappointing results of Monti and his centrist coalition puts an end at least for the time being to the attempt of the Italian bourgeoisie supported by the EU potentates to build an alternative to their dependance on the PD/PDL two party system which was too conflictual and unreliable. In any case the results for the former premier's Civic Choice slate express a drastic condemnation of his government's policies — of the counter-reforms, cuts, abolition of laws protecting workers, tax increases, unemployment and useless, grandiose public works.

The revived support for Berlusconi and his populist demagogy was also due to his skilful withdrawal from the 'big coalition' that he had supported up to two months ago and to his promise to pay back the tax on people's houses (IMU). Along with his victory in the senate seats of Lombardy, Veneto and Sicily, this all makes the formation of the government that up to last week all commentators were certain would be led by Bersani with varying forms of support by Monti and Casini, extremely difficult. So Berlusconi's resurrection combined with the big success of M5S, presents us with an deadlocked parliament.

Having said this the two party system has been significantly weakened. The PDL has seen its votes halved between the 2008 elections and 2013 — from 12.5 million to less than 7 (Senate votes). The Lega Nord has not recovered its former glory — declining from 2.6 to 1.3.

The biggest loser of this election seems to be the one that was the favourite — the PD, its coalition and the hypothesis of a Bersani government. These forces are paying for the decisive political support they gave to the unpopular and anti-working class government policies of the last 13 months and clearly lost votes to the M5S and as a result of increased abstention. In the Senate vote the PD lost more than 2.5 million votes with respect to 2008 without any compensatory score from its ally, Vendola's SEL. The latter, despite its optimistic forecasts, only won 900,000 votes and therefore did not even match the disastrous votes for the Rainbow Coalition of 2008, although thanks to its alliance with the PD it will manage to have a proportionate number of parliamentary representatives.

There was also defeat for the Civic Revolution slate that had hoped to bring into parliament a small group of MPs from the parties who did not make it in 2008 and who had not been accepted into the PD coalition (PRC; PdCI; IDV and Greens). Ingroia's slate did not get a single representative elected in either house. This disaster leaves only political debris and fragmentation and is the direct result of the way the leadership of the operation refused to take up a less conservative but more ambitious longterm political project.

Will the defeat of the austerity parties and the general political disorientation (at least temporarily including the most powerful capitalist interests) facilitate or not the resurgence of the social movements? The fragility of the institutional framework and the fear of "Hannibal at the gates" symbolised by the M5S will probably push the CGIL apparatus and its accomplices towards an even greater moderation of its policies and support for actual struggles even if the economic situation and the line of the ruling class imposes further aggressive attacks on the rights and conditions of working people.

Consequently the building of the movements and struggles is as important as ever. After the failure of any illusory electoral short cuts this approach must become the central political axis of any fight back for all those opposed to austerity and its terrible social devastation:

Parliament in percentages

Partito Democratico (PD - Democratic Party): 25.4

Sinistra Ecologia Libertà (SEL - Left Ecology Freedom): 3.2

Total Centre left coalition: 29.5

Popolo della Libertà (PDL - People of Freedom): 21.6

Lega Nord (Northern League): 4.1

Fratelli di Italia (Brothers of Ialy): 2

Total Centre Right coalition: 29.1

Monti coalition: 10.5

M5S (Grillo): 25.5

Ingroia: 2.2

Senate results in percentages

PD: 27.5

SEL: 3

Total Centre left coalition: 31.6

PDL: 22.3

Lega Nord: 4.3

Fratelli di Italia: 1.9

Total Centre Right coalition 30.7

Monti coalition: 9.1

M5S (Grillo): 23.8

Ingroia: 1.8

Note: the way the senate seats are calculated is on a regional basis so the biggest coalition in a region gets a bonus; this is why the % results in the Senate do not show the strength in seats of the PDL coalition.

Spanish State:

A fresh breach in a worn-down regime

Jesus Rodriguez ·

The media revelations are multiplying after the discovery of millions of euros in Swiss accounts belonging to the former treasurer of the Partido Popular (PP, the main party of the Right, in power in Madrid), Luis Bárcenas, who is accused of tax offences and bribery. Barcenas had already been at the centre of several corruption scandals linked to top leaders of the PP. There have also been revelations of additional salaries undeclared to the tax authorities by leaders of the party, including the current Prime Minister Mariano Rajoy. There is widespread public indignation over this.

But, even more, reduction of public services is being accompanied by privileges granted to private companies related to PP members, who are taking advantage of privatization. It is the same story in regions run by the PSOE (social-democrats), where companies related to personalities in the party manage the outsourcing of services by the public administration. In addition, the huge sums paid to the banks in order to save them are combined with tax exemptions for those on high incomes. Corruption is an element of this maze of privileges, where sections of the financial and industrial bourgeoisie merge with the political caste.

A parasitic system

Accumulation through dispossession, fueled by the constant expropriation of the working classes referred to by David Harvey, demonstrates some peculiarities in the Spanish state. Among other things, the existence of a model of urbanism that is based on speculation and plays a predatory role on the environment. This model has glorified individual enrichment and the selling-off of the natural heritage and has been a source of enrichment for city councils and networks of property developers, estate agents, banks and political parties. This policy of "enrich yourselves" has led to legalized political corruption.

It is therefore not enough to denounce the immorality of some political leaders or to demand that they resign and call for new elections. We must denounce the whole parasitic logic of neoliberal policies and their cultural matrix, the looting of public goods for private profit. It is also true that, as regards institutional corruption and the management of the debt, sackings and the question of public services, the question is "who decides? " We need a Left that puts at the centre of things the question of breaking with this system.

Overturn the institutional consensus

In the face of the neo-liberal offensive, the defensive reaction of the working class is very strong and the development of political consciousness is very limited. This benefits populist currents, such as UPyD, and the reformist Left (Izquierda Unida, a coalition around the Spanish Communist Party) who are now involved in many municipal and regional governments (in Catalonia a few years ago and now in Andalusia), in alliance with the PSOE, where they apply austerity policies.

But the bipartisanship of the PSOE-PP, joint architects of the economic architecture of the speculative bubble, is wearing thin. The institutional consensus is cracking, as well as the legitimacy of all the institutions that came from the Francoist system and from the Constitution of 1978, from the judiciary to the Crown. This crisis is accelerating with the national question in the Basque country and Catalonia, where the attacks against public services are accelerating the tensions in the territorial model.

We have to start from struggles in order to forge alliances with sectors capable of developing a political alternative, putting the accent on the overturn of all the institutional architecture in the service of the economic and political oligarchy.

This article was published in *Tout est à nous!*, weekly of the NPA in France.

US Imperialism

The Empire in Decline

David Finkel ·

Against the Current: From your vantage point both in Europe and the Middle East, can you describe how the U.S. election was viewed from abroad?

Gilbert Achcar: As you may imagine, reactions were different in Europe and the Middle East. In Europe, there was a kind of sigh of relief at the reelection of Obama. Because Romney was seen in a very negative light by most people, the most common comment was satisfaction that he wasn't elected.

In the Middle East there was much indifference this time — unlike in 2008, when there was so much enthusiasm for Obama for the obvious reasons of his color and background compared to the tradition of U.S. presidents. This had given way as Obama came to be seen as, at best, very weak in relation to the political establishment in the United States and especially Israel — in the way his administration bowed down in the face of Israeli arrogance and provocations. This created huge disappointment because people had illusions that things would be different.

Also in general, this administration has actually had to run the empire at the time when it's at its lowest point of prestige in the region. It came in the wake of the disastrous George W. Bush administration — disastrous from the point of view of the U.S. empire.

The neoconservative writer Charles Krauthammer had announced a "unipolar moment" in 1990 [unchallenged U.S. power as the Soviet bloc collapsed —ed.]. But not long after 9/11/2001, from 2003 onward with the invasion of Iraq, the Bush administration managed to dissipate all the political capital the United States had accumulated since 1990.

The United States has been facing in the very recent period a real decline in its influence, especially in the Middle East, from the peak of its hegemony in 1990-'91 when it waged the first war on Iraq.

The U.S. withdrawal from Iraq, without achieving a single one of the basic goals that the Bush administration had in mind when it invaded, is a tremendous defeat and disaster for U.S. power.

I think it was Henry Kissinger who said that if the United States were defeated in Iraq it would be "worse than Vietnam." I think this has exactly happened, because what's at stake in the Middle East and Gulf is so much more than in Vietnam.

U.S. Isolated on Palestine

ATC: This brings up my next question, about the significance of the United Nations General Assembly vote on "non-member state" status for Palestine. This seems much more of a defeat for the United States than anything it might mean for actually achieving a Palestinian state.

GA: Exactly — this is one of the most striking illustrations of what I was just saying. It is a real slap in the face and showed a degree of impotence of the empire that is quite amazing, and which we hadn't really seen since the previous era of decline in the 1970s. It now feels like the United States and Israel being isolated along with only Canada, the Czech Republic and some fictitious Pacific island states.

The way Europe in particular has broken with Washington is just an indicator of this decline in imperial power, especially when confronted with what is happening in the Middle East. The degree to which it lacks a real response to the events in the region and is just trying to adapt to the situation, with no real alternative to betting on the Muslim Brotherhood as it's attempting to do — all this indicates how much regional U.S. hegemony has been lost.

As for how much this has to do with "two states" (in Israel-Palestine), for those countries that voted in favor or abstained on the UN resolution, of course this was related to the two-state solution. They feel that a negative vote would be interpreted as a rejection of this formula that they've been advocating for ages. That's also how the Palestinian Authority presented the issue, as "the last chance for the two-state solution."

Among the Palestinians this was mostly seen as a moral victory, after such a long chain of defeats of all kinds and faced with an overwhelming military force like Israel which keeps up its onslaught on Gaza. The vote also came in the wake of another moral victory, the fiasco of Netanyahu's latest attack on Gaza.

ATC: Will Europe follow up on its anger over Israel's "E1" settlement expansion? [This project around East Jerusalem, announced by Israel following the UN vote, would cut the West Bank in half.]

GA: This remains to be seen, but the expression of anger this time is clearly higher than on previous occasions. This specific signal for settlement expansion is qualitatively more harmful than previous decisions, because of the issue of East Jerusalem and its implications for the territorial integrity of any hypothetical Palestinian state.

Netanyahu took the U.S. vote as a green light, so it's really the United States that bears the direct responsibility for this, even if Washington tried to distance itself. He wouldn't have dared to challenge the world and Washington — but Israel could challenge everyone else as long as the United States remains onside.

As we all know, Europe's leverage on Israel is relatively limited. There are means by which they could exert pressure – like stopping their privileged trading arrangements and effectively entering into BDS (Boycott/Divestment/Sanctions) territory. But any such thing is so far beyond Europe's policies that it's difficult to imagine.

The crux of the issue is that Israel is dependent above all on the United States, and the fact that even this president Obama, who in many ways was expected to be favorable to the Palestinians, relinquished any possible fight, is striking.

If you take the decades since Eisenhower, it's the Bush Senior administration that appears as the one that went furthest in pressuring Israel — in 1991, exactly at the peak of U.S. hegemony, when it pushed the Yitzhak Shamir government to join the Madrid negotiations. They threatened to withhold guarantees for a $10 billion loan that Israel was seeking at the time. We haven't seen anything similar since then.

Of course Bush Junior was in total harmony with the most rightwing governments in Israel — where we have seen since 2001 an uninterrupted move to the far right — but this has continued with Obama's administration, which is a reflection of U.S. influence being in such deep decline. Washington is not in a position to put pressure on its most reliable ally.

ATC: My feeling was that there was a deal where Israel wouldn't attack Iran against U.S. wishes, which would be crazy anyhow, while the United States would allow Israel to run wild in the Occupied Palestinian Territories and Gaza. Does this make sense?

GA: I think such "deals," if you like, aren't explicit but can be implicit. The Obama administration has been faced with threats by Israel of unilateral action, and one should say that Obama's reelection is a defeat for Netanyahu who was betting on Romney, in the belief that Romney would give a green light or even participate in a military action against Iran.

The truth is that not only the Obama administration but the top Pentagon brass is very worried about such a prospect (of an Israeli action). They aren't willing to take such a big risk just for the sake of Netanyahu. The same is true of the Israeli military; there are even leaks and revelations from Israeli security and intelligence circles that this would be a crazy adventure. Iran has missiles and rockets and so does Hezbollah in Lebanon. It's not risk-free as the onslaught in Gaza was for Israel.

The end result is that Netanyahu, having called an election for January, once he saw Romney was defeated reduced his ambitions and attacked Gaza in very much an electoral maneuver substituting for his desire to hit Iran. But it appears as a failure.

What will happen after that — I think it's hard to imagine Israel launching an attack on a target like Iran without a clear green light from the United States. That would be so crazy that I don't think the Israeli military would accept it.

ATC: You had accurately predicted that the victories of the nonviolent Arab Spring uprisings wouldn't be repeated in the case of regimes like Syria. How do you see the crisis that has exploded there, and what are outside powers attempting to do?

GA: The United States and Europe, especially Britain, have had policies in the region to avoid what they regard as "chaotic" change. The motto in Washington very early on, from January 2011, was "orderly transition," the phrase repeated countless times by U.S. officials including Obama and Hillary Clinton.

That was the kind of "orderly transition" they pushed on Yemen, with the aid of the Gulf Cooperation Council (GCC) oil monarchies. It was a kind of accommodation that robbed the Yemeni popular movement of its victory, a completely frustrating compromise that isn't working because it left the country completely unstable. They got a negotiated agreement where the president handed over power to his deputy while he continues behind the scenes and his family runs the military — a real attempt at aborting the revolutionary process.

That's exactly what the United States seeks when there's a huge mass uprising and change becomes inevitable — as in Libya, where the goal of the intervention was to try to control the process. Although they couldn't do it on the ground because the Libyan rebels wouldn't accept foreign troops, they kept negotiating with Qaddafi's son (Seif al-Islam). But the insurgency wouldn't abide such limitations, and the regime was ultimately brought down by the uprising in the capital.

In Syria they've again tried to achieve "transition" without giving any real support to the uprising. Of course there isn't direct U.S. or NATO military intervention, and the refusal to arm the uprising explains the big imbalance militarily between the rebellion and the regime. Obama himself had spoken of the "Yemen solution" for Syria. Not very long ago, British Prime Minister David Cameron had said Assad's safety could be guaranteed if he left the country.

That's imperial arrogance without limit. It indicates what these people are about, and how mistaken it is to believe that Washington is trying hard to overthrow the regime. Their main preoccupation is what Washington and London call "the lessons of Iraq," where they dismantled the army and the Iraqi state, which was seen later as the major blunder. It's a wrong assessment of the reasons for their defeat in Iraq, which run deeper than that — but from their own point of view they did make a huge blunder in dismantling the Baathist state, and they don't want to repeat that.

They repeat the same formulas in regard to Syria — try to strike a deal with a major sector of the regime. They aren't achieving success in this direction, any more than in Libya, because the conflict is such that it's unimaginable, after so much destruction by a regime and ruling family that's willing to destroy its own country, including whole cities like Homs and Aleppo — it reminds me of the Israeli onslaught in Lebanon and destruction of Beirut suburbs in 2006 — that people would be willing to coexist with any major section of such a state machine organized on such a sectarian basis. To believe that's possible is completely illusory.

ATC: So where do you see the situation going from here?

GA: I don't think there's any other outcome than the end of the regime — the situation is completely irreversible. So the big question isn't whether the regime will fall, but how soon. The longer it will take, the higher the human cost, and the political cost too because this is creating conditions for a deterioration of the political scene even within the uprising.

In the absence of western support, backing for the uprising has come from the Saudi monarchy funneled through fundamentalist forces. This becomes a self-fulfilling prophecy of the regime, which said from the beginning that it was a big "conspiracy of the Salafists and al-Qaeda," and did its best to produce this result. This of course is very worrying, and that's why the longer the conflict carries on, the worse it is for the future of Syria.

It's in the best interests of the future of Syria that the regime falls very soon. This seems rather difficult, unfortunately, although if you compare with last year when the situation was just beginning to militarize, the regime has lost a lot of ground and you see how quickly things can develop. It also depends on supplies for the uprising, and there have been reports of support from Qatar and insurgents acquiring surface-to-air missiles. But short of something like that or an internal collapse of regime forces, it may very well linger for several months, even a year or more.

ATC: Finally, there's the new political crisis in Egypt. Can you briefly assess that?

GA: The issue in Egypt, on the one hand, is no surprise in that the Muslim Brotherhood is by far the most powerful organized force after the collapse of the Mubarak regime's institutions. So their electoral victory was to be expected. The key point isn't that they gained power, but the actual fragility of their victory. Morsi's victory wasn't overwhelming, and he doesn't command any authority in the eyes of the mass movement.

As soon as he decreed the concentration of power, you have a big and continuing outpouring in opposition. The Muslim Brotherhood has a very powerful force that can organize masses, but what's new is huge numbers of people willing to say "No." In the long run this regime is actually quite weak, a "paper tiger," in that they have no solutions to all the major economic and social problems that led to the anti-Mubarak uprising.

The deep roots of all this are to be found in the economic problems and huge unemployment. Morsi's program amounts to nothing but a continuation of the previous regime; they've just signed an agreement with the International Monetary Fund with all the usual conditions, which will create even greater dissatisfaction.

So the upheaval that began in January 2011 is far from over. We are only at the beginning of a very long revolutionary process, and when you see the rapidity of the discrediting of the Muslim Brotherhood in Egypt and Tunisia, this gives reason for optimism about the future — not the pessimistic mood that we now find especially among so many people in the West, who had wrong expectations to begin with and now portray negatively the whole uprising.

Ireland

The deal that wasn't – Ireland enters its second bail-out

John McAnulty ·

The chaotic vote was followed the next day by scenes of jubilation and triumph on the government benches. "We have a deal!" announced Taoiseach Enda Kenny to thunderous applause. In fact the "deal" – actually an internal debt restructuring – simply underlined the historical bankruptcy of Irish capital and its utter dependence on the imperialist powers.

The central issue of discussion was the promissory note through which the government supported its unconditional guarantee to the bankers and speculators behind the collapse of the Anglo-Irish bank.

An unfortunate side effect of the arrangement was a €3.1 Billion interest rate that fell due each March. This was the subject of endless lies and bombast: claims that they did not pay last year's tranche (the claim was based on a creative accounting technique that simply disguised payment). Claims that the coalition would refuse to pay this year. Claims that the European Central bank was the friend of Ireland and would write down the debt as a reward for our unstinting application of austerity. The lies kept flowing. The emergency act was supposed to be a hurried response to press leaks. It turned out to be a central element of the new arrangement. It was supposed to be about liquidating the holding bank. It also abolished employment rights for IBRC workers, gave the finance minister the right to suspend property rights and moved financial decisions even further away from any form of democratic accountability.

The outcome of all this bombast? Another creative accounting measure between the Irish government and the Irish Central Bank that effectively doubles the level of banking debt. A deal? The support of the ECB? The most that could be squeezed from bank chair Mario Draghi was that he "noted" the deal. Pressed further, he said that the ECB board unanimously "noted" the deal.

The noting is however important in terms of the scheme. It means that the ECB will subsidise an Irish government bond held by the Irish central bank. An official rate of 3% will be effectively under 1%. The overall debt to GDP ratio will fall and the Irish government hope that this will mean the withdrawal of the Troika and a return to the bond market.

The arrangement marks the failure of months of diplomacy when Ireland tried to follow up vague promises that the Irish banking debt would be included in a European Stability Mechanism. The mechanism has suffered delay - reflecting the continuing euro crisis - and concessions to Ireland would have weakened attempts to prevent debt contagion of the core economies.

The question of a further €30 billion used to recapitalise the other Irish banks remains unresolved and is the subject of further lobbying by the Irish government and their partners in the Irish Trade union movement..

Irish workers pay a high price for the new arrangement. All Irish debt is now sovereign debt. Every red cent is to be repaid. The rescheduled bonds now stretch the repayment period until 2054 - the next generation will pay well into middle age. The longer interest rate effectively doubles the promissory note debt to over €60 billion. In addition there will be a firesale of "good" debt from Anglo that will be likely to reduce its value. The "bad" debt will be transferred to NAMA. One economist commented that NAMA will become a repository for all Irish debt, with long-term recovery resting on the belief that the bet will someday pay off.

The workers will wait in vain for a protest from the leadership of the Irish trade union movement. "Longer to pay" was actually the central demand of their "better fairer way" programme for paying the debt. A trade union march following the deal was designed to support the government in its diplomacy. Meanwhile the partnership between government and unions continues with talks for a "Croke Park ll" deal meant to shave a further billion of the public sector pay bill.

The gain for Irish capital is that interest rates are reduced as is the debt to GDP ratio, allowing them to plan for a future return to the market and an end to the bail-out and supervision by the Troika.

There is a great deal of confusion over the amount of freedom allowed to the Irish government. The Taoiseach, Enda Kenny, claimed a reduction in payments of €1 billion each year for 3 years. Finance minister Noonan claimed a total of €1 billion over the same period.

The new "freedom" will mean nothing to the workers. Ireland's debt is structural and austerity is meant to reduce the cost of labour and the level of public service permanently. One suggestion is that other debts be paid off more quickly. A second is that the government retain a cushion - an indication that the whole edifice is based on the dubious idea of an imminent capitalist recovery. A third proposal is that the stew of austerity be spiced with a thin sprinkling of investment that will supposedly generate jobs.

Although it was claimed to have been triggered by a press leak, the chaos and desperation in the Dail on the early hours of February 7th - a chaotic breakdown of capitalist order - presents a true picture. Irish capital has made a desperate throw of the dice - the "double or quits" throw of the gambler in over their head.

Ireland has entered its second bailout. The banking debt has proved unsustainable. Ireland was caught in a European scissors - it could not pay the debt but it could not be offered mercy for fear of the collapse of the euro. Yet again a solution is found that spares the banks and bondholders and heaps more debt on the Irish working class. Yet again the hope is that capitalism will recover and that a new spurt of growth will shrink the debt. Yet again the outcome of a continued recession is not to be contemplated.

In the new bailout a puppeteer's string from the European central bank will replace the troika noose.

The financial occupation, the grinding austerity, both will continue until the working class organises in its own behalf to resist the austerity.

12/02/13

TUNISIA

Political Initiative of the Popular Front

Our country is living today under the impact of the assassination of the general secretary of the Party of United Democratic Patriots and founder of the Popular Front, the militant Chokri Belaïd.

