

***From Boom to Bust!***

**The capitalist  
crisis and how  
to beat it.**

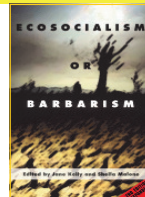
**A Socialist Resistance pamphlet**

# Resistance Books

## Ecosocialism or Barbarism

A collection of important contributions to the debate on ecology and global warming, and the limits of capitalism's ability to control the resulting destruction of the environment.

This reprinted second edition is essential reading for anyone getting to grips with ecosocialism. **£6**



## Ireland's Credit Crunch



Keating, Morrison, Corrigan

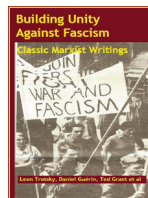
## Ireland's Credit Crunch

The crisis of the Irish economy coincides with the latest title from Resistance Books: Ireland's Credit Crunch. Written by three leading members of the Fourth International in Ireland the book outlines the roots of the crisis, and how to fight it.

They discuss the roots of the current crisis, the unprecedented scale of the threat to workers in Ireland and Europe and details of the programme that workers should advance to build a real alternative to the economic famine they are facing. **£6**

## Building Unity Against Fascism: Classic Marxist Writings

This new book gathers together classic Marxist writings from the 1920s to the 1940s Leon Trotsky's "Fascism: What It Is and How To Fight It", Maurice Spector's detailed analysis of German fascism in power Daniel Guérin's 1939 "Fascism and Big Business" Ted Grant's booklet, "The Menace of Fascism" and much more **£5**



This is just a small selection of the many titles published by **Resistance Books**.

To order send cheques, made out to "Resistance" to PO Box 63732, London, SW29GQ.

To order online visit [paypal.com](https://www.paypal.com) and send a payment to [resistance@sent.com](mailto:resistance@sent.com) stating clearly the book title(s) you want.

P&P is a flat rate of just £1 per book. Contact us for international rates.

***Socialist Resistance*** is our bi-monthly magazine. It's professionally designed and printed on recycled paper with eco-inks.



Each issue is packed with in-depth coverage, commentary, features and reviews from Britain and across the world.

With a strong emphasis on ecology, internationalism and womens' struggles, ***Socialist Resistance*** is essential reading for the serious left.

Just £2 from SR supporters or see the subscription offer in this pamphlet.

# Introducing *Socialist Resistance*

We are a revolutionary Marxist organisation in Britain linked to the Fourth International, founded by Leon Trotsky. <sup>1</sup> We fight for human liberation and socialism and against capitalism and war. *Socialist Resistance* is also the name of our magazine that was founded in 2009 with the coming together of two groups, the International Socialist Group (whose journal was *Socialist Outlook*) and a current organised round the then newspaper *Socialist Resistance*.

*Socialist Resistance* believes we in Britain and in the Western imperialist countries are moving into a long period of capitalist austerity and crisis deeper than any since the Second World War. This pamphlet sets out to examine in some detail the depth of this crisis – the British crisis in particular - and concludes that it is far deeper than many on the left believe. We also present a perspective for a way forward for working people; both for the immediate fight back now and in the longer term. The twenty-first century world will be a harsh and dangerous place; however, we stand with those who say that another world is possible.

We are a democratic organisation, which fights for openness and accountability in the wider working class and social movements. For us democracy is not an added extra, which can sometimes be discarded, but an essential component of any successful movement of resistance and struggle. Our current has always fought against Stalinism and bureaucracy and their malign undemocratic influence in the mass movements, existing even today.

We are an activist organisation, which bases itself on the working class. We are involved in the trade union movement and in many campaigns. From its beginning we have been active in the Stop the War Coalition in Britain, following in the footsteps of the anti-capitalist and anti-globalisation movements. We describe ourselves as ecosocialist and have been active in climate change campaigns. These movements have brought large numbers of

<sup>1</sup> *The Fourth International is an international organisation struggling for the socialist revolution. It is composed of sections in different countries who work within its principles and programme and act together on the main political issues of the day. The Fourth International encourages discussion of political ideas while respecting democracy.*

people into political activity, many of them for the first time.

We support the fight of all the oppressed in our society. We have been longstanding supporters of women's liberation and women's rights, and the struggles of lesbian and gay people. We work in anti-racist and anti-fascist networks, including campaigns for the rights of immigrants and asylum seekers, all of which we discuss in this pamphlet.

Here we express the views of *Socialist Resistance* on the new political period that has opened up, beginning with the banking crash and subsequent economic crisis. We believe this will be a long crisis and the discussion will therefore be an ongoing one. Although we present a detailed economic analysis and a way forward out of the crisis, the direction it will take is still a matter of debate both inside and outside *Socialist Resistance*. The dynamics of the capitalist crisis across the world and the role of imperialism are not specifically addressed in the pamphlet. Readers should instead consult our magazine and books, and the on-line magazine of the Fourth International, *International Viewpoint*.

We put this pamphlet forward to promote discussion on the left in Britain. It is essential for socialists to understand the nature of the present capitalist crisis in order to go beyond immediate responses and to develop a strategy and a programme to resolve the crisis in the interests of all the working class and oppressed.

# **FROM BOOM TO BUST:**

## **The Capitalist Crisis And How To Beat It**

Dave Packer and Fred Leplat. February, 2011<sup>2</sup>

### **Contents**

## **PART 1. The Economic Crisis and the Ruling Class Offensive P3**

Tory Coalition launches a class war	P3
The rich get richer (or how to loot the people)	P7
Rolling back history	P9
What caused the crisis and how deep is it?	P12
Ireland, the IMF and the race to the bottom	P19
Scotland could also face a downward spiral	P20
The crisis in the EU and its future	P21
A structural crisis of the system	P23
The bankruptcy of neo-liberal economics	P24
Our solutions	P26
Investment not cuts: how can this be achieved	P26
Building a mass movement to fight the cuts	P27
For a plan to beat the crisis	P29
For a New Workers Party to take on the bosses	P32

## **PART 2. Organising the Fight Back P34**

How to fight the cuts?	P34
The poor subsidise the rich	P35
A democratic, united, mass campaign	P35
The Marxist tradition of the united front	P36
What strategy for the campaign against the cuts?	P38
France shows the way	P40
The fight is across Europe	P41

Women and the crisis	P43
Students fighting for a future	P45
Defending the NHS	P46
Defending Education	P48
Racism and the fight against the far right	P50
<b>Part 3 Class Struggle and Ecology</b>	<b>P53</b>
Ecology as crucial as imperialism	P54
The Biosphere and us	P54
How does capitalism destroy the environment?	P54
The science is beyond doubt	P55
Private and market solutions	P57
Planning and collective action	P57
An ecosocialist approach	P58
Our demands	P58

*<sup>2</sup>With additional contributions in Part 2 from Jane Kelly, Giorgos Galanis, John Lister, Richard Hatcher, Brian Standish and Liam Mc Quaid. Thanks also to Andrew Kennedy and Jane Kelly for subbing, and Terry Conway, Alan Thornett and others for additions and corrections.  
Layout and design by Rob Marsden.  
Copyright **Socialist Resistance**, 2011*



# Part 1. The Economic Crisis and the Ruling Class Offensive<sup>3</sup>

## The Tory Coalition launches a class war

In the name of ‘deficit reduction’ and ‘fiscal responsibility’ the bosses and their servants in government, the Tory coalition, have launched a reactionary onslaught against all working people in this country. They want to make working class people, low and middle income groups, young and old, pay for the economic crisis that was not of their making.

The coalition says we are now on the road to recovery – but what recovery? It is a lie. The most recent figures show a stagnant economy, or a decline in growth, pointing to the possibility of a so-called ‘double-dip’ recession. During 2010 there was a limited recovery of profits in banking, industry and in the stock markets, but only because billions of taxpayers’ money was poured into them in bailouts and subsidies. Most working people have been left out of this so-called recovery, with wages that have stagnated or fallen over decades. Over the last three years, wages have fallen by a staggering 12%. In the meantime the banks have not used our money to lend to businesses or house buyers, or to invest in useful production, but to build up their capital reserves and continue to pay themselves huge bonuses and even bigger salaries.

The capitalist crisis now unfolding was triggered by the banking collapses and bailouts in the autumn of 2008, which caused massive build-ups of government debt and deep recession, both here in Britain and internationally. Britain’s debt is now nearly a trillion pounds. In response, the Tory coalition, popularly called the ConDem coalition, has launched a package of cuts and tax increases worth £111 billion a year. Their austerity program will be borne by the working class and less well-off sections of society. Let us be clear: most of this debt has been racked up in the last three years with the banking crash and in propping up the banks after the crash, together with the costs of the subsequent recession.

The Tory coalition wants to reduce the debt not by taking on the banks that caused it, but by attacking the welfare state. There are cuts to the NHS, to benefits, to wages, to local public services, to school, college and university funding, and to green technology

<sup>3</sup>*Much of this section is drawn from material published by Socialist Resistance and Socialist Outlook, including Socialist Resistance Books, Scottish Socialist Voice, articles on the economic crisis by Ozlem Onaran, Andy Kilmister and Raphie de Santos for whom especial thanks for providing a major part of the research, analysis and solutions on the economics and financial sections. (See [www.leftbanker.net](http://www.leftbanker.net)). Raphie kindly reviewed the whole of Part 1 of this pamphlet making suggestions and additions - any errors are the authors.*

projects. Public sector workers are already being sacked, or suffering wage cuts. Privatisation is being pushed through in health and education. The government wants to cut at least 25% from departmental spending over the next four years. A further £30 billion will be taken out of the economy by tax increases. This is the biggest attack on the social and economic gains of the working class since the Second World War.

This Pamphlet has two aims: firstly, to make an analysis of the nature of the British government's debt and the unfolding economic crisis and slump – a crisis that is more severe than many on the left believe, and secondly, to present a perspective both for the immediate fight back and for longer term solutions. We argue that there is an alternative policy to capitalist austerity, but this requires a confrontation with the power of the system.

Here we should emphasise the uneven nature of the world economic crisis, which appears mainly as a crisis of the capitalist heartlands of Europe and North America. East Asia, China, Brazil and India appear to have survived the credit crunch better than the West, with growing economies, which probably underscores a long-term restructuring of the global economy. However China is dependent for its growth on Western markets, and although there is a huge potential internal market, the West is in for long-term stagnation or depression with declining demand. There is not the space here to discuss these questions fully, however, we should register the US strategy for driving up inflation in emerging markets so these countries are forced to raise interest rates. This will weaken the dollar and make US exports more competitive. This is already happening. This economic warfare is causing asset bubbles in Asia, which could, like most bubbles, burst. It seems that the USA hopes to solve the debt crisis and polluted financial system in the West by undermining growth in Asia! So the crisis really is a global one.

Finally we should emphasise the multiple elements of the world capitalist crisis. Yes it is financial and economic, but it also a crisis of the ecology of the planet and global warming, it is an energy and commodity price crisis, a food and water crisis. Despite the attacks on climate science, which have set the movement back, the reality of climate change is inescapable. Some of these questions are discussed elsewhere. See in particular *Socialist Resistance* and *Resistance Books*.

-----

The program of drastic cuts, presented by George Osborne in his interim austerity budget, will be responsible for creating mass unemployment, already approaching three million and rising. This policy has been accompanied by a vicious demonizing of the public sector, benefit users and the unemployed, by Tory politicians and the right wing press.

The officially predicted loss of jobs in the public sector alone is an estimated 500,000,



plus similar knock-on redundancies in the private sector, due to loss of public contracts. Some economists project public sector redundancies to be 750,000, plus another 600,000 redundancies in the private sector.

We can take with a pinch of salt the recent report by the Office for Budget Responsibility (December 2010) that public sector job losses can be scaled down to 'only' 350,000 because of sharp reductions in welfare benefits. Actually, jobs will be slashed, as mass redundancies are the quickest and easiest way to make deficit reductions. This is because workers' rights and employment protection are so feeble in this country compared with the rest of Europe (a legacy of both the Tories and the New Labour government, which failed to repeal Tory laws on employment, or the anti-trade union laws).