This murder confirms the severity of the crisis facing our country at all levels: political (crisis of the institutions of governance, whose legitimacy and credibility are falling into disrepute), economic, social, cultural and security. This crisis results from the failure of the ruling coalition, led by the "Ennahda movement," and its inability to resolve the fundamental problems facing the Tunisian people, who are experiencing serious consequences: a rising unemployment rate, the exacerbation of poverty and of the number of people in need, increased marginalization and repression. The government of the troika has shown that it is even unable to carry out a cabinet reshuffle, after consultations that have lasted more than seven months, due to the predominance of the mentality of quotas and of plunder, far removed from the interests of the people and the country.

In this situation, the head of the provisional government has recently announced his decision to carry out a cabinet reshuffle in order to form what he calls a "government of national competence" while stressing his determination to move in that direction regardless of the position of the political parties within and outside the government, paying no attention to the popular rejection of the government and to the protests which have affected all regions of the country and which reached their peak after the martyrdom of Comrade Chokri Belaïd, whose funeral was a referendum against the government and for its resignation.

Faced with these developments, we salute the masses of the Tunisian people for their dynamism and their sympathy with the martyred comrade and for their rejection of political crimes, as well as policies, attitudes and practices that have led to or created a climate conducive to the commission of such crimes.

Accepting our historical responsibilities, we:

1) Consider that the initiative of the head of the provisional government has not broken with the logic of having the sole right to have an opinion, whereas it has no political and socio-economic programme, direct and clearly able to carry out what remains of the transition period. We also believe that the head of the government himself, along with his governmental team, is responsible for the complete fiasco of the government;
2)
3) We stress that the current situation requires a new government, a government of crisis, to save the country, a government limited in size, at the service of the people and the homeland, with the support of the population and of national and progressive and democratic forces, composed of people with the national competence to manage what remains of the transition period, whose members will not stand in the next elections, a government which acts in the framework of the following emergency programme:
4)
a) Set a clear agenda for the remainder of the transitional period:
b)
• complete the drafting of the Constitution, enshrining the aspirations of our people to freedom, dignity, social justice and equality between Tunisians;

• resolve the dossier of the martyrs and the wounded of the revolution;

• draft the electoral law;

• draft a transitional justice law;

• launch regulatory authorities: the electoral commission, the commission of the judicial magistracy and the media commission;

• fix a precise date for the holding of the next elections;

• implement mechanisms to fight corruption and political money;

• organize a national seminar on immigration.

• Take economic and social emergency measures which include:

• preventing the liquidation of domestic enterprises and of the main wealth of the country;

• suspending the repayment of the debt and setting up an audit committee on the question;

• recovering the rights of the state concerning tax evasion;

• establishing an exceptional tax on large fortunes;

• supporting and encouraging small and medium farmers and exempting them from the payment of the debt which is crushing them;

• freezing prices to protect the purchasing power of the people and encourage consumption;

• implementation of the decree on the prohibition of subcontracting (temporary work) and regularization of workers on construction sites;

• reducing unemployment and considering the introduction of an unemployed allowance;

• modifying and restructuring the industrial and agricultural minimum wage;

• reducing imports of luxury goods and expenditure on public administration.

c) And immediately:

• opening an urgent investigation into the murder of comrade Chokri Belaïd;

• investigating all attacks which have targeted political activists, intellectuals, artists, journalists, and the sanctuaries, tombs and *zawiyas* [1] and prosecuting those responsible;

• dissolving the so-called "leagues for the protection of the revolution" and all parallel bodies;

• criminalizing the exploitation of mosques for incitement to violence and political and partisan propaganda;

• criminalizing "excommunication" (*takfir*) [2]

• cancelling all administrative and political denominations that have been assigned on a partisan basis.

We propose this initiative to all political and social forces and to the Tunisian people and we consider that its implementation will require a national salvation conference, including all parties and individuals who want to avoid the country sliding towards chaos, to restore security, stimulate the economy and develop production, to preserve the reputation of the revolution and the country, in the country and abroad and to ensure the best conditions for the upcoming elections.

We call the upon the masses of our people to maintain the mobilization in order to foil all plots and all internal and external political manoeuvres aimed at undermining the security and stability of our country, plundering its wealth and denigrating its revolution.

We express our unwavering commitment in the fight for the achievement of the objectives of the revolution and the defence of national sovereignty and the unity of our people.

Tunis, February 12, 2013

The Popular Front, which held its first national conference in September, 2012 and adopted a draft political charter, groups together many independent activists and organization coming from different traditions:

Marxist-Leninist: Parti des travailleurs (Workers' Party, the former PCOT, led by Hamma Hammami), Parti des patriotes démocrates unifiés (Party of United Democratic Patriots, resulting from the recent merger of the MOUPAD led by Chokri Belaïd and the Jmour current of the PTPD), the Parti patriotique socialiste révolutionnaire (Revolutionary Socialist Patriotic Party, led by Jamel Lazhar), and the Parti de la lutte progressiste (Party of the progressive struggle, PLP – led by Mohamed Leban);

Trotskyist: Ligue de la gauche ouvriere (Workers' Left League - LGO);

Socialist: Parti populaire pour la liberté et le progrès (People's Party for Freedom and progress, PPLP, led by Jalloul Ben Azzouna);

– Marxist Pan-Arab: Front populaire unioniste (Popular Unionist Front, led by Amor Mejri);

Nasserite Arab nationalist: Mouvement du peuple (Movement of the people - Hraket Echaab, led by Mohamed Brahmi);

Baathist Arab nationalist: Mouvement Bath, led by Othmane Belhaj Amor, Parti de l'avant-garde arabe et démocratique (Party of the Arab and Democratic Vanguard, PAGAD, led by Khereddine Souabni);

Others: Tunisie verte (Green Tunisia, led by Abdelkader Zitouni), Mouvement des démocrates socialistes (Movement of Socialist Democrats), RAID (ATTAC and CADTM).

Slovenia

The revolt spreads

Lucien Perpette ·

The revolt of the Slovene population has antecedents and the trade union organisations have already played a major role in opposing the different attempts to erode the social conquests of the post war period. A 30,000 strong demonstration organised by the Confederation of Free Trade Unions of Slovenia (ZSSS) helped defeat the flat tax proposal of the first government led by conservative Janez Janša. This tax would have inevitably favoured the wealthy.

Another trade union demonstration, this time 70,000 strong, succeeded in having the minimum wage fixed at 763 Euros, an exception in eastern Europe, where this minimum, when applied in other countries, is in the area of 300-400 Euros.

But as in many other European countries, this opposition and these social movements have no political reflection organised in parties. The voters only have the choice between multiple political factions which in past elections agreed on distributing the various ministerial posts among themselves and aligning on the same neoliberal policies as other European governments.

In 2012, wishing to strictly apply the austerity measures inspired by the European Commission — reduction of public spending and attacks on social security, a higher pension age, cuts in the civil service — the Janša government provoked popular anger.

On November 17, 2012 a demonstration of several tens of thousands took place in the country's capital, Ljubljana, to oppose these measures. On January 23, 2013, at the initiative of the union presidents Branimir Štrukelj (SVIZ) and Dušan Semoli? (ZSSS), 100,000 people stopped work in the civil service. Other workers also went on strike, notably the metalworkers in the SKEI union.

On the same day, nearly 25,000 people demonstrated in various Slovenian cities. It should also be noted that the spontaneous demonstrations began in several cities, first in Maribor, an industrial town in the north east of the country. The resignation of the town's mayor on grounds of corruption was obtained. The demonstrations spread to the capital, Ljubljana, where youth confronted the police. A veritable revolt against the "tycoons", nouveaux riches with dubiously acquired wealth, has spread.

Corruption is moreover a hidden evil which is rotting the life of society. The fact that it is hidden and that it is not possible to highlight it and punish it is also a powerful motive in the anger of the population. This sentiment has concentrated around the figure of prime minister Janša (Slovene Democratic Union, SDS), returned at the head of a coalition government in February 2012, who before the commission investigating his case was unable to plausibly explain the origin of a sum of 210,000 Euros, which led his allies in the government to demand his resignation. But although his government no longer has a majority in Parliament, Janša still refuses to through in the sponge, despite a poll carried out for the daily newspaper "Delo" showing that 80% of Slovenes want him to go.

The mayor of Ljubljana and head of the current main opposition party, Zoran Jankovic, a "centre left" businessman, is also accused of malpractice by the intermediary of his two sons, having not fulfilled his legal obligation to disclose an increase in his bank account of 2.4 million Euros!

The existence of the government is hanging by a thread, despite the fact the prime minister refuses to resign. Upon the announcement of a protest demonstration planned for February 8, Janša announced that he will organise a demonstration in his support on the same day, so we are not yet finished with the refusal of the right to recognise its disqualification.

This report was written on February 2, 2013

Slovenia: Interview with Luka Mesec, coordinator of the DPU

What are the main causes of the current political crisis and the rise of mass discontent?

It is a political and economic crisis, a crisis of the neoliberal mode of accumulation. All the main political parties in Slovenia, right and left, accept neoliberalism. The right has imposed itself brutally, in the manner of Thatcher or Reagan, and the so-called left approves it in general, being at best reticent. This is the source of the current protests. Two years ago, the people demanded the departure of the "third way" government led by the social democrat Borut Pahor, now they demand the departure of the right wing "democratic" government, of Janez Janša, installed a year ago.

The immediate reason for the discontent is the brutal reduction in the public sector budget, which has led to layoffs and the reduction of wages (by 8% last spring and now 5%) with the aim of preparing privatisations (telecommunications, railways, oil and so on), as well as the creation of a "dustbin bank" which has spent four billion Euros with a view to guaranteeing claims (including those of the private banks) and again a billion to recapitalise the public banks (which could also be sold off cheaply). Beyond this the government cannot conduct the social dialogue and tries to limit (indeed suppress) referendum by popular initiative. Finally we can add the corruption and clientelism of the Slovene élites.

All this leads to an escalation of protest, which is undoubtedly the most significant in twenty years. These movements have enormous popular support, according to the polls as much as 76% (whereas the government's support is at 16%). 30% of the population is even convinced that the situation could only be resolved by revolutionary action. In short, people are disappointed by the neoliberal policies imposed by the élites and want a clear alternative.

Some journalists present the consensus of all the social actors as one of the solutions to the crisis. What is your opinion?

The self-styled government of national unity is the strategy of the dominant class, a sort of coalition which should transcend "ideological differences" so as to realise "essential reforms" in areas like pensions, public sector cuts, privatisation, labour market flexibility and so on. It is probable that this will be the next step of the Slovene bourgeoisie, because the governments of the right and the so called left have fallen into disrepute. But as it is our nightmare, we try to resist with all our strength to show that it is not "ideological differences" which are tearing society apart, but the class struggle. We are currently living through a class struggle, between capital and labour, which is coming towards its climax. The moment where the workers take things in hand is not far off.

Extracts from an interview with Luka Mesec, coordinator of the collective Delavsko-punkerske univerze (University of workers and punks) made up of students, activists and researchers present since 1998 at the University of Ljubljana. This interview was carried out by Radnicka Borba (Workers' Struggle, observer organisation of the Fourth International in Croatia) on January 21, 2013 in Ljubljana. The original, in Serbo-Croat, is available jere.

Portugal

An alternative to the Troika

Peter Drucker ·

The depth of the Portuguese crisis, says Costa, resulted from 'poor choices by the Portuguese elite that made Portugal one of Europe's most vulnerable countries' – choices for a development model dominated by finance and construction. This led to a big housing bubble; in the now well-known scenario, when the bubble burst, the Portuguese state rushed to bail out the banks that had caused it. In an equally well-known scenario, international speculation then 'bankrupted the state', as the banks demanded 5, 6 or 7 per cent interest on bonds – even after the European Central Bank (ECB) started lending them money at 1 per cent interest. So, notes Costa, 'the Portuguese public debt is now one of the most profitable in Europe'. Portugal is being 'held to ransom' by the Troika: the International Monetary Fund, European Commission and ECB.

Hunger

Costa describes the Troika's demands, accepted by both the SP and the right, as 'a huge transfer of wealth to the bourgeoisie and international finance, and a huge attack on the gains of Portugal's 1974 revolution: labour rights, welfare and even the freedoms guaranteed by the constitution'. For example, VAT rates are now among the highest in Europe, 23 per cent, leading to 'massive closures' of small businesses. Even before the crisis the Portuguese were the poorest people in Western Europe, with half of the labour force earning less than €700 a month; last year those wages were slashed, with all public and private sector workers losing their year-end bonus ('13th month'). Unemployment benefit and pensions too have been slashed; there are now over a million Portuguese pensioners supposed to live on less than €300 a month.

'We're seeing hunger in the schools', says Costa, 'and other things that had become almost unknown in Portugal in the last 20 years: homelessness and dependence on charity on a mass scale. The work of generations of public servants is being destroyed. The decline in infant mortality in Portugal was an internationally studied example; we had reached Northern European rates. Last year, for the first time in years, infant mortality went up again.'

For a time people in their 20s and 30s without jobs survived by living with and off their parents or family in the countryside, but now these crucial 'links of solidarity' are breaking down. People are simply fleeing the country; an estimated 70,000 Portuguese have left for Angola alone. At the same time capital is benefiting from the sell-off of profitable state-owned companies: energy, airports, airlines, railways, postal services. In a display of what Costa calls 'blatant class bias', the government even proposed tax cuts for business at the same time as wage cuts and tax increases for everyone else.

Of course these policies haven't rescued the economy. On the contrary, it's shrinking by about 3 per cent a year. 'How can Portugal pay 5 per cent interest and more on its debt when each year there's 3 per cent less?' Costa asks.

Victories

The Troika's policies have drawn what Costa calls 'a line of demarcation through Portuguese society'. This was made unmistakably clear on 15 September 2012, when over a million Portuguese took to the streets in 'Screw the Troika' demonstrations, the biggest the country had seen in 30 years. There have been other big protests: against the closure of a famous Lisbon maternity hospital – led by women who had given birth there – against the abolition of urban and rural district offices – often the only source of public services for people who have no other access to them – and in January against threatened massive layoffs of teachers. These mobilizations have succeeded thanks to a difficult unity between the country's biggest, CP-led trade union federation, the CGTP, and a new generation of indignados-style, Facebook-wielding activists.

And the resistance has forced the right to retreat, in victories that even the massive resistance in Greece has not yet won. The right gave up the idea of tax cuts for business. The constitutional court threw out the proposed 2011 budget because of its disproportionate attacks on public sector workers. And now the constitutional court is considering throwing out the 2012 budget, on the grounds that it denies rights to education, health care and welfare guaranteed by the post-revolutionary constitution.

Faced with so much resistance, Costa says, the Troika knows it needs 'a Plan B'. The SP, now in opposition, is Plan B. Having accepted all the Troika's demands, the SP voted in parliament against the right's budget – with the Troika's tacit blessing, since the right didn't need the SP's votes anyway. But the SP won't promise to reverse the cuts or tax increases or raise the minimum wage. Hoping for a return to government, it is still trying to show the Troika that it's 'responsible'.

If the right-wing government falls soon, the SP may not have enough time to regain its lost credibility. At the time of the June 2011 elections, Costa says, voters saw no alternative to accepting the Troika's dictates, and deserted the radical left. The Communist Party lost a little. The Left Bloc, a union of three radical parties (including the Portuguese section of the Fourth International) formed in 1999 that had less deep social roots, lost almost half its votes, getting only 5.2 per cent. But since last spring, Costa says, the situation has turned around. 'People are beginning to see that the anti-Troika left was right.'

Although the CP is strong in the unions, its Stalinist past and continuing sectarianism limit its appeal. Costa believes that the Left Bloc has more potential. Once before, in the 2009 elections, it outpolled the CP, with 9.8 per cent of the vote. Today it is still at only about 6 to 9 per cent in the polls. 'The left forces aren't strong enough in the polls, but neither was Syriza in Greece a year before its breakthrough,' Costa says – and in the last Greek elections Syriza got a third of the vote.

Strategy

At its recent congress the Left Bloc declared that the only way out of the crisis is a real left government, which would renounce the agreement with the Troika, denounce 40 per cent of the debt and renegotiate the rest, nationalize the banks and tax the rich.

The Bloc takes a clear stand against leaving the eurozone. Costa says this would mean a drastic devaluation of Portugal's currency, in the interests of boosting exports by Portuguese companies but decimating living standards. 'The EU might expel us from the euro,' he admits. 'But this isn't our policy.' The Bloc means instead to ally with other radical left forces to fight for a transformed, democratic and social Europe.

But how can the radical left win a majority? João Carlos Louça, a supporter of a critical minority within the Bloc, thinks the leadership is going about it the wrong way. 'The leadership is investing too much energy in parliament and elections and not enough in the social movements,' he says. Louça also thinks the Left Bloc lost credibility by supporting an SP presidential candidate last year, and earlier by allying with the SP in the Lisbon city council.

Costa admits that there is some justice in some of the minority's criticisms. 'The Bloc has had a problem of centre of gravity,' he says. And it still hasn't done enough to include in its leadership the new layer of social activists. Costa agrees that winning a left majority is not a question of 'electoral arithmetic'. Perhaps dialogue with the CP is slowly becoming a bit easier. But he sees no signs that any significant part of the SP, which is thoroughly corrupted by 'incestuous links' with corporate elites, is willing to change course and break with austerity.

Real change demands social struggle. It requires dialogue with initiatives like Screw the Troika, and with a range of protesters who are often suspicious of all parties. And in the social struggle, especially the unions, Costa concedes, the Bloc still does not have the strength that the CP built up in decades of resistance to the dictatorship that ruled Portugal from 1926 to 1974.

Fluid but functional

But Costa rejects Louça's statement that given the current balance of forces with the SP and CP, the Bloc's goal of a left government is not likely to be won in the near future. The Bloc has been proving itself in the movements – if not in the old union strongholds then among teachers, casualized workers and young people, and in fights for abortion rights, LGBT rights and drug decriminalization. 'The Bloc is porous to society,' he says. 'We have relations with the movements that are fluid but functional. We respect their rhythms.'

The Bloc has even done well in elections to key works councils, which in Portugal are fought not by unions but by parties and other groups. The Bloc is the biggest force in the works council at Volkswagen, the country's biggest auto plant. Yet even though the Bloc's workplace activists are CGTP members, the CP refuses to make any place for them in the CGTP leadership. 'The CGTP hasn't sold out', says Costa, 'but it's less and less democratic. Once the CP saw it as a transmission belt; now it's seen as a wholly integrated part of the party apparatus. The unions are where our relations with the CP are the worst.'

Fortunately Costa does not see a big risk of the growth of fascism in Portugal. So far there is nothing in Portugal like the Greek Golden Dawn. 'A very deep anti-fascist culture has developed in this country since 1974,' he says. 'Of course we have anti-immigrant racism: an assumption that people with darker skins do the dirty work for lower pay. But immigrants in Portugal are often Portuguese-speaking people with deep roots here. There's a lot of intermarriage. So it's hard to scapegoat them. When a small group of Nazis tried to join the big anti-austerity demo the police kept them out.'

And in the growing resistance to austerity, the pressures for unity are mounting. With a new day of massive protests planned for 2 March, the CP is sending activists to the Screw the Troika coordinating group meetings – which would have been almost unthinkable not long ago. 'The Troika and the right are preparing their next offensive,' Costa says. 'But we're preparing ours. Only now are the conditions for it beginning to be put in place.'

Brazil:

Organizing for Socialism and Freedom in Brazil: an interview with PSOL activist Rodrigo Santaella

Rodrigo Santaella ·

ATC: What is your organization and tell us about its activities.

Rodrigo Santaella: Our organization is called Enlace, and is currently an internal tendency inside the broad left party called the Socialism and Freedom Party (PSOL). We have a little more than 300 activists spread throughout the country. Enlace is a revolutionary organization, with deep traditions and seeks a renewal of democratic socialism. Enlace came mainly from another tendency, called Democracia Socialista (DS). DS was – and still is – an internal tendency of Partido dos Trabalhadores [Worker's Party/PT, currently the ruling party of Brazil], and it's possible to say that the majority of DS stayed with the PT in its process of degeneration. After the former Brazilian president, Lula of PT, was elected, the contradictions within the PT began to really emerge. Inside the DS, the debate was, "should we be part of the government or stay inside the party but outside the government?". When the Lula government began implementing neoliberal policies, especially the pension reform in 2003,it became clear to a section of tendency that we could not participate in the PT government and the party was undergoing a process of degeneration. Even so, some of our most important militants were invited, and accepted, various posts inside the government, and this – among other things – caused the split. We left PT, and with other organizations founded Enlace and began the process of constructing PSOL.

Enlace, as an organization by itself, is not a section of the Fourth International, but an observer, as is another tendency inside PSOL called CSOL [Coletivo Socialismo e Liberdade]. We retain this relationship with the Fourth International as a result of Enlaces' origins and traditions. But though the organization itself is an observer, all the members of the Fourth International in Brazil are inside Enlace, and we consider the Brazilian section to be formed by "all the militants inside Enlace who assume the tradition and the organization of the IV International." Currently, we are going throughan important process of approximation with other organizations inside PSOL, especially the CSOL, and that's a big chance for our section to grow over the next year.

We're actively organizing in a variety of sectors of Brazilian society. First of all, in the students movement, especially at the universities, we are part of a collective called Levante, which organizes more than 300 students around the country. Levante has considerable social influence as a result of heading some important student unions in a number of universities in the Brazil. We also organize secondary students, especially in Rio de Janeiro, but we are starting to spread this organizing nationally. We're playing increasingly important role in the union movement, mostly in Rio de Janeiro and in the sector of teachers, but also in some other sectors and regions of the country. We also have an important presence in the Brazilian anti-racist and LGBTQ movements in many parts of the country, organizing campaigns and collectives, being part of major organizations, etc. and we have a huge participation on the ecological movement, being the sector that pushes this most vigorously pushes this debate inside the party. We also play a role in the women's movement, formulating and organizing campaigns, struggling for equality inside and outside PSOL, and supporting all kinds of self-organization initiatives inside Brazilian society. We have a website and a magazine, which still has regularity due to a lack of resources, but we are organizing ourselves to publish it more regularly in 2013. After the October's 2012 elections, we now have three municipal councilor mandates, in 3 different cities: Fortaleza, Rio de Janeiro and Niterói. Although we have no illusions that an electoral strategy is the best or only way of constructing a new society, we consider it important to be inside institutions to denounce and highlight their contradictions, and on the other hand to support any struggles coming from the social movements (whether we participate in them or not), from where the real possibilities of change can emerge.

Last but not least, we also spend an important part of our energies on the internal disputes of PSOL, which we consider to be an important political alternative in Brazil, as long as we don't let some tendencies of bureaucratization and degeneration – especially characterized by the priority to the institutional disputes (such as favoring elections over movement organizing), which opens space to private financing of campaigns and alliances with right wing parties, for instance – grow.