After a short period of very modest recovery during 2010, by the end of the year house prices were beginning to fall again, Gross Domestic Product (GDP) declined by 0.5% in January 2011, and unemployment is now rising to above 8%. For women it is already 10%, while single mothers and the disabled are being threatened with destitution. Levels of unemployment for 16 – 24 year olds are now more than 20%. They are the first generation since the 1930s that will be worse off than their parents. We should note that official unemployment figure are 'massaged' and systematically underestimate the numbers, sometimes by up to half. Contrary to assertions in Osborne's interim budget, the private sector is not creating new jobs in Britain to compensate. This is partly because globalised British capitalism invests where profits are high in the cheap labour economies of the global south.

The Tory coalition cuts policies are more ruthless and deeper than those made by any previous government since the war, including those undertaken by Margaret Thatcher. They will have dramatic effects on the lives of most people in this country, pushing hundreds of thousands into unemployment, poverty and homelessness, or into the hands of criminal Rachman-style landlords, while the rest of us face years of declining living standards and quality of life as the social fabric of our society slowly decays. Already, in wealthy areas such as the London borough of Kensington and Chelsea, cuts in housing benefits are causing 'social cleansing' – pushing people into poorer London boroughs and creating an immediate increase in homelessness there.

The ideological offensive is being ramped up, with the unemployed already branded as workshy scroungers wasting taxpayers' money. As we will explain below this is a gigantic fraud which disguises the attempt to make the mass of the people, not just the poorest and most vulnerable, pay for a crisis which is not theirs. Nobody voted for the programme of this government. The 'coalition' is a true-blue Tory government that is being propped up by the morally bankrupt leaders of the Lib-Dem party, who have placed their personal power and privileges above their 'principles'. Even Simon Hughes the darling of the left in the party, has kept his hand on the dagger that is pointed at the

heart of the working class in his constituency of Bermondsey.

We explain below that the savage government austerity program will not solve the crisis of capitalism, but deepen the recession with terrible consequences. We refute the lies of the Tory coalition when they say ‘there is no alternative to drastic cuts’.

We also reject the propaganda that says ‘we are all in it together’. The Tory coalition do not include the bankers with their obscene bonuses for failure, or the big capitalists, or their political and media servants – they mean the rest of us are in it together, more than 80% of the population, who will be made to pay for the bailout of their failed system.

According to opinion polls, the Tory coalition has partially succeeded in convincing many working people that they, not the bosses and bankers, must pay for their share of the debt crisis. They have fallen for the capitalist propaganda that ‘we are all in it together’. This plays on the fact that many ordinary people encouraged by the ‘financialisation’ of capitalism over the previous three decades are themselves in debt (because of stagnant wage levels). The slogan ‘we are all in it together’ means that working people from all walks of life - private sector as well as public sector and students - must pay off the debt to bail out the bankers and big capitalists.

If the new era of austerity is already hitting working people hard, many still seem dazed and unclear about what has happened. This confusion is not just the fault of the right wing media, but also of the Labour and trade union leaderships, who have failed to put forward an alternative either before or since the election. Labour had already prepared to go down the same road as the ConDem coalition, if re-elected. Their main criticism is that the cuts are the “wrong cuts and at the wrong time”. They say the debt needs to be repaid through cuts, but over a longer period of time. New Labour has little commitment to the welfare state and public services, and the election of Ed Miliband as leader of the party has made little difference - he is floundering in a two-year policy review when leadership is required now!

Meanwhile the situation in the trade unions is not good. Large affiliated unions have not changed course since the election, despite the right wing Tory –led coalition, and appear already committed to maintaining a passive, non-aggressive stance in the belief that this will ease the return of Labour to government at the next election, a government, which in practice will be little better than the Tory coalition. Why else would public sector unions like UNISON be so inactive in opposing massive jobs cuts which are hitting their members hard ? This approach, if continued, will be at a huge cost to their members’ jobs and conditions and result in a long-term loss of trade union bargaining power.

Meanwhile, cuts and privatisations are being introduced at breakneck speed, with almost daily announcements by ministers. This is seen by the coalition as the best way to overwhelm and wrong foot opposition to the cuts and get its full agenda through, which has so far not been difficult. Despite this, the inspiring student revolt has radicalised the

political situation and created the possibility of strengthening opposition to the cuts.

This student radicalisation, part of a broader youth radicalisation, has already exposed the weakness of the coalition. After only six months of a planned 5-year term of office it is in no position to hold out against a strong and united anti-cuts movement if one can be built. Its cuts agenda is predicated on an improvement in the economy, with 2% growth per year, which is patently not going to happen. In reality, as we will show, the British economy is in a very serious situation.

Socialist Resistance argues that the capitalists and their servants in parliament have launched a ferocious class war against the people of this country. In our view, they have a wrong assessment of the real balance of forces between the main classes in society. Confronted by the youth and student revolt, this illegitimate government has already begun to show its weakness. New social forces and political leaders will emerge in the period ahead.

## **The rich get richer (or how to loot the people)**

Even today, rich financiers and capitalists continue to get richer and the huge gap between rich and poor (and the middle classes) continues to widen. In 1990 the average chief executive earned 25 times the pay of an average worker, but by 2008 it had risen to 120 times as much (not including bonuses). The latest figures from the Financial Times suggest that the income ratio between the lowest and highest paid is 1 to 80 and going up! This underestimates the gap, excluding, for example, bonuses, share options and multiple directorships.

During the same period the number of people worth at least £5 million has doubled, and the number of billionaires has tripled. The arrogance of power at the top is shocking, with failed bankers who have been bailed out with taxpayers' money continuing to pay themselves six-figure bonuses. Recent threats by EU regulators, under pressure from the German government, to limit the way bankers bonuses can be paid has been met with banks preparing to side-step the regulators by paying their top people much bigger salaries (Guardian, 11 December 2010). Jon Terry, remunerations partner at Price Waterhouse Coopers, revealed that the base salaries for senior bankers were already three or four times higher than 18 months ago, which makes it even more difficult to link pay to performance, or curtail bloated severance pay deals.

Anger about bankers' bonuses recently resurfaced in January, when two of the US banks with a significant presence in the UK announced they would be paying bonuses to their staff of over \$30 billion for 2010. The giant investment bank, Goldman Sachs announced that profits had declined by 30%; nonetheless it set the going rate for bonuses by paying out an average of \$269,000 per employee, with hundreds of top investment managers getting millions in bonuses. Bob Diamond, the boss at Barclays, will receive £9.5

million this year and has pocketed £75 million since 2006. He told the Treasury select committee in January that the period of "remorse and apologising" for banks is over.