ATC: What is PSOL? Why was it formed and what is your section's role within it?

RS: PSOL is the result of an attempt to build a broad anti-capitalist party in Brazil, after the degeneration of PT. It was formed to be a political alternative to Brazilian left forces. The Brazilian left was, since the end of the 70's, all focused on building PT as an alternative political tool for the working class and social movements in the country. After Lula took power in 2002 and embarked on the road of neoliberal reforms, like the pension reform I mentioned, it was clear that the course of PT was looking more and more dire. Some parliamentarians were expelled from the party for opposing such reforms, and the idea of forming a new broad left party started at that point and PSOL was founded in 2005. Currently, after 7 years of this, the course of PSOL is still in dispute, some sectors want to repeat the same strategies of PT, trying to avoid some mistakes, and others – like us – think the mistakes resulted precisely from such a strategy of giving priority to the disputing power within institutions, and adapting to the logic of private financing and alliances with right wing forces to win elections.

Now, Enlace has representatives in the national leadership of the party, and play a very important role in building unity of the left sector of the party to dispute its course. Beyond that, we try to organize party's branches in all the sectors and regions we act, and also try to support all the initiatives of democratization and smooth functioning of PSOL's internal structures, which is still a very difficult task.

ATC: What was the section's role in the PT? How did the PT turn towards neoliberalism?

RS: To summarize, I can say that Democracia Socialista (DS, the name of our FI section at that time) played a central role in organizing the political and legal process of founding the PT in two of the most important states in Brazil: Rio Grande do Sul and Minas Gerais. Beyond that, DS was able to develop and strengthen, both inside and outside the party, the debates about different kinds of oppressions: women's, LGBTQ and anti-racist struggle. Also, our section was important in "holding" PT to the left in a lot of situations. A good example is the state of Rio Grande do Sul, where most of the militants of DS were located and where, on one hand, PT had its major participation in institutions (for example, the PT state government until 2002) and on the other hand was the expression of radical politics in the country. This happened, in large part, because of the participation of DS's militants.

Regarding PT's turn to neoliberalism, it all starts with the international situation and its changes after 1989, with a big crisis of left forces all around the world after the demise of the Eastern Bloc countries and the USSR. Around 1988, PT had begun to grow inside the state's institutions and this started to increase the pressure to adapt to the bourgeois social order, with the same process happening also in the labor movement. After PT's defeat in the 1989 elections, in which the party still had a very radical program and also an activist-centered form of organization, the central part of its leadership, with Lula at its head, proposed that it was necessary to moderate the program in order to achieve electoral power. A right-wing of PT, which papered over the class struggle and sought broad alliances with moderate and right-wing forces, slowly gained dominance within the party. This also started to change the internal organization of PT, and since the 90's it turned from a militant party with the priority of organizing branches to a party organized around elections, with professionalized campaigns, private financing, etc.

This sharpened the internal differences inside the party, especially when the more electorally centered sections of the party began using resources from "state machines" to finance factional struggles inside the party. The tendency of moderating in order to win elections accelerated, and in 2002, with a big businessman as his vice-presidential candidate, Lula was finally elected. At that point, the compromises and alliances that PT had would leave a definitive mark on its public policies, reforms and government programs that came later. This showed that the party was completely adapted to the neoliberal global order, though with some peculiar characteristics, such as the increase of the social compensation programs like the Zero Hunger campaign.

ATC: How has the crisis affected Brazil? And what is the general political situation in the country?

RS: The most important effect of the crisis in Brazil was the cut in the budget of important sectors like health and education, and also in the government social programs. In 2012, we had $26 billion in cuts to those areas. Brazil followed the same recipes for helping the bank sector, but with some important differences. The most important one was the encouragement of consumption. Freeing credits and reducing some taxes, the government encouraged the population to consume more and more, and the effects of the crisis were kind of hidden behind this consumption boom we had on the country. Obviously, this is not sustainable in long terms, but until now it has diminished the impact of the crisis on Brazilians.

About the general political situation, we have a very popular government with Dilma Rousseff (Lula's successor and current President of Brazil) from PT. According to the statistics, she may be even more popular than Lula was. So it's a difficult moment to be in the opposition, especially on the left of the opposition. Most of the most important social movements in Brazil are coopted by the government. On the other hand, the big investments and contradictions of the high-profile sporting events we will have in the country over the next couple of years (the Olympics and the World Cup), and the delayed effects of the crisis that are still likely to come, will create a situation where the PT's development project will start to falter. Some splits in social movements are already happening because of the cooptation process, and some social uprisings have erupted in the past 2 years, such as important strikes involving teachers and postal workers, so there's some light at the end of the tunnel, as we say here.

In this difficult context, PSOL with its own contradictions, is attempting to raise a left alternative in Brazilian politics. We have a difficult situation for the left, but also perspectives on navigating the objective conditions of a social uprising in the country, and in this context PSOL is building itself as a left political alternative to PT.

ATC: What is PSOL's social base? What movements is the party most deeply involved in?

RS: PSOL has a very diverse social base, which includes university students, workers in the public sector, human rights movements, health workers, and also urban popular movements. In the places the party is bigger and has more influence, some classical sectors of the working class and a lot of informal workers, especially the youth, form the social basis of the party's organizing. We also emphasize work in the ecological, anti-racist, women's and LGBTQ movements. We have relations with the MST (Landless Workers Movement), one of the biggest peasant movements in the world, but there are difficulties because of the MST leadership's contradictory relationship with the government.

PSOL currently has more than 35,000 thousand affiliates, but most of them are not very active. We are still in the process of building the party, and in very difficult conditions, so we influence a lot of sectors and people, but we cannot talk about PSOL's "consolidated social basis" yet.

ATC: How did you become radicalized?

RS: I don't really know how to describe my own process of radicalization. I think as any process it doesn't have a unique turning point or a start and an end.

When I was younger, because of some readings about students movement, politics in general, etc, and through talking with my parents, who were not activists, but were politically conscious with a progressive orientation, I participated indirectly on campaigns supporting PT's candidates and on some international campaigns. So my interest in politics started when I was at school, but I wasn't even close to becoming a revolutionary at that time. When I got to the university, I started getting involved in the student movement, and then I had contact with a collective of students, organized in part by militants of the FI section there, but also with other organizations and a lot of independents, called Amar e Mudar as Coisas ["To Love and Change Things"]. The experience of trying to struggle, inside the university, for a more democratic, public and quality education for the people, started to show me the contradictions of the system itself, the class interests that anchored politics both inside and outside the university. Whenever we started engaging in real struggles, such as fights to democratize access to the university, we could feel the power of the institutions and the interests they represented. So, in the process of real struggle inside the university and the formation process inside that collective, I started becoming radicalized. Then, from our own place of struggle we started having contact with other social movements in Brazil, like the MST, as well as some urban movements. Those experiences also contributed to my process of radicalization. I was an "independent" militant for about four years and then I joined PSOL in 2010 and the FI section within Enlace in 2011.

I think my experience inside Enalce, inside PSOL and inside the Fourth International, together with the real struggles I have been a part of in Brazil these few last years are still factors in my on-going radicalization. The issues we have to deal in society, our problems, are more and more radical ones. So I think the process of radicalization of socialist activists has also to follow those issues, that's why, in the end, I think I'm still becoming more and more radicalized.

ATC: What can comrades in other parts of the world do to support your work and learn from your experiences in building broad left parties?

RS: I think the first challenge we have to deal with is the creation of more organic relations between our sections inside the Fourth International. The first step to support or learn of any experience is knowing about, being familiar with the major issues, with a little bit of its history and with the people that are presently part of it. As internationalists, I think this is our first task: build more organic relationships between our organizations all over the world. Even small things like translations of articles, reserving sections of our websites or magazines for international contributions from comrades, invitations to meetings or activities whenever finances allow for it, virtual meetings of some branches in different countries to think about common issues, and a lot of other simple initiatives like that can help in this task. This first step is the most important and urgent one, and could create conditions for more possibilities.

I think the best way comrades can aid our work in Brazil is initiating or participating in international campaigns on issues, for instance the struggle against the privatization of the universities or public services, against racist violence, against sexist violence, etc. If we could articulate these actions better, it would probably have more impact in the different countries in which we organize.

To learn from our experiences in building broad left parties, the best way is to stay constantly in touch. It could be helpful to also send U.S. comrades to our party's congresses. A congress of a broad left party is always a very interesting experience and deepens one's understanding of the most important issues inside the party and its relations with the struggles in the society. In 2013 we will have our fourth national congress of PSOL, probably near the end of the year, and the comrades of Solidarity are, of course, invited to send some representatives to observe and participate of it. It would be, undoubtedly, a very good interchange between such different – but also in some ways, so similar – realities.

Mali:

Appeal by Women of Mali: Say "No!'" to the war by proxy

From the dramatic situation in Mali, there emerges a terrible reality which can be verified in other countries in conflict: the instrumentalization of violence against women in order to justify interference and wars whose objective is to grab hold of their countries' wealth. African women must know this and must make it known.

Although the amputation of two-thirds of Mali's territory and the imposition of sharia law on the populations of the occupied regions are humanly unacceptable, the exploitation of this situation, including the fate reserved for women, is morally indefensible and politically intolerable.

We have, as a result, we women of Mali, a historic role to play, here and now, in the defence of our human rights against three forms of fundamentalism: religious through radical Islam; economic through the omnipotence of the market; political through formal, corrupt and corrupting democracy.

We invite all those women and men who, in our country, in Africa and elsewhere, feel concerned by our liberation from these fundamentalisms to join their voices to ours to say "No" to the proxy war that is looming on the horizon. The following arguments justify this refusal.

The denial of democracy

The demand for the deployment of African troops in northern Mali, transmitted by the Economic Community of West African States (ECOWAS) and the African Union (AU) to the United Nations, is based on a diagnosis that is deliberately biased and illegitimate. It is not based on any national dialogue worthy of the name, either at the top or at the base. Furthermore, this diagnosis also excludes the heavy moral and political responsibility of nations, those who violated Security Council Resolution 1973 by transforming the protection of the Libyan city of Benghazi into a mandate to overthrow the regime of Muammar al-Gaddafi and to kill him. The coalition of the separatists of the National Movement for the Liberation of Azawad (MNLA), Al Qaida in the Islamic Maghreb (AQIM) and its allies, who defeated a Malian army that was demotivated and disorganized, also owes this military victory to the arsenals that came from the Libyan conflict.

Will the same Security Council approve, in the coming days, the plan of military intervention that African heads of state have approved, pretending in this way to correct the consequences of an unjust war by an equally unjust war?

Marginalized and humiliated in the management of the "Libyan" crisis, can the African Union, should it, embark on this adventure in Mali without pondering the lessons of the fall of the regime of Muammar Gaddafi?

Where is the consistency in the conduct of the affairs of the continent by the African leaders, most of whom opposed in vain the intervention of NATO in Libya, when they agree on the need for a deployment of military forces in Mali, with incalculable consequences?

The extreme vulnerability of women in zones of conflict

The International Crisis Group warns, rightly, that "in the current context, an offensive of the Malian army supported by the forces of ECOWAS and/or other forces has every chance of causing more civilian casualties in the North, of worsening insecurity and economic and social conditions in the whole of the country, of radicalizing ethnic communities, promoting the violent expression of all the extremist groups and, finally, dragging the entire region into a multifaceted conflict, without a front line, in the Sahara " [1].

These consequences are particularly serious for women. Their vulnerability, which is on everyone's lips, should be present in everyone's mind when decisions are being taken, and should serve as a deterrent when war can be avoided. It can be. It must be, in Mali.

It should be remembered that the cases of rape that we deplore in the occupied areas of the North of our country are likely to multiply with the deployment of thousands of soldiers. To this risk there should be added a more or less disguised prostitution that commonly develops in areas of great insecurity and therefore the risk of the spread of HIV/AIDS. Does the plan for military intervention which the Security Council will consider provide for ways to really protect the women and girls of Mali from such a disastrous situation?

Let us also remember that in the whole of the territory the economic sanctions imposed by the international community on the people of Mali in the name of the return to a discredited constitutional order greatly affect vulnerable groups. Because of the sexual division of labour women are confronted on the domestic level with the enormous difficulty of providing their families with water, food, domestic energy supply, medicines. This daily and endless struggle for survival is already in itself a war. In these circumstances of the precariousness and vulnerability of populations, and of women in particular, the military option that is being prepared is a remedy which is very likely to be worse than the disease, whereas a peaceful alternative, coming from Malian society, civil, political and military, would be constructive.

Inconsistencies of the international community

Each of the powerful representatives of the "international community", as well as ECOWAS and the African Union has had words to say about our cursed woes as women in situations of conflict.

Let us give him his due, the French president, François Holland, who plays the role of leader in defence of the military option, stressed the suffering of women "first victims of the violence of wars" [2].

And yet, he said on September 26, 2012, in New York, at the special meeting on the Sahel, on the sidelines of the General Assembly of the United Nations, "I know that there may be a temptation to conduct negotiations. Negotiate with terrorist groups? There can be no question of that. Any loss of time, any process that drags on could only play into the hands of the terrorists".

"One must know how to end a war', the US and French presidents seem to be saying. "The war in Afghanistan has been prolonged beyond the initial mission. It is stirring up the rebellion as much as making it possible to fight it. It is time to put an end in good order to this intervention and I make the commitment here to do so"- said the candidate François Hollande, in his presidential inauguration speech.

The American Secretary of State for Foreign Affairs, Hillary Clinton, whose stopover on October 29, 2012, in Algiers, was partly designed to convince president Abdelaziz Bouteflika to join the war camp, addressed the meeting of African heads of state in Addis Ababa in these terms: "In the Democratic Republic of the Congo, the continuation of acts of violence against women and girls and the activities of armed groups in the Eastern region of the country are a constant source of concern for us. The African Union and the United Nations should spare no effort to help the DRC to react to these incessant security crises".

The initiative of the Secretary-General of the United Nations, Ban Ki-Moon, entitled "United to end violence against women", launched on 25 January 2008, pays special attention to women in West Africa. This was before the wars in Ivory Coast and Libya, which have largely compromised the achievement of the objectives assigned to this initiative. We understand his reservations about military deployment and hope that he will not support the plan for intervention of the heads of state of ECOWAS. War, let us remember, represents extreme violence against the civilian population, including women. It can only take us further away from the objectives defined by this initiative.

Why do the powerful of this world, who are so concerned about the plight of African women, not tell us the truth about the mining, oil and geostrategic interests that are stake in wars?

The president of the commission of the AU, Nkosazana Dlamini-Zuma, for her part, stressed: "it is crucial that women contribute to, and engage actively in, the search for a solution to the conflict. Their voices must be heard in the efforts to promote and consolidate democracy in their country. To this end, have no doubt that you can count on the support of the African Union, as well as my personal commitment." [3].

The appointment for the first time of a woman to this post could be a real factor of political emancipation for women and therefore for liberation of the continent, if Nkosazana Dlamini-Zuma agreed to broaden the base of the debate on African women by incorporating the global issues which are being concealed from us.

Our sad status as hostages

Mali is a country that is being simultaneously attacked, humiliated and taken hostage by political and institutional actors who are in no way accountable to us, starting with ECOWAS. One of the expressions of this reality is the huge pressure on what remains of the Malian state. The acting president, Dioncounda Traore, is the first among Malian hostages. If he thought it necessary to remind people, on October 19, 2012, at the meeting of the group of support and monitoring of the situation in our country, that he was not a president who has been taken hostage, it is precisely because he is. Otherwise he would not have repeated three times, on September 21, 2012, the eve of the anniversary of the independence of our country, that he prefers dialogue and consultation, and asked the United Nations, three days later, for immediate international military intervention. "I am aware of being the president of a country at war but the first choice is dialogue and negotiation. The second choice is dialogue and negotiation and", he insisted," the third choice is dialogue and negotiation. We will make war if we have no other choice... ", he said in his speech to the nation, before changing his mind.

Like the interim president, we are all hostages, prisoners of an unequal and unjust economic and political system which excels in the art of breaking down resistance by blackmailing us over money. The abolition of foreign aid is resulting this year, 2012, in a shortfall of 429 billion CFA francs. Almost all public investment has been suspended. The closure of many companies has led to sackings and layoffs for economic reasons for tens of thousands of workers, while food prices continue to rise. The most important losses are in the building industry and in public works. Tourism, crafts, hotels and restaurants, which have suffered since 2008 the consequences of the inclusion of Mali on the list of countries at risk, have been severely affected, whereas before they represented substantial sources of income for the regions today occupied, including Timbuktu.

When we talk about having the status of hostages it is in no way meant to make less dramatic the unbearable suffering of the European hostages and their families, but to remind people of the equal gravity of the situation of all human beings trapped in systems for which they are not personally responsible. However, the question is to know how to act so that our country gets back its territorial integrity and peace, and that the six French hostages held by AQIM are returned to their families safe and sound, without their release paving the way for military action that would jeopardize the lives of hundreds of thousands of people in northern Mali who are just as much hostages.

The proxy war

The choice of war feeds on a lack of awareness of the real issues. Jacques Attali gives, for those who want to seize it, a key to understanding the situation which proves, if proof were needed, that the proposed military intervention is a proxy war. According to him, France must act "... because this (the Sahel) region can become a rear base for training terrorists and suicide bombers who will attack Western interests throughout the region; and even by multiple means of passage, in Europe. They are still only a few hundred; if nothing is done, they will be soon be thousands, coming from Pakistan, Indonesia and Latin America. And the Niger uranium deposits, essential to France, are not far away. » [4]

The distribution of roles between France, ECOWAS, the African Union, Europe and the United Nations is clarified. ECOWAS, as well as many Malians and Africans, did not understand up until now what was behind the idea of a mission to Mali. According to Jacques Attali, the regional organization had to act "to give back to the civil authorities the means to decide, without fear, to restore security, to restructure the military apparatus and to restart economic activity; in the North, to put an end to this secession, it will take military action on the ground, with long-distance logistical support, means of observation, drones and a capacity for acting within a strategic framework. Who can do all that? Obviously not the Malian government alone, which has neither arms nor authority. Not ECOWAS which does not have sufficient military resources to ensure all of the necessary action and which cannot even expect to receive a request from the Malian government, which is under the influence of uncertain forces. Nor the African Union, at least not alone. Then who? the United Nations? NATO? The question will be posed very quickly. It is being posed today. Here again, Europe should obviously be united and get into a position to decide and to act. It is not doing that. However, if the current negotiations fail, it will soon be necessary think about setting up a coalition of the kind that has worked in Afghanistan. Before an equivalent of September 11, 2001 hits us". [5].

So, everything is clear. The war envisaged in Mali would be a prolongation of the one in Afghanistan, where France and the United States are gradually withdrawing after eleven years of fighting and heavy losses in men, in equipment and in money. The Sahel is the zone of influence of France, which takes the leadership of affairs concerning Mali and subcontracts the military violence of ECOWAS. This transfer is made in order to be politically correct and not be accused of colonialism and imperialism, but also to reduce the cost of the war and to avoid French casualties. Public opinion in Western countries tolerates less and less their citizens dying in defence of "our" causes. Thus, in the same way that the Senegalese sharpshooters were (in colonial times), African troops are called upon to lend France a hand.

The globalization of evils and networks

Religious radicalism has no need, in such a context, of northern Mali to spread in West Africa and in the world. The globalized economy, on the basis of injustice and inequality, is a machine to crush local economies, societies and cultures which provides the necessary fertile ground.

From the Red Sea to the Atlantic, from Afghanistan to Nigeria, from Toulouse, where Mohamed Merah acted and was shot, to Timbuktu, the issues are ideological, civilizational, of identity, but also economic, political and geostrategic. The actors and the opposing forces are roughly the same, with variations that can be manipulated, such as the Tuareg rebellion in Mali.

On the other hand, Afghans, Pakistanis, Algerians and other preachers are not newcomers to Mali. They made their appearance in mosques from the 1990s, at the time when the social consequences of the structural adjustment programme (SAP) on employment, income and social ties began to be felt.

The badenya perspective as an alternative to war

Malian and African women, very conscious of the issues at stake and of the deadly workings of neoliberal globalization, do not endorse wars. To the warmongering and predatory values of the dominant economic order, we oppose pacifist values, which reconcile us with each other, as well as with the rest of the world. *Badenya* ("children of the mother"), is one of these values that we, women of Mali, cultivate more and counterpose to the masculine value *fadenya* ("children of the father") which in its ultraliberal version authorizes the unbridled and fratricidal race for profit, to the point of selling off profitable public companies, ceding farmland to those who dominate us and accepting the partition of the country.

Deeply rooted in the *badenya* perspective, our rejection of war has its roots in a conception of procreation according to which bringing a child into the world is already a way of going to the front (*musokele*). And there are too many of us who perish in giving life. We battle every day against hunger, poverty, disease, so that each child can grow up, work, take their place in society and their share of responsibility.

So in every soldier, in every rebel and every new convert to jihadism, who will fight against each other in the event of war, each of us recognizes a brother, a son, a nephew, a cousin. Yesterday, they were looking for social status through employment, income or even a visa. This was often in vain... Now, they have their trembling hands on weapons of war.

Lucidity and political maturity should be our weapons in this world without faith or law. There is no reason for Mali to become engaged on a terrain where France and the United States of America are retreating, despite the firepower of NATO.

To the war economy, we women of Mali counterpose the economy of life, making of the transition that is taking place an historic opportunity to meet the triple challenge of knowledge, citizenship and dialogue. The way things are evolving on the ground, including the willingness to negotiate of Ansar Dine and the MNLA, the constant modifications in the relationships of forces, as well as the strategies and interactions between the different groups involved, must be considered with the necessary attention, so as not only to avoid a potentially tragic war, but also to avoid the pitfalls of past agreements.

The national consultations that have been envisaged for months must finally take place, enabling Malian society as a whole to come together and to define itself the basis and the conditions of an agreed (and not imposed) solution to the present conflict. We, women of Mali, will contribute fully to this, just as tomorrow we will contribute to the reestablishment of democracy in our country according to the values of society and of culture that we are familiar with.

We must, in short, make credible and strengthen the capacity of analysis, anticipation and proposition of Malian civil, political and military society.

We ask all those who share our approach to address immediately the main actors of the international community, in writing or in any other forms of expression, arguing that the Security Council should not adopt a resolution authorizing the deployment of thousands of soldiers in Mali. ?

November 20, 2012

Signatories: Aminata d. TRAORÉ; SISSOKO Safi SY; SANOGO Sylvie Kavanagh; IMBO Mama SY; Kadiatou TOURE; Thi Selikene SIDIBE (old); Dickson Rao s; Chris Dhar; DOUMBIA Fanta DIALLO; KONE Mamou Thapa; TRAORÉ Omar Salah. Penda DIALLO TRAORÉ; Dey Kadiatou KOUYATÉ; Aminata BIGGS; Oumou KASONGO. Alicia KAKARA. Awa Kat; Aminata DOUMBIA. Fatoumata COULIBALY; Babu drink; Awa Thapa; Bintou KONE; Fatoumata MARIKO; Mariam KONE; Cheikh DIARRA; Oumou KEITA; Dhee. Ramdas KAUR. Rokia NATARAJAN. Aref Khalid; ADA NANTOUMA; Awa COULIBALY; Gerry DOUMBIA. Fanta KANTE. S Chung; Jaba

TANAGER; KATTA Mama DIARRA; Ishmael DIABATE; Karamoko BAMBA; Doumbi FAKOLY. Coumba SCHOEMAN; Pratham SOH-MELOCHE. Nathalie me DELA-MOUNIER.

Canadian State:

Campus Fightbacks in the Age of Austerity: Learning from Quebec Students

Alan Sears ·

The newly elected Parti Québécois (PQ) government of Premier Pauline Marois immediately cancelled the 75 per cent tuition hike implemented by the previous Charest government and rescinded the oppressive "back to work" legislation in Bill 78. This is a real victory, though the struggle in Quebec must continue. The PQ government has already made cuts to university budgets and is committed to smaller incremental tuition increases, indexing tuition to cost of living increases. Further, the PQ is organizing a series of roundtable discussions on the future of post-secondary education with a very clear agenda for technocratic restructuring that impedes rather than increases democracy, access and quality.

Trying to Spread the Victory

This is a partial victory, but a real one. At a time when the austerity agenda is rolling on relatively unchallenged, the Quebec student strike offers a crucial lesson in resistance. Yet the knock-on effect of that strike has been relatively limited to date. The Quebec student movement has done serious work to reach out to the rest of Canada and elsewhere to share the learning from this incredible mobilization, but at this point the impact has been limited.

This is unfortunate given the desperate need for effective mobilization to halt the austerity agenda in general, and in particular its application to the post-secondary field. The Ontario government is currently implementing a major restructuring of post-secondary education at a quite rapid pace, aiming to shift university mandates toward a market orientation, shift teaching toward on-line courses, continue tuition increases toward the goal of full user-pay, and implement cost-cutting 'productivity' increases. It would take a mobilization at the scale of the Quebec student strike to really reverse this agenda, but at this point there are not even many ripples of discontent.

A Mobilizing Perspective

In this article, we will try to discuss some of the ways that we imagine applying lessons from the Quebec student strike in coming battles around education, and particularly post-secondary education. At its core, the Quebec student strike modelled a mobilizing perspective grounded in democracy, militancy and audacity.

Over the last three decades, Quebec's student movement has been divided between organizations gravitating around two models: a lobbyist model seeking collaboration with governments in place, on the one hand; and a democratic, activist student unionism, on the other. Since the early 1990s, the former model has been adopted by the Fédération étudiante universitaire du Québec (FEUQ) and the Fédération étudiante collégiale du Québec (FECQ), while the latter model has informed the activities of the Association pour une solidarité syndicale étudiante (ASSÉ) [2] du Québec (which regroups 30 local student unions representing some 70,000 CEGEP and university students). We will focus on ASSÉ's organizing model, which is explicitly 'unionist' (syndicale).

The core goal of this unionist model is to defend members' concrete interests (understood in a non-corporatist way) through their own mobilization.

This organizing model is based on democratic decision-making through general assemblies at which a large portion of student body debates action and decides collectively how to proceed. This democracy can only function in a meaningful way when combined with a constant effort at informing and mobilizing the student population beyond layers of activists, in order to develop a membership which can make change with their own hands rather than engaging in periodic ritualistic and symbolic protest. Democracy of this sort is linked to militancy in that the goal of protest is not to appeal to the conscience of those in power, but to build a counter-power in the streets, schools and workplaces that can push back.

In the era of austerity, many unions and social movements have lowered their horizons and tried not to rock the boat too much. For example, Toronto municipal unions met privatization demands with a campaign that focussed more on public relations advertisements than mobilizing their own members, ultimately resulting in concessions. In contrast, the Quebec students mobilized around ASSÉ (who formed the Coalition large de l'ASSÉ (CLASSE) to launch and coordinate the 2012 strike) dared to challenge the core of the government's post-secondary agenda and boldly campaigned over a two-year period to win a strike mandate.

The challenge to the government's agenda combined the immediate demand to halt the government's 75 per cent tuition hike with a broader call to abolish tuition fees and democratize public college and university education. Many students lined up to fight tuition increases, rallying around a demand that seemed winnable ("Stop the hike!"). Yet the mass movement raised many bigger questions about democratic governance and the character of post-secondary education that pointed toward a broader, transformative agenda.

This combination of audacity, democracy and militancy in many ways echoes the crucial battles that won trade union rights for workers in the first place, such as those waged by Windsor auto workers in the 1940s or by postal workers in the 1960s. The challenge outside Quebec is to figure out how to apply these methods in situations where there isn't the same level of organization and activism or tradition of student mobilization

A Longer-Term Perspective

This was the ninth general strike waged by Quebec students since 1968, and the 11th year since the founding of ASSÉ as a radical and democratic student union consciously committed to learning from that history of struggle. ASSÉ built for the 2012 strike through a two-year campaign, which used petitions, demonstrations and days of action to mobilize students through leaflets, informal networks and structured organization including assemblies.

All of this seems daunting if you are sitting in a place where that long-term work has not been done, and where it is hard to even imagine a way to begin the building process. There is certainly no magic formula, nor any simple overall technique that will automatically elevate campaigns elsewhere. But there is a crucial orientation that others mobilizing against austerity can learn from – that of militant, democratic unionism. The implementation of this orientation requires a longer-term strategy that is difficult to balance with the immediate needs of the anti-austerity struggle.

ASSÉ was founded on the principles of democratic, militant student unionism in 2001. The people who founded the new organization sought to deliberately learn from the prior history of the Quebec student movement, both from the impressive victories and the grinding defeats. Indeed, the need to refound the radical wing of the student movement was an indication of the difficult struggles of the 1990s and the decision to ultimately disband the MDE (the previous radical democratic student union). Before ASSÉ, three student unions based broadly on democracy and militancy (UGEQ, ANEEQ and MDE) had developed and ultimately disbanded since the early 1960s.

At the core of these organizations was the principle of democratic, militant student unionism drawn from the student movement in France and expressed in the Charte de Grenoble from 1946 [3]. Article One of this document stipulates: "The student is a young intellectual worker." Historically, within the Quebec student movement, this has meant that students, like workers, are engaged in collective activities, share common interests and can organize collectively – form unions – to promote these interests. Students have immense potential power through collective organization to withdraw their labour (in strikes) and ultimately take collective and democratic control over the process of education.

The power of student strikes comes from the disruption of an education system that the government as well as campus administrations have a responsibility to administer. For example, university students will have to graduate in order to make room for incoming high school students. Semesters simply cannot be cancelled on a large scale without creating an enormous administrative mess that would also have significant economic consequences. Though governments and administrators will use this cancellation as a threat in effort to force striking students back into class, they are in fact worried by this prospect. This is why semesters have never been cancelled in the history of Quebec student strikes, and why these strikes have forced governments to back down on several occasions.

The best way to make this potential power real is to organize along the lines of democratic, militant unionism, which aims to mobilize the mass of the student body and to win majority mandates for genuine collective action. The general assemblies that are so crucial to the success of the Quebec student movement are grounded in, and indeed cannot function properly outside of, this democratic and activist student unionist perspective. This perspective orients the militant minority toward their fellow students with the goal of discussing and debating in order to win genuine mandates for effective action. This requires constant mobilizing activities, such as printing flyers, publishing newspapers, going from class to class to present updates on campaigns and important issues, and engaging with students in cafeterias and in public spaces. In Quebec, this has generally been organized by mobilization committees in collaboration with student union executive committees.

Trying to adopt the assembly model without this commitment to democratic, militant unionism can lead to the separation of the core activists from most other students. A self-proclaimed assembly of radicals can give themselves a mandate to act in the name of the student body but without the genuine participation of larger layers of students they will remain isolated and they will not be able to build the power necessary to support this mandate. Indeed, one of the problems that lead to the downfall of the earliest Quebec-wide student union (UGEC) was the commitment of radicals to going it alone, without the patience and strategic orientation to win larger mandates.

Democracy and a Mobilized Membership

Democratic, militant unionism means orienting outward to win mandates for mobilization from the student body. Those mandates will only be meaningful if they are won through democratic and participatory forms of organization. The general assemblies of the Quebec student movement have been foundational in winning mandates through forms of decision-making that involve active participation, open exchange and direct democracy. Militant students must engage with those who disagree with them in such assemblies, trying to persuade fellow students that action is possible and necessary. These assemblies can be tense, and the outcome is very hard to predict as people respond to the flow of debate and the exchange of ideas. This puts a real premium on serious preparation to consider in advance the likely flow of debates, the main arguments of critics, and the motions that are likely to be able to sway sufficient support.

"The general assemblies of the Quebec student movement have been foundational in winning mandates through forms of decision-making that involve active participation, open exchange and direct democracy. Militant students must engage with those who disagree with them in such assemblies."

These assemblies only happen after a great deal of work to mobilize the student body. Indeed, the Quebec student movement's ability to build on the direct democracy of assemblies should not be romanticized or idealized. To build these democratic structures, and to maintain them over time, requires constant mobilizing efforts. Even if such structures are already embedded in bylaws (which is the case for most Quebec student associations), continuous militant activity remains crucial to breathe life into them. In between periods of mass mobilization (mostly before and during actual strikes), general assemblies tend to be small. Still it is crucial to organize them on a regular basis, as it democratizes and enlarges decision processes beyond executive committees and reminds the broader student population of the existence of the assemblies and their potential collective power. These meetings can become really important formative spaces where new activists have the chance to familiarize themselves with formal assembly rules and with the practice of direct democracy. General assemblies derive from mobilizing practices, but they are also crucial spaces to develop a network of activists that will engage into these practices.

Solidaristic Campus Unionism

Many of us who are active outside Quebec and find this model inspiring face important challenges figuring out where to get stuck in to start building the kind of movement that we have seen in Quebec. The Ontario student movement, for example, has an important and valuable progressive record in many places. Yet it has not been organized on the basis of student unionism that aims to use the strike or occupation as a crucial tool for building student power on campus. There is virtually no prior experience of student strikes in Ontario beyond limited days of action, and even these have seldom ground institutions to a halt.

One of the elements which will be important in building new mobilizing capacities in Ontario and elsewhere will be to develop a militant and democratic unionist orientation among a layer of activists. ASSÉ has quite consciously worked to develop activist capacities among layers of students who operate autonomously but with strong collaboration on different campuses, through activist education and skills-building camps, congresses and ongoing informal discussion and debate. The development of such an orientation will require lots of discussion and debate about such things as developing strategies for relating to student union structures and determining which issues will have traction in the immediate term. We argue that activists seriously oriented to winning democratic mandates from student bodies must seriously engage with existing forms of organization, attempting to transform them into democratic, mobilizing unions if possible. There will, of course, be vibrant debates about this.

One possible way to start would be to build a network of activists oriented toward democratic, activist unionism on the various campuses where they're based. The network would provide opportunities for shared analysis, evaluation of activities, and joint strategies where feasible. Labor Notes [4] in the United States provides an example: it's a project whose publications, workshops and conferences link up activists in many unions and workers' rights groups who share a commitment to democracy, militancy and solidarity. A multi-campus network might provide the opportunity to build a base of activists with shared commitments to militant, democratic campus unionism.

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Russia solidarity

Solidarity against repression!

Russian Socialist Movement (RSD) ·

Alas, today this call is even more urgent than before. It is no longer an exaggeration to compare the political trials taking place right now to the prosecution of Russian populists in the late nineteenth century. The number of possible sentences resulting from the so-called "riots" of May 6, 2012 has steadily climbed over twenty, and the majority of the detainees have spent many months in jail awaiting trial.

Their names are Vladimir Akimenkov, Oleg Arkhipenkov, Andrei Barabanov, Fyodor Bakhov, Yaroslav Belousov, Alexandra Dukhainina, Stepan Zimin, Ilya Gushyn, Nikolai Kavkazskii, Alexander Kamesnskii, Leonid Koviazin, Mikhail Kosenko, Sergei Krivov, Konstantin Lebedev, Maksim Luzianin, Denis Lutskevich, Aleksei Polikhovich, Leonid Razvozhaev, and Artem Savelov.

The aim of the prosecution is self-evident: to break the will for political struggle of those unhappy with the current political regime and to systematically demolish the existing political opposition—a significant portion of which is situated on the political left. The Investigative Committee—a structure accountable only to president Putin—has constructed the case as a wide-ranging conspiracy stretching from rank-and-file street protestors to established politicians. Thus on March 10th 2013, the Committee merged two trials: the May 6th "riots" (with nineteen detainees, two people under cognizance not to leave, and ten hiding outside of Russia) and the "organizing of unrest" with which our comrades Konstantin Lebedev, Leonid Razvozhaev, and Sergei Udaltsov have been charged.

The list of detainees continues to grow. Just recently, on February 7th, the 24-year-old Ilya Gushchin was arrested and accused of using violence against a policeman during the May 6th "riots." A little earlier, on January 17th, while facing similar charges and imminent deportation from the Netherlands back to Russia, Alexander Dolmatov took his own life.

On February 9th, Sergei Udaltsov's status changed from cognizance not to leave to house arrest. This means that his channels of communication with the outside world have been cut off, and that even the tiniest infraction will land him in jail.

In addition, the prosecution and the judges guided by the Kremlin keep on placing pressure on the detainees, further risking their health and lives.

Thus, for example, the eyesight of Vladimir Akimenkov, 25, has continued to worsen since his arrest on June 10th, 2012. Akimenkov, a Left Front activist, suffers from innate defective vision, which has deteriorated in prison conditions and may soon turn into a permanent loss of vision. Akimenkov's own lawyer, human rights activists, as well as over 3,000 petitioners have asked the authorities to release him. However, the prosecution and the courts have remained firm and extended Akimenkov's arrest until May 6th 2013.

Another accused, Michael Kosenko, 37, has suffered from post-traumatic stress disorder since his military service. Instead of granting him access to medication or releasing him, the court is preparing to send him to "forced treatment" in a prison hospital.

Leonid Razvozzhaev, 40, a co-ordinator of the Left Front, has been abducted from Ukrainian soil by unknown parties and delivered to Moscow. After the abduction, a confession appears to have been extorted from Razvozzhaev under threat of torture and harm to his family. Once in prison, he renounced his "confessions," but his words are still being actively used against others. Currently, Razvozzhaev has been transferred to the Siberian city of Irkutsk, where his freedom to communicate with relatives and lawyers is severely limited.

The trial will most likely begin in earnest in April. The prosecutor will claim the existence of a massive anti-state conspiracy in which the accused will be said to have played various roles. We have little doubt that this trial will be biased and unjust. Unless fought against, its probable outcome will be the broken lives of dozens of people (the charges foresee imprisonment up to eight years), conspiratorial hysterics in the state-run media, and a carte blanche for new repressions.

Your solidarity now is crucial for us. On the eve of this shameful trial on 28 of February - 3 of March, we ask you to stage protests in front of any consulates of the Russian Federation in your countries, to disseminate information about the political trials and to urge your government and relevant NGOs to act however possible.

The Russian Socialist Movement

The Left Front

Arab region

All the region is boiling

Gilbert Achcar ·

There's a lot to cover. The Middle East has been in the news from the assault on Gaza to the situation in Tunisia, from the Morsi power grab in Egypt to the threats against Iran, any number of things. I want to start with a general assessment of the Arab Spring, what is called the Arab Spring, which began almost two years ago almost to the day, on December 17, 2010, in Tunisia. Can you give us a general sense of what that has meant for the region?

THE MOST general comment to make is that, for the first time in the history of the region, things are really moving and changing, and changing very fast at that, so that the region entered what I call a long-term revolutionary process. It is a tremendous change in the history of the region. Blockages of all sorts are exploding. I think it will remain with us for many many years to come.

You mentioned blockages, do you mean in part the existence of sclerotic or aging dictatorial regimes? The first would be Tunisia. Can you say something about that and the present situation in Tunisia?

YES, BUT it's larger than just dictatorial regimes. Of course that's the most visible part of it, what was most directly affected by the uprisings in the countries where they have achieved victories until now. But this is one part of a more general blockage that involves an economic blockage. The region lags behind the rest of the world in economic growth and more generally in development, despite being endowed with very important natural resources. It holds the world record in unemployment rates, and that has been the case for decades, and thus you have a social blockage going on, not to mention the very obvious one related to the condition of women.

So you have a whole set of blockages and I just mentioned a few and the most prominent ones, and all this is now bursting out in this huge explosion which started in Tunisia.

It all started in Tunisia on the 17th of December 2010. That is the date when Mohamed Bouazizi set himself on fire, setting the whole country and then the whole region on fire.

The fact that it started in Tunisia is related to the struggles in that country over the whole decade of the 2000s, which itself is related to the existence of an important left-wing tradition there, mostly active through the trade union center of the country, the UGTT [Tunisian General Labor Union]. It is this specific situation which explains why it was in that country that the explosion took place before the rest, but it doesn't mean that conditions were more ripe in Tunisia than anywhere else, as we can see from the fact that the explosion in Tunisia set off a whole series of explosions in other countries. There's hardly any Arab-speaking country which hasn't been affected by that uprising, from the western extremity of Mauritania and Morocco up to Syria and Iraq on the eastern side.

It seemed at one stage, certainly as a result of the elections in Egypt and previously in Tunisia, that the immediate political victors of the Arab Spring were organizations, Islamist organizations like the Muslim Brotherhood in Egypt. Can you comment about that first in Tunisia and then maybe move on to Egypt?

YES. THIS of course was something very much predictable. The most common expectation concerning the region was that there would be or will be social explosions, political explosions: you can see from the reports of US embassies in the region made public by Wikileaks that the US itself didn't have much illusions. They knew how tense, how dangerous the situation was. Related to this, the most common expectation was that the explosions to come would propel the Islamic fundamentalist movement to the fore at a time when—seen from Washington—this was regarded as a threat to US interests. Now when the uprising started there were tendencies toward wishful thinking and believing that by some miracle new forces emerging would be able to lead and fuel the whole process and just push the Islamic forces to the background.

It is true that new forces emerged, especially among the new generation, among the youth. It's true that new networks of young people using all the Internet resources played a key role in shaping and organizing, coordinating all these uprisings; there's no doubt about that. But with uprisings calling for free elections, which is a normal demand for people thirsty for democracy, as this is the case, it was obvious that in any short-term election those who would come out victorious would be those having the means it takes to win elections, which cannot be won with the Internet as you know well from the United States. You need political machines. You need money. You need grass-roots organizations implanted where you have a mass of voters, like in the countryside, etc. So this was not to be invented or improvised in a few weeks and that's why it was very much predictable that the Islamic fundamentalist forces, especially the Muslim Brotherhood in their various branches and organizations, would win. These forces had the accumulated force of many years of building networks, especially in countries where they were able to work openly like Egypt. This wasn't the case in Tunisia, but it has been compensated by the fact that these forces benefited from a lot of oil money, and from the power of television. Many of the television networks in the region are geared toward these kinds of groups whether through religious programs, and you have a lot of religious channels, or through the specific political role of the main satellite channel in the region, which is Al Jazeera. Al Jazeera works very obviously for the interest of the Muslim Brotherhood, which is quite prominent in its team and is sponsored by the government of Qatar, which owns and runs Al Jazeera. So they had these crucial resources and, of course, a lot of money coming from the Gulf monarchies.

It was quite predictable that the Muslim Brotherhood would get the largest share of votes, thus it was no surprise. People who indulged in wishful thinking reacted to these elections by returning from the rosy pictures they adhered to initially into very gloomy pictures with comments like "the spring is turning into winter." Well, the truth is that what was most surprising actually is the weakness of the electoral victories achieved by the religious forces. Most striking of all is Egypt, of course, where one can see how quickly the clout of the Muslim Brotherhood and its electoral achievements dwindled. Look at the number of votes that the Muslim Brotherhood got from the parliamentary election to the presidential election, the first round that is, to the referendum on the constitution: it is obvious that they are losing clout at amazing speed. They are losing ground and that's the most amazing. The same can be said about Tunisia where despite the problem of the division of the Left—which was ridiculously split into an incredible number of groups and organizations: in the capital city there were dozens of Left and radical Left lists competing against each other—if you add up the votes that went for the various Left you get a result that, had the votes been combined, would have translated into quite a significant number of seats in the parliament. Despite all that the Muslim Brotherhood got 40 percent of the votes with an electoral turnout of less than half, which means actually they got some 20 percent of the registered voters voting for them. This is not exactly a landslide. Since then Tunisia has seen a deterioration in the social conditions, and the coalition that came to power involving the dominant Islamic force has been losing ground. It is more and more discredited because of its inability to bring any beginning of solution to the real problems of the country, which are those I pointed to: unemployment, economic problems, social problems, and the like. We have seen in Tunisia as well as in Egypt a rise in social struggles, in workers' struggles, with increasing clashes between these social struggles and the Muslim Brotherhood-dominated government in both countries.

In Tunisia, this has reached even dramatic levels with a confrontation between the UGTT and the government which turned violent. The country is heading toward new elections, but also before that new round of electoral confrontation, the social and political confrontations are raging, so everything is boiling. Everything is changing very quickly, very rapidly. Both the wishful thinking at the beginning and the gloomy comments into which it turned very quickly are very impressionistic and quite wrong. The real point is that we are facing a long-term revolutionary upheaval, a long-term revolutionary process that started in December 2010 and will carry on both in those countries where the upheaval led to initial victories and in those countries which have not yet been affected to a significant degree. All the region is boiling.

What happened to the call by the UGTT for a general strike in early December, which I gather was called off?

YES, IT was called off after reaching some kind of compromise. Essentially the leadership of the UGTT feared that the confrontation could turn sour, because there has been only one precedent for a call of a general strike in the country and that was in 1978, when it led to a very harsh confrontation. So there was some fear about what would happen, and that's why they just accepted to backtrack into a compromise where no one lost face, but the warning is there and the UGTT has been very blunt in its attacks on the government, in its criticism of the way they behave in power, and still demands the dissolution of the militias controlled by the Islamic party. The Muslim Brotherhood whether in Egypt or in Tunisia proved even more effective than Mubarak at having this kind of organized thugery.