As the 'LeftBanker' has noted ('Bankers' Bonuses: Parasitic Theft', 22 January 2011):

"UK banks are estimated to be making £7 billion in bonus payments for 2010 when they are only paying £5.7bn in corporation tax for the same period. Ironically they were able to reduce their tax bill by writing off losses that they made in 2007, 2008 and 2009 when they were bailed out by us.

"That gets to one of the bones of contention on bankers bonuses. How can an industry that by the estimates of the International Monetary Fund has lost \$2.5 trillion since the financial crisis broke, that has been bailed out by governments worldwide . . . pay these ridiculous sums of money for what is a socially useless function that has caused and will cause so much destruction?"

There is no wealth creation in what the banks do. The banking system has degenerated into a giant casino and a scam. When they make money someone else loses an equivalent amount.

It is revealing that there are an astounding 18 millionaires in the ConDem cabinet – the most wealthy and elite cabinet in decades - and among the multimillionaires are Cameron, Clegg and Osborne. The Government advisor on 'efficiency' (read cuts) is Sir Philip Green, the ninth richest person in Britain, whose retail empire (Top Shop, etc.) is based on Asian sweat-shop labour. Like Tory donor John Ashcroft, Green is a tax dodger. In 2005, Green paid himself £1.2 billion, the largest pay award in British history, but it was credited to his wife who lives in Monaco, so he paid no UK tax on it. Cameron, Clegg, Osborne, Green, Ashcroft - not to mention Lord Browne, the author of the report on higher education - are all part of a ruling class that numbers less than 2% of the population.

For public consumption, some in the government may bemoan bankers' greed, but they will not seriously curb bonuses because they are part of the rotten system. It is also noteworthy that since the Crash the giant banks in Britain and the USA have remained virtually untouched by regulation.

Meanwhile, the massive cuts program to pay off the banks is directed against all workers, including professional and white-collar workers, as well as small businesses. According to the Institute of Fiscal Studies, workers will be hit, on average, five times harder than the rich. Some analysts say the most deprived sectors, including women and children, could be hit up to thirteen times more. Austerity will benefit the bosses and the bankers, as billions are taken out of the economy to pay back the city and the international loan sharks, and corporation tax is cut. Recently, the Financial Times

estimated that the poorest 10% of families will see a 6% reduction in their standards of living while the richest 10% of families will only see their living standards fall by just over 1%. In reality however, the super rich, about 2% of the population are still getting richer.

## **Rolling back history**

The British debt crisis is deep, but it is also the case that Tories are ideologically driven – many backbenches clapped with a viscous enthusiasm when cuts were announced in Parliament. They hate the public sector - they hate anything that makes any concessions to the working class. This can be shown by the fact that some of their reorganisations, for example in the NHS, do not even save money, they are all about preparing for privatisation.

- **The assault on higher education**

Lord Browne, once cost-cutting (safety-cutting) head of BP, has produced a report (originally commissioned by the Labour Government) that is the basis of the Tory coalition attack on higher education and student fees. 80% of university teaching budgets will be slashed. For the humanities subjects, such as history, politics, philosophy and arts and media, the subsidies will be cut completely. This will force many of the top universities to charge the full £9,000 per year in fees, with more fee rises to come. Higher education will be beyond the reach of most working class youth. Students from poorer backgrounds will be socially engineered away from the humanities into more ‘vocational’ subjects. This is the opposite of ‘choice’ and is profoundly reactionary.

- **Privatising and marketising schools.**

Michael Gove’s plan for education offers funding for any group that wants to set up a ‘free school’. It will mostly be the wealthy middle class, with a lot of time on their hands, that will take up this offer. This policy will take funds from existing budgets of other state schools, leading to deterioration in standards in these schools, with some being forced to close. Like the Labour government before him, Gove will also encourage other ‘successful’ schools to opt out and become academies. The result will be the creation of a two-tier education system, as the better-funded privatized schools become selective. This is not just a return to the old grammar and secondary school system by the back door, but with privatisation, a return to the late 19th century. This is reactionary and anti-egalitarian - the very opposite of ‘fair’.

- **Breaking up and privatising the NHS**

The NHS is the most important gain made by ordinary working people since the Second World War. At the general election both the Tories and Lib-Dems argued for the defence of the NHS and for ‘ring-fencing’ its funding. Now health minister Andrew Lansley plans to completely ‘reorganize’ - actually disorganise - and fragment the health service, part privatise it and allow funding to fall behind the cost of increases in usage and the

effects of inflation. In other words there will be cuts and privatisation. In addition there is a drive to make a huge £20 billion worth of 'efficiency savings' by 2014. Landsley also plans to make GPs join one of 300-500 'consortiums', which will control £70 billion of NHS funding. He hopes this will create a competitive market between public hospitals, the consortiums and the many profit driven private corporations. This will result in dislocation and declining standards. Nobody voted for this programme at the general election.

Many of the planned 'reforms' in the NHS, preparing it for more privatisation, or cutting a range of welfare benefits, will cost more money to implement than they will save, which shows clearly the ideological and anti-working class nature of the government's austerity policies.

- **Increased homelessness and rising rents.**

There is already a shortage of housings stock, with 1.8 million people on waiting lists for social housing. At the same time the housing budget is to be halved with a 60% cut in social housing. This will mean 250,000 fewer houses being built. And while housing benefit is being cut, housing associations will be forced to charge 80% of the market rate for 'affordable housing'. In addition, the end of tenancy for life will create insecurity and push people into the private sector. The result of these policies will be rising rents, homelessness and a bonanza for private landlords.