So that's what you have, and the prospect in Tunisia is very interesting because it is the only country of the region with an organized workers' movement that is really leading the process. It was already the real leadership of the uprising in December 2010/January 2011. Ben Ali fled the country on the day when the general strike was reaching the capital city on January 14, 2010. The union activists were those who led the struggle, from Sidi Bouzid, the city where it started after the suicide of Bouazizi, to the day when the uprising peaked in the capital. Rank-and-file union activists and intermediary leaders were the real leadership of the struggle. However, after the fall of the dictatorship, there has been a change in the UGTT leadership and this change brought the Left, including the radical Left at the helm. The Tunisian Left finally drew the lessons of its recent experience and managed to unite in what they called the Popular Front. The fact that this coalition of the left-wing forces is dominant in the UGTT is hugely important: it puts Tunisia in a quite more advanced stage of the struggle than any other country in the region.

If we can move from there to Egypt, where since the election of Morsi as President last summer, there has been an attempt to put together an opposition to the Muslim Brotherhood. Can you say something about the Left forces there since the revolution?

YES, BUT there's a major difference between Egypt and Tunisia. It's the fact that the role of the Left is much more important in Tunisia because of the fact that the Left has been for a very long time, several decades, very much active in the union movement, in the trade union federation, the UGTT. And even though for most of the time, the bureaucratic leadership of the union would be under governmental control or influence, the Left nevertheless always managed to be very active in local union branches, the most prominent activists of the union belong to the Left. Unfortunately, you don't have the same anywhere else in the region, and that includes Egypt. In Egypt the opposition did organize into a coalition of left wing and liberal forces, including some remnants of the old regime. Of course, this is something that could also happen in Tunisia in the sense that some people on the Left or in the union may be tempted into an alliance with the remnants of the old regime in confronting the Muslim Brotherhood, the Islamic fundamentalist forces. In Egypt, however, that is happening already with Amr Moussa being part of the coalition, but Moussa, it must be said, represents the liberal faction of the old regime. He is not like Shafiq, the former presidential candidate, who was seen as the official representative of the continuity of Mubarak's regime. Moussa actually ran in the presidential election against Shafiq. So what you have in Egypt is a liberal-Left coalition. Inasmuch as it is a front around democratic demands, it can be seen as legitimate, but the problem is that it went beyond that into becoming an electoral alliance.

The broad Left itself is mostly represented by Hamdeen Sabahi, who is the candidate who surprised everybody in the presidential election in achieving the third position and even winning the vote in Cairo and Alexandria, the two most important urban concentrations. That was absolutely amazing. Sabahi came to represent those seeking a left-wing alternative to both the old regime and the Islamic forces. After the election, he founded the Popular Current in which most groups of the radical Left are involved. Unfortunately, the Popular Current has been currently superseded by the broad coalition instead of building on the left-wing potential that gathered around Sabahi on the first round of the presidential election.

The movement toward confrontation with the Muslim Brotherhood-led regime in Egypt raises the question of the role of the army. Any thoughts on that question, that is both the balance of forces and the kind of likely development given unresolved economic and political problems and a regime which is losing electoral support and in a certain sense electoral and political legitimacy?

THE SPEED at which Morsi is losing ground and legitimacy is the real surprise. I always felt, and I am not the only one who thought so, that the people needed to go through an experience with these guys in power so as to know what they really are and stop being fooled by empty slogans like "Islam is the solution," hiding the absence of concrete alternative programs. But it is going actually faster than expected, and one reason for that is the very clumsy way in which the Muslim Brothers are dealing with the situation. They have displayed so much arrogance believing that it's their day with God's help and they have things firmly in their hand, which is completely short-sighted. Actually if they were smarter than that they would have understood that it's not even in their interest to rule at this stage. Anyone trying to rule the country with the kind of program that they have, which is but a continuation of the economic program of the previous regime, is doomed to fail miserably. The most telling act of what has happened in Egypt is when Morsi signed the deal with the IMF recently. He signed a deal with the IMF, which includes conditionalities deemed by all would-be funders of Egypt as crucial. And, of course, they signed the deal because it corresponds to their own neoliberal thinking, which is not different from that of the previous regime. And it was at the worst moment, when the Muslim Brothers were starting their confrontation with the opposition, that Morsi's government decided to raise prices of basic staples and change the tax system in a way that would not affect the richest. This led to such an outcry that Morsi had to cancel it a couple of days after through his Facebook page! It became a joke. This shows you how much these guys don't have a clue about any real solution to the deep social economic problems of the country.

Now about the army. There has been much ado about the "revolutionary coup" of Morsi in dismissing Tantawi and the second-in-command who were at the head of the SCAF, the Supreme Council of the Armed Forces. But the fact is that this was done in full agreement with the military brass, which really wanted to get rid of these guys who were in their posts only because they were imposed by Mubarak against the will of the military. Just look at the age of Tantawi who is far beyond the age for any military position. We know from Wikileaks, again from US diplomatic reports, that army officers used to call Tantawi "Mubarak's poodle." So the fact of signing him off had absolutely nothing "revolutionary" about it. They were given medals and generous sinecures, moreover, including immunity against everything they did while at the head of the SCAF. The belief that the army's position has been weakened is quite wrong.

Look at what happened just recently when the confrontation appeared at its peak between Morsi and the opposition. The new head of the army took the initiative of coming out openly as an arbiter and calling for a conference that would include the president and the government on the one side and the opposition on the other. The army made a few comments before that exactly symmetrical to those they did at the time of the uprising against Mubarak saying that they were not going to repress the people. The message was: "We haven't accepted to be used politically by Mubarak and won't accept to be used politically by Morsi." So the army is playing this game, and one can presume that it is very much advised by Washington to stay out of the feud, to stay in the arbitral position so that they can play the role of "saviors" if ever the situation degenerates totally, with a repetition of the traditional sequence of revolution, turmoil, and then coup. But the Egyptian people, at this stage at the very least, are too critical toward the army for anything like that to be possible in the short term. Now in the longer term no one can tell.

Before asking you about Syria can I just segue by saying how the question of the Palestinians and Gaza plays into this situation? Because it was interpreted as a coup for Morsi the way he helped negotiate an agreement. As you know, Time magazine called him the most important man in the Middle East only to have him rebuffed the following week, but the whole question of Israel and the Palestinians looms large in this picture. Can you say a few words about that?

WELL, THIS points to an important fact. I mentioned the hubris and arrogance of the Muslim Brotherhood, but one key element in that is the support they have from Washington. That's a key element in their belief that they are in control, that they can rule. Washington was actually taken aback by the uprising at a time when it was at—and still is—at its weakest in the region since the 1991 peak when under Bush Sr. half a million US troops were deployed in the Gulf at the time of the first US-led war on Iraq. This peak of US hegemony at that time also led to the beginning of the so-called peace process between Israel and the Arab states, and then to the Oslo agreement in 1993. All this is behind us. All the main factor in ending it all was the Bush Jr administration, the George W. Bush administration, and the major catastrophe for the US Empire in general, for US imperialism, that the occupation of Iraq proved to be. It turned into a disaster. US forces had to leave Iraq without achieving any single one of the fundamental objectives that they had when they occupied the country. They had to leave the country, without keeping a single base, nothing, and no control over the government, which is much more under Iranian influence. The first thing that Iraq did after US troops left was to negotiate an arms deal with Russia of all places. Iraq was a disaster for the United States.

So they are really at a very weak point. The US feels quite weak in the region and took the backseat in the NATO operation in Libya keeping low profile, unlike in any of the other operations that we have seen until now, whether NATO ones like Kosovo or Afghanistan or non-NATO ones like Iraq. On Syria you can see Washington's impotence very clearly. Facing all this, the only force they found on which they could bet is the Muslim Brotherhood.

The Emir of Qatar arranged the deal, as he has been the main sponsor of the Muslim Brotherhood since the mid-nineties. Washington ended up betting on the Muslim Brotherhood because it lost its usual allies, people like Mubarak and Ben Ali. Because we entered a new phase in the region's history, Washington needs now a force with a real popular base, and the only one they found available is the Muslim Brotherhood toward which they were all the more well-disposed that they had a long history of collaboration. In the fifties, sixties, and eighties up to 1990 the Muslim Brothers were aligned with the United States basically, especially during the fifties and sixties when they were seen in the whole region as collaborators of the CIA. That's the role they actually played, working against Egyptian president Nasser and Soviet influence in close collaboration with the CIA, with the United States, and with the Saudi Kingdom. At that time they were sponsored by the Saudis. That was before they shifted to Qatar in the 1990s.

So Washington is again betting on them, and the role that Morsi played in the Gaza episode was actually carrying on the role that the Mubarak regime used to play, but with a higher efficiency because of the fact that Hamas is the Muslim Brotherhood's Palestinian branch. So they have more clout with Hamas and therefore they negotiated this deal and got applause from Washington. Washington is betting on these guys, whether in Tunisia or in Egypt or in Syria for the future, when the regime falls. In the entire region there's no country where the Muslim Brothers are not present and where they don't play an important role, and that's why Washington is betting on them and has been extremely cautious in commenting on what is happening in Egypt. The Obama administration was actually bolder in criticizing Mubarak than they have been in criticizing the Muslim Brotherhood.

Can you comment on Syria? Right now the whole process there has been incredibly arduous and violent on the part of the government and there's no unanimity in the opposition, even of the Left against the regime, since sections of the Left seem to support the regime. Can you comment on the developments there?

WELL, SYRIA is no exception to the whole pattern of the uprising in the sense that you have a very dictatorial regime, actually one of the most despotic in the region, along with Gaddafi's Libya and the Saudi Kingdom. On the other hand, this is a country where the social economic crisis was most acute, with very high unemployment, 30 percent poverty rate, and on the other hand, a ruling family concentrating power and wealth at an incredible degree. The cousin of the Syrian president controls 60 percent of the economy. His personal wealth is estimated at $6 billion. All this was a very explosive cocktail, and it exploded.

On the Left, you've had communists participating in the Syrian government. It's a tradition that exists from the time of the Soviet Union, which used to have close relations with the Syrian regime that were continued by Putin's Russia. But most of the Left, if not all the Left in the true sense of the term, is against the regime. The major left-wing party of Syria is represented in the Syrian National Council: it is the dissident wing of the Communists, which split in the 1970s and opposed collaboration with the regime.

To believe that the Syrian regime is on the left or, worse, that Assad is "a socialist, a humanist and a pacifist" as Chávez put it so embarrassingly, is at best ignorance. There shouldn't be any hesitation for anyone on the left in standing completely on the side of the Syrian people in their fight against this brutal, exploitive, and corrupt dictatorship. Beyond that, in Syria as in every other country of the region, you find among the forces struggling against the regimes Islamic fundamentalists. It was the case in Tunisia and Egypt likewise. They should not be taken as pretexts to denigrate the whole uprising. In Syria like everywhere else, the Left should support the popular movement against the dictatorships unhesitatingly, and in doing so, all the more once the dictatorships are down, it should support the most progressive forces within the movement, along the process of radicalization within the revolution that Marx once called "permanent revolution."

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Tunisia

Down with the government of murderers!

This morning a treacherous and obscurantist hand was raised to a assassinate the left leader and activist, comrade Chokri Belaïd, secretary general of the Parti des patriotes démocrates unifié [Party of United Democratic Patriots] and one of the leader of the Popular Front. This assassination follows the warning given by Belaïd, speaking clearly and with revolutionary audacity, of the gravity of the political situation and the escalation of political violence clearly inspired by the Ennahda movement and its cowardly henchmen, its terrorist militias and its criminal leaders. A situation marked by political agitation and excommunication through the pulpits of the mosques, the media, party meetings and political declarations against all opponents, and notably against the leaders of the Popular Front with all its components.

Whether this crime was planned by the Salafist criminals or by the militias of the so-called "leagues for protection of the revolution", it represents a clear message to terrify the people and the radical opposition as a whole, still capable of offering alternatives. But also to smother the free voices which lift the veil on the process of derailing of the revolution, of betrayal of the people and of mortgaging of the country to the circles of the Gulf and the imperialists; a process of conspiracy against the Arab revolutionary process which benefits the criminal movement of Ennahda and the traitor government who alone have an interest in stifling this raised voice.

This political crime carried out against one of the symbols of the left movement in Tunisia – as well as the Popular Front – known for his political and legal activism against the dictatorship since the 1980s, represents a dangerous turn in the process of derailment and liquidation of the revolution. It reminds us of the assassination of the leader Farhat Hached, but at the same time portends the end of Ennahda's reign in the dustbin of history.

After having led the country into acute crisis and a political impasse, the government is now leading it towards chaos; it has no political l legitimacy after being implicated in political terrorism and having shown its inability to guarantee the safety of citizens. Worse still, the government incites the liquidation of activists and shoots them down in cold blood; it has no way out after having repressed, tortured and used bullets against unarmed citizens; its scandals have left a lasting impression.

Let the blood of comrade Chokri Belaïd unite us to overthrow this government in the regions, in the centres of sovereignty, in all the state institutions, in the particular the institution of the Ministry of the Interior and the Constituent Assembly!

– Get rid of the governors and delegates and elect activist local bodies to create a situation of dual power!

– We call together for civil disobedience and the general strike with the sole perspective of bringing down the regime!

Tunis, 6 February, 2013

Spanish state

Spain is in the hands of thieves

Esther Vivas ·

Mayors, former ministers, regional leaders, senators, councillors, MPs... a total of more than 300 politicians are under investigation for corruption. And sleaze is present at all levels of public administration. And not only. Corruption looms, too, in the General Council of the Judiciary, including the governors of the Bank of Spain and the Royal Family. Here no one is exempt. And we are only seeing the tip of the iceberg.

The Valencia region and the Balearic Islands have the dubious honour of topping the ranking of corruption and cronyism, although territories such as as Catalonia, Galicia, Madrid and Andalusia follow closely behind. In Valencia, nine members of the Popular Party are formally charged and former senior officials of the government of Francisco Camps, who, even The New York Times has compared with Silvio Berlusconi. In Baleares, there are almost a hundred defendants, between middling and top posts, for the most part from the last Popular Party administration of Jaume Matas, who, incidentally, has accumulated a total of a dozen cases of irregular funding, among others.

In Catalunya, corruption is widespread in both Convergència and Unió [the two parties of the coalition CiU backing recently re-elected Catalonia regional President Artur Mas]. Convergència, whose headquarters have been seized to cover the bail of 3.2 million euros for the diversion of funds from the Palau de la Música and [the alleged public bid rigging] for the ITV [vehicle inspection stations] by Convergència's general secretary, Oriol Pujol [son of former Catalan regional premier Jordi Pujol]. Furthermore, there's the case of the Catalan Health Institute, which forced its president Josep Prat to resign, and now the case of Xavier Crespo, Convergència deputy in parliament, presumed to be linked to a plot of laundering funds from the Russian mafia. The "very honourable" Jordi Pujol seems to be ignorant of this, and is promoting from his think tank a "code of ethics for professionals in politics," based on honesty and transparency. Another bad joke.

And so to Unió Democrà tica de Catalunya, or Unió, which was convicted of misuse of 388,000 euros of European Union funds meant for jobless training programs between 1994 and 1999. That's case known as Pallerols. And that culminated, check this out, with an agreement between prosecutors, prosecution and defence to avoid prosecution, and a statement from, among others, the training chief Duran y Lleida, and a reduction in prison sentences to less than two years (initially the Court of Barcelona demanded 11 years!), thus avoiding jail. Justice?

Nor should we forget the 'fake redundancies' plot in Andalusia, led by the Socialists, with about 70 defendants, including former senior regional government officials. Many, it seems, were the beneficiaries, for over at least ten years, of money from the Andalusian ERE redundancy scheme. It was a scandal that followed in the wake of a long history of corruption in socialist ranks since the days of Juan Guerra and Luís Roldán.

Having said this, most corruption cases occur locally. Today some 80 mayors and former mayors plus several dozen more councillors are under investigation for cases related to the awarding of contracts and urban development. Many of them are charged with crimes of embezzlement, breach of trust, influence peddling and / or fraud. The Pretoria [urban development] case in Santa Coloma de Gramenet, and the more recent case of 'operation Mercurio' in Sabadell, are examples.

The major political parties in particular appear to have done what they wished with public funds, using them as illegal financing instruments and treating collective matters as if they were private. No wonder, then, that in the last Barometer Sociological Research Center (CIS), in December 2012, politicians and parties were considered the third most important problem that exists in the Spanish state, after corruption and fraud. In fact, Transparency International's Corruption Perceptions Index 2012 report, the Spanish State was ranked 30th in the standings, tied, coincidentally, or maybe not, with Botswana.

Intimidating the media

And, what happens to those who dare to denounce corruption? Today the most emblematic case is that of CafèambLlet, a local magazine, with very little means, that reported in early 2102, with a home video, which within a few days was seen by over a hundred thousand visitors in Youtube, how Catalan public health money was being stolen by businessmen and politicians of CiU and Catalan Socialist Party (PSC).

Months later, CafèambLlet faced legal action by Josep Maria Via, quoted in that video, for allegedly attempting to bring him into disrepute, in an unusually fast trial in which they were not even allowed to speak, and were convicted and sentenced to pay a fine of ten thousand euros. But take note, another major scandal that was uncovered by CafèambLlet in its Crespo Report, regarding [the CiU's deputy] Xavier Crespo, who in turn threatened to sue the magazine and who at present the anti-corruption prosecutor has asked that he be investigated for graft and bribery. Will anyone compensate CafèambLlet for the threats received by this character?

Nature of today's corruption

Corruption is not perceived today as it was in the past. Now it is regarded as an intrinsic part of the crisis. The impunity enjoyed by political corruption seems to be over. At a time when the pillars that built the system during the Democratic Transition, and where there's a rapid loss of legitimacy of institutions and political representatives for their subservience to financial power, it is likely that the impact of corruption on public opinion and voting behavior will be more severe. And in so far as it increases unemployment, poverty and insecurity, illicit enrichment of the elites at the expense of the majority it is becoming an unbearable burden. The crisis is no longer seen as resulting from the 'waste' of the current people but as 'theft' and 'fraud' of the ruling class.

Now is therefore the time to act, say stop and take action: demand mechanisms of control over public officials, the revocation of mandates, the de-professionalisation of politics, the end to the accumulation of public posts, a limit on salaries, and transparency in accounts. Yesterday thousands of people gathered outside Popular Party headquarters in Madrid, Barcelona, Valencia, Zaragoza and La Coruña.

A first step in a new surge in the streets? The Barcenas case is the straw that breaks the camel's back. It is high time that they return all that they have stolen from us.

**Translated by Revolting Europe.*

+info

Indonesia

Labour Activists Criminalised!

Rakyat Pekerja ·

Sulthoni also encouraged unity of workers and at the time took part in the uniting of unions in the alliance Aliansi Buruh Menggugat (ABM) and became the coordinator of ABM in the larger Jakarta region. This unity is now embodied in the development of the Greater Jakarta Workers Joint Secretariat (Sekber Buruh) in which Sulthoni is a presiding member. In 2009 Sulthoni Farras also received a legal aid award, awarded to those that consistently struggle for human rights, including the rights of workers.

True liberation of the working class is not possible without a political struggle and a the establishment of a political party for the working class. Because of this belief, Sulthoni joined the Working Peoples Association that later developed and led to the formation of KPO PRP. Sultoni sits on the national committee of KPO PRP.

One of the struggles that Sulthoni was active in and that led to the criminalisation, was the liberation of PT Dongan workers from the system of contract work and wage theft by the owner of PT Dongan, Park Jung Sik.

PT Dongan employs approximately a thousand workers, mostly women. The plant produces quality wigs for export. Before establishing a union, the workers of PT Dongan were like slaves. Their employment status was unclear despite several years of work at the plant. They were still considered contract workers despite having worked there for between four and ten years. Their wages were always being cut for various reasons, such as for transport and catering. Meanwhile, the government through the Department of Labour, shut their eyes to what was happening.\

Amid the rising labour movement in Indonesia, workers at PT Dongan became increasingly aware of their rights and power. Starting slowly but surely, the workers at PT Dongan began to consolidate. At first, only dozens of workers met to discuss their rights and the possibility of forming a union, until finally a conference was held and attended by the majority of workers of PT Dongan.

After the conference that established a union, the threats began to haunt them. The company planned to get rid of all workers on contracts. This troubled, and then made the workers angry. The threats continued, even though the workers had been employed there for years. Triggered by the intimidation the workers of PT Dongan became active and forced the company to meet all their basic rights and also make all contract workers permanent workers.

On the 7th of September, 2012 negotiations between the workers and PT Dongan took place going until 9:30pm. From those negotiations it was agreed that all rights (maternity leave, an end to wage cutting for transport and food, provision of food and drink and so on) would be provided). A joint agreement was also decided upon by both sides. (For Chronology of PT Dongan Workers Struggle see: http://www.rakyatpekerja.org/chronology-of-pt-dongan-workers-struggle/)

However, in the development of the company PT Dongan, the company has responded by denying these agreements and criminalising the active union workers of PT Dongan. Sulthoni Farras was then determined as a suspect in line with article 335 KUHP, misconduct, by the Bekasi police.

January 26, 2013

Please send pressure to:

Kapolresta Bekasi, Drs Isnaeni MSI: +62 817245622

Kabid Humas Polda Metro Jaya, Kombes Rikwanto: +62 8164266366

DPRD Bekasi Komisi Ketenagakerjaan, Warja :+62 81311110109

Wave of retaliation and criminalization by the bosses toward workers struggle is happening in other part of Indonesia. Send your data, profile and chronology of the bosses retaliation and criminalization toward workers struggle to: kpo.prp@rakyatpekerja.org

Send your solidarity statement to: kpo.prp@rakyatpekerja.org

Solidarity Message:

http://www.rakyatpekerja.org/pernya...

http://www.rakyatpekerja.org/lawan-...

Protest Against Criminalization of Workers Activist:

http://www.rakyatpekerja.org/komite...

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FEATURES

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Features

More Banks versus the People

Éric Toussaint · *26 February 2013*

The primary objective of the world's leaders is to avoid another banking and financial crash that could be worse than the one in September 2008. [2]

As we saw in the first three parts of this series, the big central banks (ECB, Bank of England, US Federal Reserve, and National Bank of Switzerland) have prevented the bankruptcy and collapse of many private banks by lending them massive sums. [3] Without this unlimited line of credit, a large number of banks would have had to suspend payments. Central banks have loaned more than 20 trillion dollars to private banks since 2007. In the EU alone, the loans given to private banks by public administrations go far beyond the unlimited credit doled out at very favourable interest rates. Guarantees must also be put into the balance, which amount to 1.174 trillion euros (9.3% of EU GDP) [4], for the period between October 2008 and December 2011, and bank recapitalisations to the tune of €442 billion (3.5% of EU GDP).