- **Women and children will be hit the hardest.**

Women are being hit particularly hard by the crisis and will be amongst those to suffer most as a result of cuts and privatisation in the public sector. Women make up over 40% of the public sector workforce, so cuts there will result in high levels of redundancy for women. Despite equal pay acts, women still only earn 80% of the male wage. Women make up the majority of those in part-time jobs. (See Part 2 below for more analysis)

- **The Tory coalition abandons the fight to stop global warming.**

The cuts threaten investment in green industries, conversion and jobs and a recovery based on sustainable development. This failure can only intensify the other major historic crisis facing the capitalist system today – climate change. The ConDem coalition is criminally pushing a sustainable green recovery agenda onto the back burner when the effects of global warming are reaching a tipping point. Just one example, the government have scrapped the planned £60 million upgrade of ports (mostly in the North East), which had the specific purpose of enabling them to handle the next generation of giant wind turbines. The planned investments in Britain by Siemens, General Electric (£180 million) and possibly Mitsubishi, in large turbine plants, which would have created an estimated 60,000 plus jobs, are entirely dependent on this port investment.



The government has abandoned a green agenda for reducing human-generated climate change with its dire consequences for humanity. Climate change is part of the dual crisis of the capitalist world order today. Rather than cuts in spending, the present recession is an opportunity for government-led investment in a more energy-efficient, green economy, providing millions of new green jobs.

The coalition's reactionary plans to roll back many of our social gains, including those of black people, disabled people, LGBT people, is to roll back history. To retreat on climate change is proof that today we are in the era not only of late capitalism, but criminal capitalism.

## Join **Socialist Resistance**

★ Socialist Resistance is an organisation as well as a magazine and if you agree with most of what you have read we think you should join us. We share four common choices:

1 General agreement with our main document, *Savage Capitalism*, which explains why now only a socialist response that centrally addresses the environmental crisis is adequate to the current period.  
It's online at [http://socialistresistance.org/?page\\_id=21](http://socialistresistance.org/?page_id=21)

2 Commitment to activism in the labour movement and/or campaigning organisations.

3 Commitment to building our socialist organisation alongside other anti-capitalist organisations in England.

4 A monthly contribution to our costs. We ask for £10 or more for the employed; £5 for university students; and £2 for others.

You become a member when we get your first month's contribution.

Send a cheque payable to 'Resistance' along with your contact details to us at P0 Box 62732 London SW2 9GQ.

Name: \_\_\_\_\_

\_\_\_\_\_

Address \_\_\_\_\_

\_\_\_\_\_

Post code \_\_\_\_\_

\_\_\_\_\_

Phone \_\_\_\_\_

\_\_\_\_\_

E mail \_\_\_\_\_

\_\_\_\_\_

## What caused the crisis and how deep is it?

The capitalist crisis is very deep. There are dangerously escalating levels of debt, especially in Britain, because of the enormous size of the banking sector bailouts and the subsequent recession. However, we argue that the Tory coalition austerity offensive is the biggest political fraud in modern times – a fraud that most of the media is happy to run with.

Capitalism is entirely to blame and has the resources to solve the debt crisis. Capitalist governments have taken on the banks debts, in some cases all but nationalised them, but without taking any control. Without blocking speculative financial operations, without taxing their assets and the wealth of the rich, blocking tax loopholes, or stopping obscene bonuses or reducing their salaries, they have simply moved the debts from the private sector to the public purse. In other words the working class is now expected to shoulder the burden.

When the gigantic debt bubble inevitably burst in August 2007, it led to a run on the banks - the first casualty among the British banks being Northern Rock. Worse, for global capitalism, it culminated in the collapse of the giant, swashbuckling Lehman Brothers (October 2008), which had debts amounting to an astronomical \$631 billion. The free market economic lunatics in the US refused to bail out Lehmans and precipitated the biggest banking crash in history. Many other big and small banks across the world began to fail, and most had to be bailed out with enormous sums of taxpayers' money (without control) in a desperate attempt to avoid another Lehmans. Despite their efforts, the financial crisis took the capitalist system to the edge of the precipice and brought with it the worst global economic recession since the 1930s. This crisis is particularly deep in Britain because of the size of the banking sector and because of the weakness of its industrial sector.

However, since the founding of the Tory coalition government, we have been told by politicians and the media, with ever increasing vehemence, that

the main cause of Britain's predicament is not the banks but the size of the public sector,



caused by Labour's profligacy. It happened almost overnight, just before the election campaign, when the media shifted their focus away from the economic wreckage caused by a global financial crisis, and blamed it on a 'bloated' public sector. In other words, our schools, hospitals, welfare provision and social services caused the crisis. As a man in the street interviewed by TV exclaimed, "I thought it was the banks that had caused the crisis and then one morning I woke up and everybody said the problem was the cost of the public sector!"

It is true that Labour increased public spending during the 2000s – not fast enough, in our view - because of the legacy of Thatcher's underinvestment and cuts and the weakness of the British economy. The real situation under Labour is that government spending was increased to about the same level as in the early 1980s, a level of debt proportionate to the average of the last 100 years. Labour was soon running up about £40 billion of debt a year to finance public spending and to support the structurally weak private sector; however, the catastrophic escalation of the debt was the result of the banking crash, beginning in the summer of 2007.

In defence of Labour's spending bill, we should not forget Thatcher's legacy of crumbling public buildings, roads, rail and other infrastructure, and the shortages of staff in our schools and hospitals, the decline of our city centres and the growth of homelessness. These will now return more spectacularly than under Thatcher – unless we stop this illegitimate government in its tracks. It is also the case that the unprecedented state intervention initiated by Brown and Darling, moderated the immediate effect and visible signs of the downturn.

In fact, the explosion of debt began in the 1980s, when Reagan and Thatcher made a sharp turn to free market, neo-liberal capitalism. This became the economic motor force of the last 25 years of growth, but it was based on debt and speculation. There was a massive escalation of 'fictitious capital', inevitably leading to the biggest bubble in history and then the massive crash. There was no significant creation of real wealth during the latter phases of the credit-led boom. Marxists predicted the crash long before it happened.<sup>4</sup>

The ConDem government says it is now necessary to balance the books by slashing public expenditure, taking billions out of the economy through cuts, in order to pay back

<sup>4</sup>For example, the Jan 2008 Socialist Outlook, 'From Boom to Bust', by Andy Kilmister, or by Raphie de Santos, January 2008 published in Scottish Socialist Voice 320. This predicted depth of the crisis except the scale of the bailouts.

[http://www.scottishsocialistvoice.net/lg%20back%20issues%2008/issue%20320\\_lg.htm](http://www.scottishsocialistvoice.net/lg%20back%20issues%2008/issue%20320_lg.htm)

<http://www.scottishsocialistparty.org/economic-crisis/market-money-madness.html>.

A steep fall in housing prices, in April 2008 SSV 324. [http://www.scottishsocialistvoice.net/lg%20back%20issues%2008/issue%20324\\_lg.htm](http://www.scottishsocialistvoice.net/lg%20back%20issues%2008/issue%20324_lg.htm)

There are several other articles published from early 2008 to Sep 2008, which predict the dynamics of the crisis: <http://www.scottishsocialistparty.org/economic-crisis/index.html>

Also May 2008 on the bankruptcy of Bank of Scotland and RBS: [http://www.scottishsocialistparty.co.uk/new\\_pdfs/pamphlet/web\\_edition2.pdf](http://www.scottishsocialistparty.co.uk/new_pdfs/pamphlet/web_edition2.pdf)

the same international bankers who caused the crisis in the first place. Private debt was the solution many working class families adopted, in order to maintain the consumption norms in a rich society with increasing inequality and conspicuous consumption. This was because real wages remained stagnant, or fell.

The Tory coalition plan is to cut £101 billion (£81 billion in cuts and £30 billion in tax rises) out of the economy over four years. It has been led by an increase in VAT to 20% from January 2011. This is partly being done to appease powerful international finance, the credit rating institutions and the bond markets, but it is also the case that the Tories and their backers in the capitalist class have never accepted the social gains represented by the welfare state, the principle of free universal benefits, the NHS, and all the gains working people have made since the Second World War. Austerity on this scale, replicated by other governments in Europe, is likely to lead to a second slump. Leaving to one side the ideological dimension, neither the ConDem government, nor the Labour Party, nor the TUC have a credible policy to beat the crisis.

Many on the left believe that the level of public debt is not the main issue because we have had similar levels of debt before. This seriously underestimates the problem. It is true the British state has always managed high levels of national debt – but that was when it had an industrial base and an Empire. Government debt between 1920 and 1960 never fell below 100% of GDP, while in the years after World War Two it was much higher at around 250% of GDP. But then interest rates on loans from the USA were low at 2%; now they are on average 4% on existing loans and rising on new loans. Ireland's credit rating has just been cut as was France and Japan's. Britain is on horizon as well. Britain has never previously built up the level of debt that we are now facing in peacetime- and there is no Marshall Plan to come to the aid of the world economy.

We have to face up to the fact that the public debt in the UK has doubled over the last three years from £480 billion to about £1 trillion. This is unprecedented. It is mainly the result of the huge cost of bailing out the banks and the recession that followed:

- £175 billion went directly to banks and financial institutions to shore them up.
- £45 billion went in mortgage subsidies, the car scrappage scheme, cut in VAT (about £20 billion), tax cuts etc.<sup>5</sup>
- £145 billion was lost due to the recession-induced decline in government receipts in tax, for example, reduced corporation tax. (The banks accounted for 30% of corporation tax).

<sup>5</sup> £45 billion is a sum of all these measures when you add up the cost of the VAT cut which was extended beyond its original life span, tax relief for families, tax cuts for small businesses, cash scrappage scheme, cuts in stamp duty tax on house purchases and the subsidised mortgages (the Labour Government put 25% of loan for first time buyers), immediate help for mortgage payments on losing your job and one off payments to pensioners.

This all came to approximately £45 billion over the period the measures were in force.

- Labour maintained a structural deficit to support a weak economy - £135billion

To this can be added increased welfare payments due to increases in unemployment because of the recession. There have also been further big stimulus packages to tame the crisis,

Quantitative easing, and other measures initiated by Gordon Brown and the Bank of England to stimulate a recovery, had only limited success but has left the Bank holding government debt to the value of 15.2% of GDP (Gross Domestic Product - the total amount of goods and services produced in one year). Also there was a pledge of direct support to banks to the tune of 12% of GDP and to guarantee bad loans by another 40% of GDP (this figure is now lower at 20%, as only RBS is being guaranteed). In addition, a further 28% in asset swaps and quantitative easing has been guaranteed. Although these are very large figures, they are mostly notional, since the banks have not yet drawn on many of these guarantees. Most current estimates suggest that they may not be taken up. However, in spreadsheet terms they are bigger than for many other countries of the G12, because of the relatively large size of banks within the UK economy.

The first time Britain accumulated this level of debt in percentage terms was in the build-up to and during the Napoleonic wars, in the late 18<sup>th</sup> and early 19<sup>th</sup> centuries. Britain was then the pre-eminent industrial capitalist power and was able to reduce the debt over a period of several decades of rapid expansion of the economy.

Under modern capitalism Britain's debt has twice risen dramatically: first, to fund the two world wars, then to fund the rebuilding of the economy after the wars. The UK government debt incurred in the lead up to and during the First World War, was mostly borrowed from the US banks. It declined in the early 1930s because the UK and the other governments in Europe defaulted on it after the Wall Street crash and the onset of recession. These defaults played a part in turning recession into depression. The US banks were the main provider of global credit - so the defaults, coming on top of the losses US banks had made from loans to individuals to buy shares, froze global credit.

With the 1930's Great Depression it was only the onset of the Second World War, resulting in production being ramped up to a war footing, with the creation of full employment, the consequent massive destruction of capital, combined with Keynesian post war economics that laid the basis for recovery and the long post-war boom.

Capitalism was rebuilt from the ashes of World War II by fiscal stimuli, reconstruction, new technologies and expanding world markets. However, British imperialism lost out to its competitors during the post war period - part of its long decline. The debt built up by Britain during the Second World War and in its aftermath was only paid off 60 years later.

In the current globalised situation we now have global lenders who have been hit by losses from a property bubble and derivatives – at the height of the financial crash there was unregulated derivative insurance on an underlying notional \$600 trillion which was

worth \$35 trillion. A wave of country defaults could create another freezing of credit and a second deeper recession. We are already seeing strong hints at effective defaults in Greece (January 2011). This could spread to all the periphery countries. Portugal, Belgium, or Spain could follow. If in the future a major economy like Britain's defaulted, however, it could lead to a freezing of the global financial system and a prolonged depression. To avoid this, the government could be forced to go cap in hand to the IMF. There are other government measures that some put forward as alternatives to the IMF, such as allowing the devaluation of Sterling, or eroding debt through inflation (which have their own serious consequences) that could temporarily stave off a default. However, although rising inflation will have a net effect of reducing the debt some argue it will be marginal.<sup>6</sup> They could also make the massive cuts required to solve the problem of the deficit. The IFS already saying that the Tory coalition will need more tax rises or cuts. These are possible options but would probably only delay a turn to the IMF.