Also to be considered are:

- the decrease in tax revenues, because banks declared losses, which enabled them to avoid paying taxes for several years, even when they were making a profit; [5]
- the decision not to take legal action against banks for financial offences in spite of the damage they have inflicted on society; [6]
- the unwillingness to apply any binding or disciplinary measures on financial institutions in order to prevent another banking or financial crisis. [7]

What is more, the eurozone, the States, and the European commission maintain the judicial framework that gives the private financial sector a monopoly in terms of lending money to the public sector. Yet, the eurozone private banks' principal source of funding at low interest rates (between 0.75% and 1%) is the ECB and the central banks of eurozone countries (which constitute the Eurosystem). These are the funds that are lent to the peripheral EU countries (Greece, Ireland, Italy, Portugal, Spain, and the East European eurozone countries) at exorbitant rates (between 4.5% and 10% or more). From a legal and moral point of view, this is doubly condemnable: the banks are guilty of abusive practises and unjust enrichment (abusive because of the usury rates). In Part 7 of this series, we will look at other crimes and offences committed by banks, which should cancel the debts these banks are trying to collect. The people and the corporations that are responsible should be forced to pay heavy fines, perform community service, have their personal freedom restricted, or be banned from exercising a financial or banking profession.

It would be naive to imagine that banks will take advantage of public generosity to adopt careful management practices for the funds that States allocate to them or that people deposit in their accounts. This is one of the points analysed in the following pages.

Crises are part of Capitalism's metabolism

A crisis in the capitalist system is a kind of wake up call: speculative bubbles burst, the price of assets [8] moves back towards their real value; the least profitable corporations go bankrupt, and capital is destroyed [9]. Crises are in a way part of Capitalism's metabolic system.

However, interventions by public authorities, who cater to demands made by Presidents of large corporations, have made it impossible to "clean up" or purge the Capitalist system. There are millions and millions of victims among the 99%, while those responsible for the crisis have not really put things back in order. Very few major corporations have gone bankrupt, the banks have not cleaned up their accounts, and new speculative bubbles have formed or are forming.

The small number of bank failures can be attributed to the aid provided by the ECB and EU governments. Member states considered that the banks were too big to fail. In the EU, only 7 small or medium-size banks have been liquidated: 4 Danish, 1 Finnish-Luxemburgish, 1 Irish, and 1 British [10]

Unless there is a radical shift towards greater social justice, the crisis is going to continue for many more years due to the following factors: current government policy favours the interests of major private corporations and is attacking the social and economic rights of people everywhere; [11] weak government and market demand; speculative bubbles persist; unprofitable and even insolvent corporations are being kept alive.

It is for these reasons that it is important to better understand how banks function. We need to open their books, and audit the budgets of the public authorities that support them, shed light on their activities, and identify what is behind their actions. This analysis will show that the part of public debt that is the direct or indirect result of the banking crisis and bank bailouts is illegitimate. [12] This debt did not serve the general interest. It simply allowed the banks to have their cake and eat it too, while continuing the same disastrous activities. This public debt is the pretext cited by government leaders around the world for attacking the economic, social, and political rights of people.

However, a different conclusion is in order: given their importance and the devastating effect their bad management can have on the economy, banks must be redefined as public services. The work banks do (as an entity enabling people to save money and take out loans) is far too serious to be entrusted to private bankers, who by definition seek to maximise the profits of a handful of private owners (the 1%, as the Occupy Wall Street movement called them). Given that they use public funds, benefit from government guarantees, and are supposed to provide a basic fundamental service to society, banks should become a public service.

This alternative conclusion leads me to make two radical propositions. First, the cancellation/repudiation of illegitimate public debt and the launch of a new government borrowing policy promoting social justice, better living conditions, and the restoration of the major ecological balances. Second, the banking sector should be socialised, placed under citizen control, and be subjected to public service rules and regulations, [13] and the revenues generated must be used for the common good. Other measures are also necessary, such as putting an end to austerity policies. [14]

The secret mission of banks: maximum Return on Equity (ROE)

If we really want to understand how the major shareholders and Directors believe their banks should operate, where their motivations come from, and their behaviour as capitalist corporations, it is important to take into consideration the scramble for Return on Equity.

The notion of Return on Equity (ROE) is indeed a key to understanding their mindset. From the 1990s to the beginning of the crisis in 2007-2008, there has been a mad race for maximum ROE: 15% was common, but some banks were getting 25 to 30%. In 2007, ROE stood at 15% in the eurozone, 17% in the United Kingdom, and 19% in the USA. [15] Let us take for example two major US banks: Goldman Sachs and Morgan Stanley (the 5th and 6th largest banks in the country). They both posted a 30% ROE in 1999-2000 until the internet bubble burst and Enron went bankrupt in 2001.

From 2001 to 2004, the shareholders of these two banks had to content themselves with an ROE between 12 and 16%. Thanks to the all-out support policy for banks and big business implemented by the Fed and the Bush administration (with Henry Paulson, the former CEO of Goldman Sachs, working as the Secretary of the Treasury), Goldman Sachs's ROE again reached 30% in 2006-2007, while Morgan Stanley's shot back up to 25% in 2006, before falling again in 2007. Goldman Sachs advised its clients to purchase structured subprime products (the famous CDOs – Collateral Debt Obligations), while at the same time speculating that they would drop as of 2007. That is why it could post a 30% ROE at the height of the banking crisis, while its chief competitors Bear Stearns, Merrill Lynch, and Lehman Brothers were beginning a descent into hell. The SEC (Securities and Exchange Commission, the authority controlling banks in the United States) ran an investigation into Goldman Sachs activities at that time, and gave the bank a heavy fine. Then in 2008, Goldman Sachs's ROE fell to 10% and Morgan Stanley's to 2%. In 2009, Goldman's ROE went up to 20%, and Morgan Stanley's was 10% in 2010. Finally, in 2011, the two banks' ROE dropped back to 5%. [16]

Generally speaking, a bank's equity is made up of the capital put up by its shareholders [17] 25 years ago, this equity represented 8% of the bank's assets. For example, for a bank that had assets worth 100 billion euros (broken down into household loans, corporate loans, government bonds, corporate bonds, commissions on corporate mergers, and initial public offerings (IPOs)), its capital equity would have been 8 billion euros.

In that case, to achieve a 15% ROE, net profit must be €1.2 billion (15% of 8 billion). It seems easy to obtain such net profit with assets that amount to €100 billion, as they represent only 1.2% of that amount.

The exponential inflation of bank assets to increase ROE

The offer of new structured financial products or derivatives developed very rapidly from the middle of the 1990s. The big banks wanted their part of this buoyant and expanding market, knowing that if they were not well placed, they would be overtaken, and eventually taken over by their competitors. The profits on these products are relatively small, usually around 1%. If the shareholders are pushing for a 'Return on Equity' between 20% and 30%, the directors are under pressure to greatly inflate their assets. In the previously mentioned example, the assets were tripled in twelve years to €300 billion, while the capital remained stable at €8 billion or 2.66% of the assets. This growth was funded by borrowing.

Leverage

The bank concerned had used leverage, which consists in increasing its borrowing to increase the profitability of its own resources. [18]The leverage is 36:1 (the debt is equal to 36 times the capital). As the competition between the big banks on the derivatives markets has increased over the years, the profitability of these products has decreased: in some cases it is no more than 0.1%. To maintain the ROE at 30% while the profitability of derivatives is reduced, the banks chose to increase their assets, notably in the derivatives domain, and by creating structured high profit products very much based on sub-prime contracts. In compliance with part 6 of the Basel 2 accord, they are not allowed to have capital inferior to 2.5% of their total assets. To obtain revenues and maintain high ROE, they turn to off-balance sheet methods. They create non banking companies, consequently not subject to banking regulations and controls, specialising in the derivatives markets. In 2007, the sub-prime market crashed. The banks and their specialised offshoots suffered losses, sometimes greater than their capital. If the bank in our example that uses a 36:1 leverage effect has a 3% drop in the value of its gross assets, its net assets are swallowed up. Either it goes bankrupt, gets taken over by another bank, is 'nationalised', calls on the State for a bail-out, or tries to cover up the losses by manipulating the accounts until better times arrive and profits return.

These different cases actually occurred. In the US, 400 small and medium-size banks went bankrupt alongside Lehman Bros, which was the 4th largest commercial bank. In Belgium, Fortis, the country's largest bank was taken over by BNP-Paribas in 2008. Another US bank, Merrill Lynch, was taken over by Bank of America, and Bear Stearns was bought by JP Morgan.

The case of Northern Rock

In the UK, Northern Rock, which was originally a building society [19], changed its legal structure in 1997, and took on an aggressive real estate strategy. Between 1997 and its downfall in 2007, it grew by 23% a year to become the 5th British mortgage bank with 90% of its loans in real estate. In order to finance its growth, Northern Rock isolated its deposits and became dependant on short-term borrowing. Leverage effects were used to the full, going beyond 90:1. On 13 September 2007, Northern appealed to the Bank of England, depositors panicked, and a bank run on Northern Rock took place. Yet, it was not the bank run that caused the bank's downfall; rather it was the decision by major private lenders, some months before, to cut off the funds from one day to the next that chimed the death knell for Northern Rock. The bank was nationalised in February 2008. [20]

Deutsche Bank charged with deceit by former employees

A much less mediatised case concerns Deutsche Bank (DB), the biggest bank in the world in terms of overall assets (see above). It illustrates a situation in which a bank covers up its losses so as to avoid the government stepping in and investors turning away, which would send share values plummeting. The events occurred in 2009. The three former employees who exposed the facts to the SEC (Security and Exchange Commission) in 2010-2011 claim that Deutsche Bank had concealed a $12 billion loss on the US derivatives market. If Deutsche Bank had acknowledged such losses in its 2009 balance sheet, its capital would have been reduced by 25%, which would have made it compulsory for the German government to bail it out (since it required the equity of German banks to amount to 8% of their assets). Instead of acknowledging any loss, the bank launched a major campaign to boost stock market share value. It announced €1.8 billion profit before tax for the first quarter in 2009. DB share value increased from €16 in January 2009 to €39 at the end of April 2009. Each of the three employees exposed the deception without knowing about the other two. Eric Ben-Artzi, who was risk manager with DB, was fired three days after he had told the SEC about the deceit. He initiated a lawsuit against DB for unfair dismissal. The second complainant, Mattew Simpson, voluntarily left DB with $900,000 in compensation money. The third complainant wishes to remain anonymous. The SEC is most embarrassed by this scandal, because Robert Khuzami, currently Enforcement Director at the SEC, was working as General Counsel for the Americas with Deutsche Bank from 2004 to 2009 when the cover-up occurred. Richard Walker, who is currently general counsel of corporate and investment banking at Deutsche Bank, was Enforcement director at the SEC for ten years. This shows that while Goldman Sachs has indeed a most pernicious influence, other major banks play a crucial role in the decisions made by governments and control authorities both in the US and in Europe.

Evolution in bank assets and activities since the 1990s

In the theoretical case presented above, it is claimed that the balance sheet values of banks, both their liabilities (debts) and their assets (property and bank products generating revenues), increased significantly between the 1990s and the outbreak of the crisis in 2007-2008. The IMF reports that global bank assets increased by about 140% from 2002 to 2007, rising from $40to $97 trillion. They further increased from 2007 to 2011, reaching $105 trillion. While bankers and governments keep repeating that banks have cleaned up their assets and gone on a strict diet, this is not at all true. Only very recently has the volume of assets started to decrease, and in a marginal way. The IMF reports that from the 3rd quarter of 2011 and the 2nd quarter of 2012, the reduction of assets in

European banks (outside derivatives) amounted to only 2%.

The Liikanen report, named after the chairman of the group of experts appointed by the EU Commissioner for Internal Market and Services Michel Barnier to make propositions concerning structural reforms to the EU banking sector, provides extremely interesting information on EU banks.
It shows that in France the assets of Société Générale (8th largest European bank, 3rd biggest French bank) increased from €410 billion in 1999 (when the euro was launched) to nearly €1.2 trillion in 2008 (an increase of close to 300% over a decade). In 2010, assets were still close to €1.2 trillion. In Germany, the assets of Commerzbank (15th largest European bank, 2nd biggest German bank) went from €380 to €850 billion between 1999 and 2009.

If we consider the whole European banking sector, assets went from €25 trillion in 2001 to €43 trillion in 2008 (3.5 times the EU's GDP)! Banks debt followed the same trend.

The increase in bank assets has relied on more borrowing, in some cases in a steep rise in mortgages and for most major banks on a dramatic increase in trading activities that include derivatives and structured securities. The issue of Asset Backed Securities was massively monopolized by US banks, but European banks were also keen to participate. They bought those ABS thanks to short-term loans, while the products bought had much later maturity, thus using the leverage effect. To cover the risks, banks would buy credit derivatives and other kinds of derivatives meant to protect them against risks related to currency exchange, interest rates, and so on. In September 2008, the bankruptcy of Lehman Brothers and the bailout of AIG (the biggest insurance company in the world) showed that those who issued derivatives could not cope with the risks they were meant to cover. The total volume of derivatives literally exploded, from $100 trillion in 1998 to $750 trillion in 2007.

The growth of European banks did not rely on their clients' deposits (which increased only modestly), but on their debts on the interbank market, with the ECB, or with Money Market Funds (MMFs).

What are Money Market Funds?

MMFs are financial corporations in the United States and Europe, rarely controlled and subject to few rules. The specialized press considers them to be closely akin to shadow banking. [21]

The Obama administration is considering creating regulations, because if an MMF goes bankrupt, it may be necessary to bail it out with public money. A worrying situation given the vast quantities of money they handle, and the sharp drop in their profitability since 2008. In the United States, they held $2.7 trillion in 2012, a significant drop from the $3.8 trillion in 2008. MMFs lend on a very short-term day to day basis. Created by JP Morgan, the biggest bank in the United States, Prime Money Market Fund is among the largest, worth $115 billion. Wells Fargo the 4th largest bank in the United States has an MMF managing $24 billion. Goldman Sachs the 5th biggest bank controls an MMF worth $25 billion. US banks also operate MMFs in Europe; JP Morgan (€18 billion euros), Black Rock (€11.5 billion), Goldman Sachs (€10 billion), alongside European banks such as BNP Paribas (€7.4 billion), and Deutsche Bank (€11.3 billion). Some MMFs also operate in British pounds. Michel Barnier (European Commissioner for the Internal Market and Services) has also announced that he would like regulations to be imposed on this activity, but this is most likely to remain nothing more than a statement of good intentions. [22]

Bank balance sheets have not been reduced since 2007 – 2008

The authors of the Liikanen report expected that because of the severity of the crisis, the banking sector would be restructured, bank balance sheets reduced, and the weaker firms closed down. This did not happen, the volume of assets have not shrunk since the crisis struck in 2008. [23] It was then €43 trillion and has grown to €45 trillion in 2011. Given that European GDP has slightly decreased, in 2011 the assets (including the debts) of the European banks were equivalent to 370% of European GDP! Between 2007 and 2011 Deutche Bank assets increased by 12.4%, those of HSBC by 22.2%; BNP Paribas + 16%; Credit Agricole + 22%; Barclays + 12%; Santander + 37.1%; Nordea, the principal Swedish Bank + 84.1%; Commerzbank + 7.3%; Intesa + 11.6%, and BBVA + 19.1%. Of the eighteen top ranking European banks, only three have seen their assets decrease: Royal Bank of Scotland -28%; the principal Dutch bank ING -3.33%, and the principal Italian bank Unicredit -9.3%. [24]

Why have banking balance sheets not been reduced?

They have not reduced their balance sheets because no authority has forced them to do so, and they have been well furnished in cash flow by the ECB, the FED, and other institutions. They continue to play heavily on the leverage effect. What is more, in the eurozone, the ECB has been encouraging banks to purchase ever more public bonds.

The European banks are slowly trying to unload part of the toxic assets that clutter their balance sheets. When they sell off toxic products below their purchase price (as indicated in their balance sheets) they must write-down the value of their assets. Of course in doing this, they reduce the whole value of their balance sheet. What they do liquidate is very little compared to the immense volume of their assets, and they hesitate to sell them for the derisory prices they would get. They prefer to wait and see if the price rises. This price rise may never come about, and at the maturity of the contract it will be necessary to make considerable write-downs.

Meanwhile, back in the United States the Fed has purchased a huge amount of toxic assets: about $40 billion per month in 2012. In the eurozone, since the end of 2011 the ECB has accepted toxic assets as collateral for loans. The ECB has decided, since the beginning of December 2011 to ease the eligibility criteria of for guarantees for certain assets such as 'Asset Backed Securities' and 'Credit Claims'. [25] The ECB thus accepts in its own balance sheet part of the toxic assets that private banks are having a hard time trying to unload. [26]

Some details on EU banks [27]

Each of the ten biggest European banks holds €1 trillion in assets:

- 1 is German (Deutche bank, €2.164 trillion in assets which represents 84% of German GDP, 101,000 employees),
- 4 are British – (HSBC, €1.968 trillion , 120% of British GDP, 288,000 employees; Barclays, €1.187 trillion , 114% of British GDP,141,000 employees; Royal Bank of Scotland (RBS), €1.804 billion , 110% of GDP, 147,000 employees; Lloyds Banking group, €1.162 trillion, 70.7% of GDP, 99,000 employees),
- 4 are French – (BNP Paribas, €1.965 trillion, 99.8% of French GDP, 198,000 employees; Credit Agricole, €1.880 trillion, 95.4% of GDP, 162,000 employees; Societe Generale, €1.181 trillion, 60% of GDP, 160,000 employees; BPCE, €1.138 trillion, 58% of GDP 117,000 employees),
- 1 is Spanish (Santander, €1.275 trillion representing 118% of Spanish GDP, 193,000 employees)

Ten years ago, none of the big banks had a volume of assets that was greater than the GDP of their country of origin. In most EU countries, banking concentration has increased. In Belgium, between 1997 and 2010 the five biggest banks increased their market share from 52% to 75%, in France from 40% to 45%, in Greece from 55% to 70%, in Ireland from 40% to 57%, and in Germany from 17% to 33%. [28]

Of the thirty biggest banks in the world in 2011, fifteen were European. Six of these banks were bigger than JP Morgan, the biggest bank in the US. [29] In addition, three European banks are very offensive on the Wall Street Market in particular, and in the US in general: Deutche Bank, Credit Suisse, and Barclays. They control 23% of the US debt market. On the mergers/acquisition market, Credit Suisse, DB and Barclays are in 4th, 5th, and 6th positions just behind Goldman Sachs, JP Morgan, and Morgan Stanley. [30]

The top twenty European banks eat 50% of the cake

There are 8000 banks in the EU that may be divided in three categories 1) 4000 small co-operative banks having less than one billion euros in assets; 2) those with between one and one hundred billion euros in assets: 3) major banks that have more than €100 billion and up to €2.2 trillion in assets.
The twenty biggest, that is 0.25% of the total number of banks, own 50% of the total assets: more than €23 trillion.

The small banks are generally more solid and do proportionally more domestic and industrially productive lending than the big banks. Because of their smaller size they are equally less risky. Numerous studies show that small cooperative or savings banks are more efficient, reliable, and useful than the big banks. [31]They are more helpful to their clients and are more involved in useful local investments, especially true when local institutions are involved. [32] According to the Liikanen report, Austria, Finland, Germany, and the Netherlands are the European countries where co-operative and savings banks are the most conducive to public utility.

The major banks are "universal"

The "universal bank" also called "full service financial firm" or "full service investment bank" means a major financial group covering various banking sectors as different as retail banking, commercial and investment banking, and asset management. They are active all over the country and abroad through their foreign branches. The risks here are important, as failures in the hazardous finance and investment sectors of activity may have adverse effects on other sectors within the bank and put the small depositors' savings in danger. This is the case of the biggest European banks.

The major banks have an appetite for derivatives

According to the ISDA (International Swaps and Derivatives Association), the union of private banks active in derivatives trading, 94% of the world's 500 principal banks are present on the derivatives market (in descending order, derivatives on risks over exchange rates, interest rates, commodities, and CDS); 80% of derivatives are produced and marketed by banks: it's their captive markets. Hedge funds (some of which are bank offshoots) weigh much less than the banks on derivative markets, their assets are worth no more than $2 trillion, which is completely marginal compared to the $100 trillion in the hands of the banks. The overwhelming majority of derivatives trading escapes from any control as it is conducted over the counter.

Trading is God!

Half of Deutsche Bank's and the Royal Bank of Scotland's assets are used for trading, while the figure is 40% for both BNP Paribas and Barclays.

What is trading?

Trading is a financial market activity in which banks and other traders take buying or selling positions in stocks and shares, interest rates, currencies, derivatives markets, futures or options on these instruments, commodity futures (including foodstuffs), real estate and others. Trading is clearly a speculative activity based on making gains through short-term price fluctuations largely brought about by traders' actions. The purchasing or selling of the commodities or products are not done to use them, but solely to make profit from the transactions. This activity was the main cause of the food crisis in 2008 – 2009, when the banks and other high rollers suddenly and massively transferred their trading funds away from the ailing real estate markets hit by the subprimes crisis towards commodity futures, [33] especially cereals.

[34] The same trading mechanisms were also at the origin of the rocketing oil prices in July 2008, and their sharp drop a few months later. Part of this trading is declared on a bank's balance sheet, the other — often greater — is conducted off-balance sheet on the OTC (over the counter) markets.

Barclays, BNP Paribas, Deutsche Bank, Nordea, Royal Bank of Scotland, and Société Générale are the banks that do the most trading as a proportion of their total business (more than 30% of their assets).

For four of these banks (Barclays, BNP Paribas, Deutsche Bank, and Royal Bank of Scotland), the derivatives they hold represent in notional value (i.e., the risk covered) more than 20 times their assets, [35] and more than 300 times their equity stricto sensu. We must recall that the derivatives market is not regulated and so has no controls! For Royal Bank of Scotland, derivatives represent 30 times their assets, for Deutsche Bank and Barclays 28 times, for BNP Paribas 25, and 7 for BPCE.

From 1990 to 2010, the major banks took increasingly bigger risks, in particular by developing trading activities. As a result, the percentage of fixed income (from loans to clients, and government and corporate bonds) decreased in their earnings. For Barclays and Deutsche Bank, between 1993 and 1996, loans represented half of their assets, whereas in 2007-2008, they only made up one tenth of them! Deposits from clients (households, companies, government administrations, and financial institutions) represented less than 30% of the liabilities of BNP Paribas, Deutsche Bank, Barclays, and Societe Generale.