Some of the figures being put out by some on the left are wrong. For example, it has been wrongly argued by some that Britain's debt is not as serious as Osborne makes out – it is exaggerated for ideological reasons. Some have argued that as a proportion of our GDP, the UK debt is the same as Germany's. This is off the mark.

Britain's current debt stands at 75% of GDP<sup>7</sup> or 190% of annual tax income. By the end of the coalition's term, on current trends, it is likely to be 110% of GDP and over 270% of tax income, while Germany's public debt is levelling off. Moreover, the UK debt is based on the government's projection of well over 2% growth in the economy per year for four years, which is way above the estimates of all independent economic think tanks. Flat growth over the next four years – a more likely scenario given the effects of the cuts – would see a further £100 billion added to the debt total at the end of their term. The debt to GDP ratio would then be at 125% and the debt to tax income ratio at 307%. Britain's tax income ratio to GDP is only 34%, one of the lowest of the G20 countries.<sup>8</sup> Meanwhile, Germany's ratio is higher than Britain's - German tax revenues have fallen by only 2.3% compared to a 7.6% fall in the UK for the last financial year.<sup>9</sup> The British debt as a percentage of GDP is now above that of Germany, France and

<sup>6</sup>This is a complex discussion. Some economists argue, for example Raphie de Santos, that higher inflation may reduce the real value of the debt. However, he points out that 30% of debt is linked to inflation - the interest and the amount of the original loan goes up as inflation goes up. This will partially offset reduction in the 70% not inflation linked. In addition, as inflation goes up so do interest rates. This means that renewing the debt or taking out fresh loans will cost more in interest payments. This too offsets the real reduction in the debt from rising inflation. To summarize, rising inflation will have a net effect of reducing the debt but only marginally. Raphie de Santos further argues that we have to take out £850 billion of new loans at higher rates of interest and £250bn of existing loans are linked to inflation.

<sup>7</sup>Based on the debt outstanding at end November 2010 and rolling four quarters GDP to 2010

<sup>8</sup>OECD 2009



Canada and not far behind the USA. It will have at least quadrupled in the eight years from the credit crunch to end of the coalition's term in office. Also, the size of the UK economy (end of 2010) is at just over 95% of pre-crash levels while Germany's is over 98%. Most importantly they have a big manufacturing base while Britain relies on credit, banks and housing, which are all bust. Germany's debt has only gone up by 12% in three years since the crash while Britain's debt has gone up by 100% and rising.

Worse, these disastrous figures do not take account of a probable 'double dip', or deepening of the recession, possibly slump, or another run on the banks, which Britain could not afford without massive cuts and inroads into the wealth and power of the capitalist class.

Some on the left have argued that the sustainability of Britain's debt - mostly underestimated - is not determined simply by its size but also by its make up, which means that the UK is in a much stronger position than many other countries like Greece, Ireland and Portugal, or even larger economies like Spain or Italy. This is because most of the UK debt is not owed to external financiers: about 70% is held within the country, including 20% with the Bank of England, in sterling. However, it still means approximately 30%, including government bonds, is held by foreign banks and governments and is therefore vulnerable to speculation.

Nor, it has been argued by some, is the maturity rate of this debt as short term as it is in Greece, Ireland or Portugal, where it is only 6-8 years, while the maturity of the UK debt is much longer term, at over 12 years. However, £305 billion<sup>10</sup> of our existing debt has to be renewed or repaid over the next five years – 64% of our pre-credit crunch debt. Another £540 billion in loans,<sup>11</sup> based on government estimates, has to be taken out over the same period to cover the annual deficits. We will pay £282.5 billion of interest over this period rising to £68.5 billion per year or 13% of national income.<sup>12</sup>

A large slice of the UK debt is linked to inflation and we are already beginning to see higher inflation in the economy. The government target is 2% inflation but this has not been achieved. During 2010 it rose to 3.7% and in December was well over 4% and rising and - inflation was above target for 30 of previous 36 months. The trend to higher inflation means we must repay more of the loan and more annual interest, which over the last four months, has seen the deficit rise by £12 billion. This is more than estimated and is wiping out the "savings" from the June emergency budget cuts. In November 2010

<sup>9</sup> [http://ec.europa.eu/economy\\_finance/publications/country\\_focus/2010/pdf/cf-7-03\\_en.pdf](http://ec.europa.eu/economy_finance/publications/country_focus/2010/pdf/cf-7-03_en.pdf) [http://www.hmrc.gov.uk/stats/tax\\_receipts/table1-2.pdf](http://www.hmrc.gov.uk/stats/tax_receipts/table1-2.pdf)

<sup>10</sup> Based on HM Treasury schedule of outstanding debt (gilts) as at 30 September 2010, source Bloomberg Financial.

<sup>11</sup> Office of Budget Responsibility Fiscal Outlook  
<http://budgetresponsibility.independent.gov.uk/econ-fiscal-outlook.html>

<sup>12</sup> Based on the interest payable in having to raise £540bn over the five financial years of the Coalition's term

alone, Britain was forced to borrow £23billion. The debt linked to inflation will offset some of the gains made by inflation eating into the real value of our standard debt.

The UK government bond markets have started to reflect the widening deficit, with the potential for public debt to be much higher than government forecasts. The yield on UK ten-year government bonds has climbed by nearly 1% from August 2010 to the end of 2010 adding £23billion to the interest rate bill we will have to pay over the next five years.

Who will take up the high levels of debt over the next five years, when at best £845 billion of new loans will have to be taken out by the British government? Despite what some on the left say, overseas investors hold a significant chunk of British debt - just under 30% - and the Bank of England through its quantitative easing program holds about 20% of the debt. This leaves a much smaller reservoir of investors to absorb at least £845billion of debt over the next five years, particularly if sterling were to weaken and British government bonds became unattractive to overseas investors. At some point in the future the Bank will have to unwind its holdings by selling £200 billion of British government debt on the financial markets. This will depress British government bond prices, pushing up yields and the cost of borrowing, and saturating the supply of the British government bonds, making it more difficult for Britain to issue fresh bonds.