Households and non-financial companies lend more to banks than banks lend to them

In general, banks loan less money to households and non-financial companies than they receive from them in deposits. This can be seen in the following figures concerning the amount households and non-financial companies contributed to the financing of banks (i.e., their debt) in 2011: 41% for Belgium, 23% for France, 28% for the United Kingdom, and 36% for Germany. [36]

By comparison, in their assets, the percentage of loans given to non-financial companies (NFCs) and households was very small: for Belgium, 10% to NFCs and 9% to households; for the United Kingdom, 5% to NFCs and 15% to households; for France, 10% to NFCs and 12% to households; for Germany, 10% to NFCs and 17% to households; for Spain, 23% to NFCs and 22% to households. [37]

Bank loans to households and non-financial companies are a minor part of bank assets

On average, loans by all European banks to households and non-financial companies only represent 28% of their assets; the remainder is made up of other kinds of debt, ABS, and sovereign debt. [38] However, that does not take account of the hidden activities, their off balance sheet transactions, or the infamous shadow banking system.

The 10 biggest European banks receive the most government aid

Between 2008 and 2011, the 10 biggest European banks received more than half of the €1.620 trillion (13% of GDP in the EU) of public aid disbursed in the form of recapitalisations and guarantees.

The Big Banks work in the shadow economy

As is the case on other continents, the major European banks make their business activities as opaque as possible by setting up a large number of companies. In a significant number of cases, there are more than one thousand different legal entities for a single bank. In addition to making the work of auditors very difficult, most of these entities are based in tax havens in order to pay the least possible amount of taxes, for themselves and their wealthy clients, and to, launder money. [39]

Return on equity

According to the Liikanen report [40], in 2011, equity capital represented only 2 to 8% of the total assets of the major banks. For Deutsche Bank, they hardly exceeded 2%. For ING and Nordea (Sweden), they were a little less than 4%, while for BNP Paribas, Crédit Agricole, BPCE, Société Générale, and Barclays, they represented about 4%. For the Spanish banks Santander and BBVA, the Italian banks Intesa Sanpaolo and Unicredit, and also for the Belgian bank KBC, they were around 6%. [41]

Let's do a little practical exercise to get an approximate idea of the return on equity in 2012 of the banks in some key countries. As you do this exercise, you must keep in mind what was explained above in the section "The secret mission of banks."

The IMF issued a publication on bank profits as a percentage of total assets at the beginning of 2012. These profits were very low, and in some cases (Greece, Ireland) negative :

Greece -0.4%

Ireland -0.8%

Italy 0.4%

Portugal 0.3%

Spain 0.2%

Austria 0.4%

France 0.2%

Germany 0.2%

Netherlands 0.4%

UK 0.0%

Denmark 0.1%

Switzerland 0.2%

Sweden 0.6%

United States 0.8%.

If we limit our analysis to this table, we get the impression that the shareholders of European banks are not very well off. But let's go further, and try to understand their ROE. Let's consider Deutsche Bank, which according to the Liikanen report had €2.164 trillion in assets, basing our analysis on the principle that its profit corresponds to the average amount reported by the IMF for Germany (0.2%). That would mean profits of €4.33 billion. According to the Liikanen report, in 2011 Deutsche Bank's capital equity amounted to 2% of its total assets [42], or €43.3 billion euros. In this case, its ROE works out to be 10%, which is a more faithful representation of true bank profits in these hard times.

Now let's apply the same reasoning to BNP Paribas. Knowing that its assets amounted to €1.965 trillion in 2011, a profit of 0.2% (€3.93 billion) would mean ROE of 5%. Indeed, according to the Liikanen report, in 2011, the capital equity of BNP Paribas represented about 4% of its assets (around €78.6 billion).

The CADTM would be very thankful if readers who have access to data concerning the ROE of one or several European banks would send us this information at info@cadtm.org.

A final point must be emphasised: banks tend to cook their books when it comes to estimating their assets, which is also true of their estimations of their capital equity, and other items on their balance sheets, because the Basel III accords force them to have better capital ratios (see Part 6 of this series).

Conclusion

In order to achieve an alternative solution to the capitalist way of managing the crisis, it is essential to understand the role the banks play and expose their dark side. This will help strengthen the grassroots action of citizens, and in particular the citizens audit initiatives that are under way in Europe (Spain, Greece, Portugal, France, Belgium, Italy...) and elsewhere. [43]

The banks have lost much of their legitimacy; however, they can count on unlimited support from governments and mainstream media. The private banks and governments that promoted the radical financial deregulation that began in the 1980s and 1990s are responsible for the present debacle. The decisions that have been taken are making problems worse and longer-lasting. We are living through a new major crisis of the capitalist system, along with many others such as the food and environmental crises. [44]

The banking crisis alone has entailed huge costs for society and it is not over yet. Luc Laeven and Fabian Valencia, two economists at the IMF, estimate that the drop in the GDP growth attributable to the banking crises for the period 1970-2011 is 33% (23% for the eurozone, 31% for the US). In their opinion, the final cost is likely to be even larger.

The same two authors say that in the advanced economies over the period 1970-2011 the banking crises accounted for 21% of the rise in public debt (20% in the eurozone and 24% in the United States). [45] Even if this is not at all the conclusion reached by Laeven and Valencia, this debt is clearly illegitimate, and we must therefore refuse to pay for it. Besides the need to reject repayment of the debt caused by the crisis and the bank bailout as it is currently being carried out, bank policy has to be met with a radical response. Since banks use public monies, receive State guarantees, and have to provide society with essential basic savings and loan services, the banking sector should be socialized and become a public service.

The fifth part of this series provides an analysis of the weak points of the banks today, and the sixth part will explain why the initiatives taken by governments to regulate banking activities are completely inadequate.

Epilogue: a purely imaginary story

It is not that easy to put oneself in the shoes of a Big Banker, whether it is a major shareholder or an appointed top executive, and to try to understand the way they see their business. The vast majority of people who have a bank account [46] would struggle to even imagine how those who run the very same bank work, how they think, and how they benefit from their activities. Understanding what return on equity (ROE) is in concrete terms is particularly challenging, since many of us cannot even imagine what lies behind the answer to such a question.

Let us try to make things easier to grasp, by comparing a family, like any other family, to the leaders of big banks, who are very few in number.
Let us imagine Mr. and Mrs. Fernandez in Spain in 2007. They are close to their fifties and during 30 years of activity have saved up €100,000 (which they consider to be their capital). They decide to buy a house worth €500,000, which is made up of three apartments. They make a €100,000 down payment (20% of the total price). They plan to live in one of the three apartments, and rent out the other two. They borrow €400,000 to be repaid over 20 years at 5% interest, that is €18,780 a year (the average amount for the first four years of the loan) plus an annual €12,898 to repay the capital (the average amount for the first four years of the loan), that is €31,678to repay each year. Here is what they plan to do: "If we rent out each apartment for €1,000 a month, we will get an annual €10,000 per apartment, i.e., €20,000 in all, allowing for maintenance and other costs. We will have to finance €11,678, which is 117% of the rent we previously had to pay. That means we will have to dedicate a greater share of our income to repay the loan, but in the end, when we are 70, we will be the owners of this house, which will be a source of income, and one day we will leave it to our 3 children."

On the other hand, let us imagine that the same year the Big Bucks Bank also decides to buy the same kind of real estate as the Fernandez couple. The bank buys hundreds of them so as to increase its real estate-related assets in a context of soaring prices. Real property worth €500,000 may be worth €600,000 two years later. It is therefore a good deal. How is the bank going to finance this purchase? Here is the plan: they make a 4% down payment with the bank's own funds, i.e. €20,000. For the remaining €480,000, they take €180,000 from the current accounts of their clients who deposit their salaries and other income there (which represents a kind of interest-free loan by these clients to their banks). To finance the rest (€300,000), they borrow on the interbank market at a 3.26% rate (the average European interbank rate or "Euribor" from 2007 to 2010). In addition to the €20,000 of its own funds that the Big Bucks Bank spends just once, the annual cost of the purchase amounts to €9,780 in interest paid to the other banks. If, like the Fernandezes, the bank rents out the three apartments €1,000 each, allowing for all maintenance costs, it will get about €30,000 every year €9,780 of which will go to paying the interest. The net income comes to €20,220, which is a 101% return on the capital initially invested. As for the return on total investment, i.e., €20,220 on €500,000, it is 4.04% per year.

The difference between these two situations is blindingly obvious. What the banks do to finance the purchase of real estate is very far from the options available to anybody else. In the small and closed world of the big banks (let us not forget that out of the 8,000 banks operating in the EU, the 20 largest own half of the €46,000 billion in assets!), somehow they do not pay back what they borrow, they just pay interest. In fact, for each instalment, they take out a new loan to pay back the previous one. This option is simply unimaginable for the vast majority of people. In addition, as we have observed, they pay little or no interest on the deposits made on currents accounts even though they use the money deposited there. This situation will last as long as the major banks have continuous and cheap access to credit (preferably at a rate below the inflation rate). Of course, if depositors withdraw their money and/or if the different lenders lose confidence and turn off the credit tap; the bank is left in default, since its little game is over. In this case, it is very likely that the public authorities will intervene to bail out the bank if they consider it to be too big to fail.

The imaginary situation described above was set in 2007. Let us take a step forward in time: it is 2013, the real estate bubble has burst in Spain (as well as in Ireland and the United States), which has had devastating consequences. Hundreds of thousands workers in the construction industry have lost their jobs, economic activity has slowed down, all the other economic sectors have been impacted, the number of unemployed people has soared [47]. The Fernandezes are unemployed and cannot continue paying the mortgage on their €400,000 loan. The Miserly Bank repossesses their house; [48] the Fernandezes end up homeless, and must ask their children to put them up. The bank sells the house, and receives €300,000, since prices have plummeted. The Fernandezes had paid €75,120 in interest over four years, and paid off €51,591 of the capital borrowed [49], bringing the outstanding capital to €348,409. According to the Spanish law, the Miserly Bank demands that the Fernandezes, who are jobless and homeless, pay back €48,409 (i.e., the outstanding capital after a payment of €300,000 coming from the sale of the property).

Let us now have a look at what is going on for the Big Bucks Bank, which had bought similar real estate. In 2013, it can carry on its purchases with a change in its funding profile since the other banks won't lend it money (the banks distrust each other because of the bad debt that many of them have). Fortunately, the public authorities are ready to help the Big Bucks Bank and the other banks. The ECB lends them money at a rate well below the inflation rate. A real blessing for bankers.

What does the Big Bucks Bank do? It buys the Fernandez's house from Miserly Bank for €300,000. To do that, it invests €18,000 of its equity capital (that is 6% of the price of the house), withdraws €132,000 from its clients' deposits, and borrows €100,000 short term from the ECB at 0.75%. The annual interest to be paid by the bank is €1,375. The bank rents out the three apartments at the same price, which means an income of €30,000 minus €1,375 of interest (€28,625). The return on equity (ROE) is 159%, the profit on the total investment, 9.5%.

All of this is of course pure fantasy. But is it really that far from reality?

Part 5: The Banks, Fragile Giants

"In order to facilitate the financing, insuring, and timeliness of all that trade, the volume of cross-border transactions in financial instruments has had to rise even faster than the trade itself. Wholly new forms of finance had to be invented or developed, credit derivatives, asset-backed securities, oil futures, and the like all make the world's trading system function far more efficiently.

In many respects, the apparent stability of our global trade and financial system is a reaffirmation of the simple, time-tested principle promulgated by Adam Smith in 1776: Individuals trading freely with one another, following their own self-interest leads to a growing, stable economy." Alan Greenspan [50]

The financial innovations presented as a panacea by Alan Greenspan have been a big flop, causing very serious economic and social damage. At the same time, the dictatorship of the markets and the ukases of the European troika have been infringing on the democratic rights of citizens everywhere. European treaties and the policies applied by successive governments have progressively chipped away at the peoples' hard-won democratic rights: the legislative power has been increasingly dominated by the executive, the European parliament is a front piece for the European Commission, and there is less and less respect for what the electors try to say. Meanwhile, leaders hide behind the European treaties and repeat the old Thatcherite refrain: TINA (there is no alternative), to justify austerity and debt repayment. At the same time, they have been doing as much as possible to defy the economic and social rights conquered during the 20th century, on the one hand.(see Part 3 of this series); and, on the other hand, to prevent a new banking crisis from erupting. However, no seriously restrictive measures have been taken to impose a new discipline on banks and other financial institutions. The banks have not cleaned up their accounts since 2007-2008. Worse yet, they have been very active in creating new bubbles and new structured financial products.

In this fifth part of the series, [51] we look at how the banks have been bending over backwards to fund their activities, their almost total dependence on public assistance, the speculative bubbles that are in gestation, speculative financial innovations, the disastrous effects of the present banking system particularly in creating food crises, as well as the new risks that the modus operandi of banks has been creating for people. [52]

Medium- and long-term financing problems

We will first have a look at the financing side of bank operations, (i.e., bank liabilities), where banks are encountering big problems. Institutional investors (insurance companies, pension funds, other banks, and sovereign wealth funds among others) no longer have confidence in banks, and hesitate to buy their covered bonds issued in the hope of finding stable long-term financing. Even if some banks like France's two biggest, BNP Paribas and Societe Generale or Spain's second biggest bank BBVA, have found buyers for their bonds, the volumes issued in 2012 remain as low as in the previous years. According to the Financial Times, this might even be the worst year since 2002. [53]

As the banks cannot find sufficient long-term funding on the financial markets, they are vitally dependant on the 3-year ECB loans totalling €1 trillion at 1%, [54] and generally the liquidities made available by the central banks of the industrialised countries (particularly by the US Federal Reserve Bank, the ECB, Bank of England, National Bank of Switzerland, and the BoJ (Japanese Central Bank)).

Short-term financing problems

Much of their financing, other than deposit and savings accounts, which show no growth because of the crisis, must be found on the short-term market. According to the Liikanen report, the big European banks need €7 trillion from day to day. [55] The volume of banks' short term debt increased significantly between 1998 and 2007, from €1.5 to €6 trillion, while from 2010 to 2012, it remained at €7 trillion! Where do banks find this short-term money? It is no longer, or hardly, available on the interbank markets, because the banks are too wary to lend each other money. They are thus dependent on Money Market Funds (MMFs) which have up to $2.7 trillion available for day-to-day trading depending on how the winds of crisis are blowing in Europe. [56] MMFs shut off the flow in June 2011, and reopen it when the ECB lent €1 trillion. [57] At any moment, they may close or restrict the flow again. The surest supply of funding is once again the central banks. The ECB has made massive loans at 0.75% (the current rate since May 2012).

The conclusion is clear: without the €1 trillion over three years and the day-to-day loans of the ECB and the national central banks linked into the Eurosystem (to which must be added the Bank of England and the National Bank of Switzerland), many big European banks would be menaced with suffocation and bankruptcy. This is more evidence that the banks have not cleaned up their accounts. They must find massive short-term funding, whereas they hold long-term assets of doubtful value. In many cases, the value of the assets on their balance sheets will not be realised when they come to maturity, and the losses suffered may absorb their whole capital.

The stock exchanges are blocked

Funding from the stock exchanges is also blocked The price of bank shares has dropped, on average, to a fifth of their 2007 level [58] (see charts in appendices). The institutional investors (insurance companies, pension funds, investment funds, banks, and others) are not inclined to buying shares of companies that are in bad shape. This is additional proof of the abysmal distance that exists between the theoretical functioning of capitalism as announced by its supporters and reality. In theory, the stock exchange is supposed to help listed companies gain access to long-term investment capital (shares are considered to be investments that must be kept for at least eight years). However, this scenario just doesn't work, because the stock exchange is no longer a place where companies can find funding for a long time, but a place of pure speculation. That is why banks must be recapitalised with public money.

On other hand, according to the same theory, the stock exchange, by the price of its shares, is the real representation of a company's value. From this point of view, the average 80% drop in the capitalisation value of banks suggests a very embarrassing revelation for their directors and for the pundits of the capitalist system.

We should also remember that banks use part of the cash supplied to them by the central banks to buy back their own shares. There are two reasons for this: to try to stop the value of their shares from falling, and to pay their shareholders for their shares. [59]

Banks funded by money coming from drug trafficking

Drug trafficking money is another source used to fund banks. On 26 January, 2009, Antonio Maria Costa, Executive Director of the United Nations Office on Drugs and Crime (UNODC), declared to the on-line Austrian magazineprofil.at [60]| that some interbank loans were recently funded "by money from drug trafficking and other illegal activities." Very recently, in December 2012, HSBC (UK, the second largest bank in the world in terms of assets) accepted to pay a record fine of $1.92 billion [61] to US authorities to put an end to the lawsuits being brought against it, in particular for charges of laundering money for the Mexican drug cartels. [62]

Time bombs in European and US bank assets

As seen above, banks assets are in reality, large financial time bombs that are already ticking.
In Europe, 70% of the structured financial products backed by commercial mortgages (CMBS – Commercial Mortgage-Backed Securities) that matured in 2012 were not paid! [63]These products were sold between 2004 and 2006, just before the subprime bubble burst, and they come to maturity from 2012 to 2014. According to the Fitch rating

agency, only 24 of the 122 CMBS that matured in the first 11 months of 2012 were paid. In 2013-2014, the contracts that arrive at their term amount to €31.9 billion. In 2012, JP Morgan, the biggest US bank lost $5.8 billion on the European CMBS market through its London office because of the bad management by one of its agents nicknamed "the Whale". [64] This did not stop Deutche bank or the Royal Bank of Scotland creating new CMBS for the European market! Why do these banks get involved in these operations? Because the high risk level is compensated by the expectation of higher returns than those on other products. Keep watch!

European and US banks still have several trillion dollars of residential mortgage-backed securities (MBS) on their balance sheets, notably subprime MBS and other categories of asset-backed securities (ABS). Banks have a hard time trying to unload these securities unless they accept important losses. At the end of December 2011, MBS could be sold for no more than 43% of their nominal value, but there were very few buyers. [65] Banks are very discrete about the exact volumes of MBS they hold on their balance sheets, and even more so concerning their off-balance sheet holdings.

Collateral loan obligations (CLO) are another structured product created during the period leading up to the subprime crisis, which raises concern while at the same time enticing the most aggressive European banks, such as the Royal Bank of Scotland into the fairy circle of high risk – high profits. CLOs were sold to gain funds for investors who wanted to buy companies by taking on more debt, playing on leverage to the maximum, which is known as a leveraged buy-out (LBO). These CLOs are now reaching maturity, and their owners are wondering how they will be paid. The European market is totally flat, but the US market has come back to life, selling $39 billion in 2012. Some European banks are also purchasing them because the possible gains are high given the risks involved. [66] Fragile, handle with care.

New bombs are being set

JP Morgan and other big banks have proposed to create structured products comparable to the subprime mortgages CDOs, for credit linked to international trade. Remember that Collateral Debt Obligations (CDOs) were created out of different types of mortgages, which the banks wanted to unload by securitising them (that is by transforming mortgages into a more easily tradable security). [67] JP Morgan wants to do it all over again with export credits instead of mortgages. It was this same bank that in 1994 created the ancestor of CDOs. [68] The export credit market is $10 trillion per year. JP Morgan is trying to persuade banks that are active in this market, to structure the credits into CDOs so as to render them more liquid. The official line is that this approach will reduce assets thereby reducing the leverage effect in accordance with the new Basel III regulations on the need to increase capital ratios (see Part 6 and the Basel III accords). In fact, for JP Morgan and the other big banks that are always seeking to achieve profitable financial innovation, this is a new mine to open and exploit on a major market. [69] Here again, if the JP Morgan strategy works well there are high prospects of more damage from a new bubble.

The frantic scramble for profit causes losses

A few examples illustrate the magnitude of the risks that banks continue to take. There was the blow to Societe Generale in France (€4.9 billion) resulting from the continual mishaps of its trader, Jerome Kerviel. This affair goes back to January 2008 and we might imagine that the banks would have since taken the lesson. Not at all! In September 2011, the Swiss bank UBS announced losses of $2.3 billion through unauthorised transactions by Kweku Adoboli, manager at Global Synthetic Equities Trading in London. Again in London, as mentioned above, JP Morgan's "whale" lost $5.5 billion for "his" bank. These affairs are only the tip of the iceberg.

A speculative bubble has developed in Corporate Bonds

Many financial market observers and many fund managers consider that a speculative bubble has developed in the Corporate Bonds sector, bonds issued by big companies. There is thus, a new bubble forming on the debt of major corporations. Why has this $9.2 trillion market been creating a bubble? The return that banks and other institutional investors get from the United States treasury and the sovereign bonds of the main EU powers is at a historical low. The investors search around for a better sector, in which there is no apparent risk: corporate bonds of non financial companies gave a more attractive return of about 4.5%. Another reason that banks prefer to purchase obligations rather than take on loans is that obligations can be easily converted into cash on the secondary market if need be. [70] This rush on bonds caused a serious drop in their yield, which fell from 4.5% at the beginning of 2012 to 2.7% in September of that same year.

A major corporation like Nestle was able to issue €500 million in 4-year obligations offering no more than 0.75% p.a. This case is exceptional, but it shows that the rush on corporate bonds does exist. According to JP Morgan, the call for bonds is such that the yield on junk bonds was in free fall during the summer of 2012, dropping from 6.9% to 5.4%. If the trend continues, institutional investors may look elsewhere for better returns. [71]

The craving for profit is such that companies succeed in issuing PIK (Pay in Kind) bonds, which were trendy before 2006-2007 then found no new buyers until 2012. These bonds receive no interest until the capital is fully paid off. Of course, the promised final repayment is high, but there is a great risk that the company borrowing will not be in a position to either pay back interest or capital when the loan matures! It would in fact be prudent of a lender to ask why a company that is unable to pay regular interest over the duration of the loan will be able to repay the full amount at the end. [72]Once again the craving for profit and the availability of liquidity (because of central bank loans) has led to a keen interest for these high risk products.

The shortage of collateral [73]

Up to 2007-2008, the financial markets experienced a period of growth and exuberance. The Bankers and other institutional investors cross lent capital and structured products to each other in a joyful asset-go-round without any verification as to the credit worthiness or the capacities of those signing a contract to assume their responsibilities when it came to maturity. For example, bankers paid insurance premiums to Lehman Brothers and AIG to cover against the risk of payment defaults without first verifying whether they had the means to pay the indemnity if need be.

In most transactions, the borrower must put up an asset as a guarantee. This is called collateral. What often happened and still does is that the same collateral is used to guarantee several different transactions. A borrows from B and puts up collateral as a guarantee. B borrows from C and uses the same collateral as a guarantee, and so on. If the chain is broken anywhere, there is the risk of not finding the collateral. As long as the markets were euphoric and nobody asked embarrassing questions about collateral, business went on as usual. Since 2008, things have not quite been the same and the co-contractor who wants collateral may insist on having assurances that it is really available if need be, that its value is authentic and of that it is of good quality. Collateral circulates less and doubtful collateral is refused. [74]

It is reasonable not to accept toxic assets such as subprime CDOs as collateral. This has led to the beginning of a shortage of collateral. In 2011 and 2012, the Franco-Belgian financial company Dexia suffered from insufficiently good collateral, and was unable to cover its financial needs. In 2012, Dexia borrowed close to €35 billion from the ECB at 1% within the LTRO framework. The enormous loans from the ECB were insufficient, so Dexia, once again, turned to the French and Belgian

States, in October-November 2012 for a €5 billion recapitalisation.

According to the Financial Times, Spanish banks have become experts in the creation of collateral. They create structured ABS products from doubtful mortgage credits and other equally doubtful products, and push them on the ECB as collateral for treasury needs. [75] So the ECB accepts this custom-made low quality collateral. This example offers more evidence of how the ECB bows down to the bankers.

In the context of collateral, we must also denounce the lies concerning government bonds that are supposedly giving the banks a headache. Government bonds are a much surer form of collateral than most private financial instruments. Banks do not hesitate to offer them as prime quality collateral for ECB loans.

Sovereign debts

Indeed, let us have another look at sovereign debt. Until now, it has not caused any banking catastrophes. Nevertheless, it is evident that in countries like Spain and Italy, the banks are making important purchases of the bonds issued by their own governments. They have two good reasons for acting in this way: on the one hand, they hold large amounts of liquidities lent by their central banks at very low interest rates (0.75 to 1%); on the other hand, their own country's bonds are remunerated at much higher rates (4 to 7%). However, the austerity policies are so brutal that it is uncertain whether these governments will always be to pay them back. This problem is not an immediate threat, but the possibility of future difficulties must be considered. [76]

Sovereign debt is not the Achilles' heel of private banks

The mainstream media permanently repeats the story told by bankers and politicians according to which sovereign debt represents a real danger. In order to clear up this issue and take away this old sovereign debt argument from those in power, who are using it to impose antisocial policies, we must develop convincing counter-arguments, which could be based on the data provided in this series. In a recent IMF report, [77]there is a chart on the percentage of sovereign debt in the assets of private banks in 6 key countries. According to this chart, government debt represents only 2% of the assets of British banks, [78] 5% for French banks, 6% for US and German banks, and 12% of the assets of Italian banks. Japan is the only country, among the 6 mentioned, in which government debt represents an important proportion of bank assets (25%). It is not every day that the IMF agrees with our arguments. However, the conclusion we draw from this data, and the one the IMF would clearly hesitate to make, is that it would be much easier to cancel illegitimate public debt than most people could imagine!

Shadow banking

One of the main causes of bank fragility is their off-balance sheet activities, which in some cases may be greater than their officially declared activities. The major banks continue creating ad hoc companies (Special Purpose Vehicles, MMFs) that are not considered as banks and do not have to comply with banking regulations. [79]| Until now these companies could operate without control or, in the case of MMFs, with little control, lending to banks and conducting many kinds of speculative actions on a multitude of derivatives or raw materials (including foodstuffs) on futures markets or the over the counter (OTC) market, which is not regulated. The opacity is total or nearly so. Banks are not obliged to declare, in their accounts, the activities of the non-banking companies they create. The most dangerous activities are the ones conducted by Special Purpose Vehicles. If the losses of one of these companies causes their bankruptcy, the bank that created it is forced by its creditors to record this loss on its balance sheet, which may absorb the bank's capital and cause it to go bankrupt (or perhaps be taken over by another bank or the government, or be given a public bailout). This is what has happened to Lehman Brothers, Merrill Lynch, Bear

Stearns, the Royal Bank of Scotland, Dexia, Fortis, and several others since 2008.

Speculation on commodities [80]

Through their trading activities, banks are the biggest speculators on the over the counter and commodities futures markets. They have much greater means available than the other protagonists. See the website Commodity business awards (http://www.commoditybusinessawards....), where a list of important bankers and brokers on the commodities markets is available (whether on the commodities market where they are bought and sold, or on the underlying derivatives market). Among these banks, the ones most often mentioned are BNP Paribas, Morgan Stanley, Credit Suisse, Deutsche Bank, and Societe Generale.

What is more, the banks are trying to take direct control of the stocks of raw materials. This is the case of Credit Suisse which is associated with Glencore, [81]

These are the leading performers in the development of speculative bubbles formed on the commodities markets. [82] When the bubble bursts, the repercussions on the state of the banks will cause new damage. Not to mention, and much more seriously, the consequences on the people in the developing countries that export raw materials.

A look back at the fundamental role played by speculation in the dramatic increase in food and energy prices in 2007-2008

Speculation on the principal markets in the United States on which world commodity prices are negotiated (farm products and raw materials) played a crucial role in the dramatic increase in food prices in 2007-2008. [83] These rising prices resulted in a big increase in the number of people suffering from hunger: more than 140 million additional people in one year, for a grand total of more than 1 billion (1 in 7 of the world's population). Those involved in this speculation were not mavericks, they were institutional investors (or high rollers), including banks, [84] pension funds, investment funds, and insurance companies. Hedge funds [85] also played a role, even if they had much less impact than institutional investors. [86]

Michael W. Masters, who had been managing a Wall Street hedge fund for twelve years, provided evidence of this in his testimony before a Congressional commission in Washington on 20 May 2008. [87] He made the following declaration to this commission, which was making an official investigation into the possible role played by speculation in rising commodity prices: "You have asked the question 'Are Institutional Investors contributing to food and energy price inflation?' And my unequivocal answer is 'YES'". In his authoritative testimony, he explains that the increasing price of food and energy was not due to an inadequate supply but rather to a "demand shock" caused by the arrival of new participants in the commodities future market. On the futures market, participants buy the future production: the wheat that will be harvested in 1 or 2 years, or the oil that will be produced in 3 or 6 months. In "normal" times, the main participants in those markets are for example airline companies that buy kerosene, or food companies that buy grain. Michael W. Masters shows that in the United States, the capital allocated by institutional investors to the commodity index trading in futures markets rose from $13 billion dollars at the end of 2003 to $260 billion in March 2008. [88] During the same period of time, the prices of the 25 commodities that make up these market indices rose by 183%. He explains that it is a small market, [89] and if institutional investors such as pension funds and banks allocate 2% of their assets to it, this will change the situation drastically. The price of commodities on the futures market has an immediate repercussion on the actual price paid for these basic goods. He shows that institutional investors bought huge quantities of corn and wheat in 2007-2008, which produced a price spike.

It is worth noting that in 2008 the Commodity Futures Trading Commission (CFTC) considered that institutional investors should not be considered as speculators. The CFTC stated that institutional investors are commercial market participants, which enabled it to argue that speculation did not play a significant role in the dramatic rise in prices. Michael W. Masters is very critical of the CFTC, but Michael Greenberger, a Law professor at the University of Maryland, was even more adamant in his testimony before the Senate commission on 3 June 2008. Michael Greenberger, who was Head of the CFTC's Division of Trading & Markets from 1997 to 1999, criticised the laxity of other CFTC Directors, who looked the other way when they saw manipulation of energy prices by institutional investors. He cites a series of declarations by CFTC Directors worth publishing in an anthology of hypocrisy and stupidity. Michael Greenberger considers that 80 to 90% of the stock market transactions in the US energy sector are speculative. [90]

On 22 September 2008, as financial turmoil was rocking the United States, and President Bush was proposing a $700 billion bank bailout plan, the price of soy beans shot up by 61.5% driven by speculation!

Jacques Berthelot also shows the crucial role played by bank speculation in the rising prices. [91] He gives the example of a Belgian bank, KBC, which ran an advertising campaign to market a new investment product offering customers the possibility to invest in six food raw materials. To convince its clients to put their money into its "KBC-Life MI Security Food Prices 3" investment fund, KBC's advertisement encourages them to: "Take advantage of rising food commodity prices!" It presents the "shortage of water and farm land" as an "opportunity" since there is now a "shortage of food products, leading to rising food commodity prices." [92]

Meanwhile, the US judicial system has ruled in favour of the speculators. This is what Paul Jorion denounces in an editorial published in Le Monde. He questions the decision made by a court in Washington on 29 September 2012, which rejected a proposal made by the CFTC "that aimed to limit the volume of positions a single participant can take on commodities futures market, so that he or she alone would not be able destabilise it." [93]

Currency speculation

Banks are also the main participants on the currency markets, which they maintain in a permanent state of instability. Approximately 98% of foreign exchange activity is speculative. Only 2% is associated with the really productive economy, Foreign Direct Investments, effective international trade of goods and services, remittances by emigrants, and credit or debt repayment). Between €3 to €4 trillion transit daily through the foreign exchange markets! Banks also trade heavily on foreign exchange derivatives, which may cause considerable damage, not to mention the damage to society because of the instability of the currencies.

Over thirty years ago, James Tobin, long time advisor to US President J.F. Kennedy, suggested throwing sand into the wheels of international speculation. In spite of all the fine talk by some heads of States, the plague of foreign exchange rate speculation has worsened. Bank and other lobbies have so far averted having the smallest grain of sand disrupt their wheels from spinning or profits from accumulating. The decision taken in January 2013 by 11 eurozone governments to impose a tax of 0.1% on financial transactions is totally insufficient.

High–frequency trading

High-frequency trading enables orders to be passed on the markets in 0.1 milliseconds (one ten thousandth of a second). The "Regulations and banking activities separation act" put before the French national assembly by Pierre Moscovici, French finance and economy minister, on 19 December 2012 contains an interesting description of high-frequency trading: "High-frequency trading is a market activity entrusted to computers running on algorithms that combine observation and analysis of the market, and the placing of orders at ever higher frequencies. They may place several thousand or-

ders per second on the same exchange platform, sometimes causing saturation. The risks are high in case of coding errors, these may cause absurd financial movements (the quasi-bankruptcy of the 'Knight Capital Group' in August 2012 is an example). In 2011, high-frequency trading accounted for more than 60% of the orders on the Paris stock exchange, only 33% of which created a real transaction". [94]
High-frequency trading is clearly linked to speculative operating: manipulate the financial markets in order to influence prices and extract a profit. Specialists are well aware of the most popular methods:

Quote Stuffing: "A tactic of quickly entering and withdrawing large orders in an attempt to flood the market with quotes that competitors have to process, thus causing them to lose their competitive edge in high frequency trading". [95] [96]

Layering, high-frequency traders may use this method to sell a block of values at the highest possible price, they place a series of buying orders at price offers up to a ceiling price, and in this way create layers of orders, once the ceiling is reached they sell massively before the price has time to go down, and at the same time cancel the invalid orders. This process relies on the filling of their competitors sales ledger with offers to buy, and then surprising the market by inversing the movement. [97]

On 6 May 2010, Wall Street experienced a "flash crash" [98] typically caused by high-frequency trading including a 'quote stuffing' operation. The Dow lost about 998.52 points (before recovering 600) between 2.42pm and 2.52pm. A fall of 9.2% in ten minutes, unprecedented in stock exchange history. This incident spotlights the involvement of high-frequency trading that corresponds to about two-thirds of transactions on Wall Street.

Such accidents will certainly happen again. The big banks that actively use high-frequency trading are opposed to banning the system or introducing any strict controls under the pretext of maintaining the greatest possible liquidity on the financial markets.

Proprietary trading

Proprietary trading: when banks trade for themselves, is an important banking activity, producing a great amount of revenue and profit, but carrying very heavy risks. Banks engage their own resources (equity, customer deposits, borrowings) to take positions (buy or sell) on the different financial markets: stocks and shares, interest rates, foreign currency, raw materials, derivatives, futures, forwards, commodities (including foodstuffs), and their futures and real estate. Trading is definitely a speculative venture, because it is based on short-term market movements greatly influenced by their own actions. One illustration of the speculative nature of trading is Societe Generale's €4.9 billion loss in 2008 because of the positions, taken by one of its traders Jerome Kerviel, which engaged close to €50 billion. JP Morgan allowed $100 billion dollars to been engaged by a person on its London proprietary trading department staff known as the "Whale". The sums involved by the banks in propriety trading action are so huge that the losses can menace the survival of the bank itself.

Short selling: another speculative activity

Short selling is the sale of a stock that we do not hold at the moment, but intend to buy later to balance the end of the account. For the Banque de France: "there are two kinds of short selling":
• Covered short-selling: in this case, the seller has borrowed (or made a borrowing agreement for) the stock that he must eventually sell at the end of the operation. In fact, the stock that this person borrows will be sold, and he promises to return the same kind of stock to the lender;
• Naked or uncovered short selling: in this case, there is no borrowed stock or borrowing agreement before the sale of the stock. The seller must buy identical stock to be able to pass it on to the buyer". [99]
According to the French banking federation, 'short

"short selling is good for market vitality (...) it increases market cash flow." [100] Who do they think they are kidding?

Who sells short and why?

Short selling is done by a large number of market participants, such as banks, hedge funds, and financial institutions such as pension funds and insurance companies among others. It is a purely speculative activity. A speculator gambles that the price of the share concerned will fall, and if his guess is right he purchases it at a lower price than that at which he sold it, and so makes a profit. This kind of practice undermines market stability. The sharp fall in the price of bank shares during the summer of 2011 was aggravated by short selling. It is easy to understand why this kind of activity should be quite simply prohibited. [101]

Leverage

As they systematically use leverage, their equity is small compared to the risks they take. From their point of view this is the desired situation: have the least possible amount of equity in proportion to their assets. A low general profit / assets ratio can produce a high profit/equity ratio, if the equity is as low as possible. Imagine a profit of €1.2 billion with assets of €100 billion, which means a profit of level of 1.2%. However, if compared to equity of €8 billion, this becomes 15% profit. If the bank using leverage, then borrows €200 billion on the financial markets to purchase further assets. the volume of assets becomes €300 billion, the equity has remained the same at €8 billion, while the liabilities have also risen by €200 billion. If the bank continues to make a profit of 1.2% that becomes €3.6 billion. With equity still at €8 billion that means a Return on Equity (ROE) of 45%. This is the fundamental reason to increase leverage by borrowing.

As we saw in Parts 2 and 4 of this series, apparently minimal losses may be quickly followed by disastrous effects and the need for a bailout. In this example, a loss of €8 billion on total assets of €300 billion (a loss of 2.66%) would wipe out the equity and result in bankruptcy. This happened to Lehman Brothers, Merrill Lynch, and the Royal Bank of Scotland, among others. The IMF's Global Financial Stability Report published in October 2012, considers that the leverage of European banks is 23:1 without taking derivatives into account. A ratio of 23:1 considering only tangible assets (without derivatives) is very high! [102] The real leverage effect is even more important, because banks have debts and assets that are off-balance sheet (notably a significant amount of derivatives).

Conclusion: The big banks continue playing with fire, because they are persuaded that governments will save them whenever necessary. They do not encounter any serious opposition from the authorities as they continue to trade (this question will be discussed in Part 6). At the same time, they are playing an ongoing game of brinkmanship. In spite of their continual marketing efforts to regain public confidence, they have no desire to change their objectives from seeking maximum and immediate profit, and gaining as much power as they can to influence government decisions. Their force corresponds to current government leaders' decisions to give them total freedom of action. The leaders' moralistic tones, insisting that banks should be more restrained in their bonuses and remunerations, are only for Public consumption.

Karl Marx writes in Capital that "At their birth the great banks, decorated with national titles, were only associations of private speculators, who placed themselves by the side of governments, and, thanks to the privileges they received, were in a position to advance money to the State'. This is just as applicable to today's banks. [103]

Banks have a colossal capacity to wreak havoc. Those who believe that a humane capitalist bank is possible must wake up and realise this is pure fantasy. The entire banking system must be withdrawn from capitalist control, and without any compensation, in order to create a public service under the control of citizens, users, and banking sector workers. [104] This is the only way to guarantee the total respect of public service precepts concerning savings and credit that are in the interest of the community.

In Part 6, the new banking regulations will be analysed.

Annexe : Share price movements of 17 banks

Charts by Yvette Krolikowski (CADTM) - Sources Les échos and abcbourse
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Features

Rosa Parkes at 100

Dianne Feeley · *21 February 2013*

Born Rosa Louise McCauley on February 4, 1913 in Tuskegee, Alabama, she recalled growing up on her maternal grandparents' farm outside Montgomery. The white children were bussed to school while the Black children had to walk to their grammar school. One day, as she was walking home, a white boy threw a rock at her. In spite of her grandmother's advice that resistance would just cause more trouble with whites, she picked up the rock and threw it right back at the boy. Not everyone in her family urged caution, though. When the Ku Klux Klan marched by her grandparents' home, her grandfather stood at the door with a shotgun. Rosa recalled that she would sit on the porch with him sometimes, later explaining, "I wanted to see him kill a Ku Kluxer."

Rosa Parks dropped out of high school to care for her grandmother and, later, her mother. When she married Raymond Parks in 1932, he was already a member of the NAACP. Together they followed the Scottsboro case, where nine Black youth were falsely accused of raping two white women and railroaded to prison. Encouraged by her husband, she finished high school and after the third try, succeeded in registering to vote. Both were also members of the Voters' League, which helped African Americans pass racist "literacy" tests associated with the voter registration process.

When she joined the Montgomery NAACP in 1943, she was its only female member, but before long, she became the chapters secretary. The following year she traveled to Abbeville, AL to talk with a 24-year-old mother who had been kidnapped on her way home from church by seven armed white men. The men had gang-raped her and left her on the side of the road. With local support, Parks helped form the Committee for Equal Justice and publicized the case nationally. However, two all-white grand juries still refused to indict the accused.

By the summer of 1955, Rosa Parks was able to attend the Highlander Folk School, an educational center focused on developing activist leaders concerned with workers' rights and racial equality. Months later, Emmett Till was brutally murdered while visiting relatives in Mississippi. Parks attended a mass meeting that discussed his case and what actions African Americans could take to protect their rights.

Like many other African Americans in Montgomery, Rosa Parks had found the city bus drivers to be aggressive enforcers of the segregation policy. Fifty years prior, the city had passed an ordinance segregating bus passengers by race. Although conductors were to assign seats by race—with a moveable sign that differentiated the white and "colored" sections—there was actually no law that required African Americans to move once they were seated. However, as the white section filled up, drivers moved the sign back and forced the whole row of seated African Americans to give a seat to a white. They also required African Americans to board the bus, pay the fare and, if whites were already seated, to exit and re-enter through the rear door. When, in 1943, Rosa Parks paid her fare and moved to sit down, the driver, told her she had to get off the bus and use the back door. Before she could re-board, he drove off.

On the evening of December 1, 1955 Rosa Parks was sitting in the "colored" section of a bus when the driver—-who turned out to be the very same man who had drove off and left her standing in the rain a decade before—moved the "colored" sign down a row and demanded that four seated passengers, including Rosa Parks, move. At first, no one did, but after the driver insisted, the other three got up from their seats. Parks maintained she had a right to the seat; the driver called the police and she was taken off the bus and arrested for a violation of the city's segregation law. In subsequent interviews, Rosa Parks made the point that she was tired—not so much tired after a day's work, but tired of being humiliated and bullied. She was asserting her rights as a human being and a citizen.

Parks was bailed out that same evening by E. D. Nixon, former president of the NAACP chapter and leader of the Pullman union, and Clifford and Virginia Durr, her friends and supporters. The NAACP had been looking for a test case to challenge the law and on the following morning she agreed to let them take her case.

JoAnn Robinson, a professor at Alabama State College and member of the Women's Political Council, pointed out in her memoir that most African Americans who rode the Montgomery buses had been humiliated by the drivers, despite the fact that they constituted 75% of the ridership. She immediately proposed a one-day boycott of the buses on December 5, the day set for Parks' trial. Robinson and Nixon conferred with Black ministers, got a front-page article into Sunday's edition of The Montgomery Advertiser and organized a mass meeting for Sunday evening. The WPC quickly produced nearly 50,000 leaflets and organized their distribution throughout the community, asking every African American to boycott the buses. On Monday, each bus in Montgomery rumbled along its regular route virtually empty.

After Parks had been found guilty and fined, the Montgomery Improvement Association was founded that same night with a new minister in town, Martin Luther King, Jr., as its president. The MIA decided to extend the boycott, raising the demands that Black riders should be treated with courtesy, seated on a first-come basis and Black drivers hired. The community organized carpools, traveled in Black-operated cabs that charged ten cents—the bus fare at the time—or walked long distances to honor the boycott.

During the 381-day boycott, segregationists retaliated by torching African American churches and the homes of both King and Nixon. The city counter-attacked by forcing the cancellation of the taxi insurance and arresting people under an old anti-boycotting law.

Armed with the recent Brown v. Board of Education decision, the legal team challenged segregation on public buses. The following June, a federal court declared the law unconstitutional and when the city appealed, the U.S. Supreme Court upheld the ruling. Montgomery was forced to repeal its law. With that, the Montgomery Improvement Association declared a victory and lifted the boycott.

Meanwhile, Rosa Parks was fired from the department store where she worked and her husband was forced to quit his job. Unable to find work, they moved to Detroit, where her younger brother and sister-in-law lived. She worked as a seamstress until John Conyers was elected as a U.S. Representative, when she then began working as his secretary (a position she would hold for almost 25 years). She and her family faced a number of health problems but she gave talks and interviews until she was in her nineties. A committed activist, she also participated in the boycott of South Africa's apartheid regime. In 1992, her autobiography, Rosa Parks: My Story, aimed at young readers, was published and three years later her memoir, Quiet Strength, came out. She also set up the Rosa and Raymond Parks Institute for Self-Development, whose mission focuses on educating African American youth about the Civil Rights Movement.

Probably the three most prominent women in the 20th century Black freedom struggle are Rosa Parks, Fannie Lou Hamer, and Ella Baker. I never met the other two figures, but Rosa Parks struck me as a woman who, although plagued by family illnesses, financial difficulties, and her own poor health, was determined to seek justice and share her experiences and knowledge, particularly with young people. Interestingly enough, unlike many of the male civil rights leaders, none of these three women were preachers, professors, or politicians, but rather organizers and workers.

Certainly there are many more women who played an important role in the Civil Rights Movement. As we celebrate the 100th anniversary of Rosa Parks' birth, you might also be interested in reading JoAnn Robinson's 1987 memoir, The Montgomery Bus Boycott and the Women Who Started It, Danielle McGuire's book, At the Dark End of the Street: Black Women, Rape and Resistance—A New History of the Civil Rights Movement from Rosa Parks to the Rise of Black Power, Jeanne Theoharis's The Rebellious Life of Mrs. Rosa Parks, and Hands on the Freedom Plow, which contains over fifty personal accounts written by women veterans of SNCC.