Faced with the scale of this debt crisis, Raphie de Santos argues that it is increasingly likely that sometime over the next four years the Tory coalition may have to go to the IMF for a huge bailout. The IMF will, as part of a rescue package, demand the virtual destruction of the post-war welfare state – if we let them get away with it.

As we have discussed above, there are other measures that could be taken by the government, such as allowing the devaluation of Sterling to temporarily relieve the pressure on the debt. Restructuring may allow delayed payments on existing debt but no one would renew a loan with Britain or give fresh loans. These would only be short-term measures. Greece and Ireland can do this because they can renew and take out new loans with the European bailout funds. They do not have to go to the market. The UK would.

We must also consider the possibility of a future debt default for this country. Today this demand would not be widely understood even in the anti-cuts movement – however the idea of a debt audit to see where the debt comes from can begin to prepare for such developments and is something we call for now.

If the Tory coalition government is forced within the next four years to go cap in hand to the IMF to bail out the British economy, as the analysis in this pamphlet suggests it might, it would dwarf that of Greece or Ireland, or Prime Minister Callaghan's borrowings from the IMF in the 1970s. A default strategy would then be necessary in order to prevent the devastating destruction of the welfare state that the IMF would demand. It is possible that a debt default by a country such as Britain would precipitate

another international financial crisis.

Even now, the workers' movement in this country should support the calls for repudiation of the debt in Greece and Ireland, where the debt crisis is already much deeper. We must be politically prepared and mobilised against ruling class reaction at both a national and international level – building massive, active support for any government that repudiates the debt.

To conclude this section, The debt is spiralling out of control and the Tory coalition will have to renew its austerity offensive making much deeper cuts in services, benefits and wages, taking even more back, much more, to pay off the bankers. The working class must not be allowed to walk blind into a brick wall that is looming. The alternative is fight all the cuts, resist austerity in favour of planned investment and demand the taking back, or expropriation of societies wealth from the capitalists and its equitable redistribution among the population.

We have devoted space to this issue because we want to show that any solution based on a capitalist framework - be it neo-liberal free market capitalism or left Keynesian borrowing to invest – faces insurmountable problems. We also want to encourage this important discussion on the left.

Anti-cuts activists will say, rightly, that the size of the debt changes little; whatever the size of the debt, our answer must be: we will not pay for their crisis. In that sense, the students have already shown us the answer – mass action to break up the coalition. But we - the working class and its allies - also need a governmental plan to beat this severe crisis. In order to develop that alternative, we have to recognise the depth of the crisis that the capitalists have created. It then becomes clear that our solution must also go deep – right to the roots of their system. For more on that, turn to sections below.

## **Ireland, the IMF and the race to the bottom.**

In Ireland, once called the 'Celtic Tiger', we can see more clearly how the debt scam works. When the Irish housing bubble burst, house prices fell by over 35% and the main banks crashed. Today, like Greece and Spain, Ireland is awash with empty houses and apartments. Mired in corruption, 'toxic' loans and profligate sub-prime housing scandals, the now bankrupt banks were bailed out by the capitalist government by a staggering 23 billion Euros. This was done through loans and taxpayers' money. As a consequence, Ireland's national, or sovereign, debt, mainly caused by the government bailout of the banks, grew and grew as the scale of the banking debt was gradually revealed. The budget deficit grew to more than 32% of GDP and the total public debt to approximately 99% of GDP. This pushed the Irish state itself to the edge of the precipice. Subsequently, the government was forced to agree, under pressure from the IMF and the European bank, to accept a massive bailout of 85 billion Euros. The new loans to Ireland are to be used directly, or as a guarantee, to pay off the sovereign debt to

the international banks and the cynical gamblers in the bond markets! In other words, the money comes from the bankers and goes straight back to the bankers, while the total sovereign debt, now including the bailout, will have to be paid for over decades by the suffering Irish people.

Larry Elliot of the Guardian wrote in relation to the similar austerity programme adopted by Greece that it would lead to an 'economic death spiral'. Other leading Keynesian economists such as David Blanchflower, a former member of the Bank of England Monetary Policy Committee, have regularly issued similar warnings.

The draconian austerity measures, which were part of the deal, will last a generation. These include higher taxes, lower wages already cut by 15%, rising unemployment and cuts in unemployment benefit, a rapid destruction of the welfare state, with cuts of 10% in child benefit, for example. As we have seen in the case of Greece and the previous austerity packages in Ireland this only further weakens an economy and creates a bigger deficit, leading to a larger debt problem that is answered by more cuts. It is a race to the bottom, which will impoverish an already poor country. As of January 2011, it looks as though Portugal is also set to go down this disastrous road and Spain may follow.

Ireland and Greece are effectively bankrupt, massively driving up their governments' debt. The international bankers, speculators and spivs, now control Ireland, and in the interests of short-term greed the country is being driven into economic ruin. Ireland is a blatant case of the looting of a country's wealth in the interests of international finance.

The savage intervention of the IMF and the European Bank means that the people must now demand the Irish government reject the debt repayments – default on the debt, take full control of the banks and the flow of capital. There must also be a campaign to take control of the international bond markets and bring to an end the biggest money making scams in the history of the world. The alternative is economic misery for the majority of the people.

## **Scotland could also face a downward spiral**

In Scotland the minority SNP administration brought forward capital spending from 2011/2012 to 2009/2010, which means that the cuts experienced in 2010/2011 will be greater than the rest of the UK. Already there is open talk in the Scottish media of only four-day primary education and a delay in starting primary education for one year for children.

An additional tactic used by the SNP has been to freeze council tax for the last four years to curry favour with the middle classes. This has resulted in real cuts in budgets because of inflation and real cuts in services and jobs.

The Scottish parliament can vary the base rate of tax but this would be a regressive measure, as lower earners would pay a higher proportion. They could instead replace the council tax with a local income tax and this was indeed SNP policy going into the last Holyrood election, but it was dropped under pressure for businesses when they formed a minority government. This could raise another £1.6 billion on average a year for local councils and protect local authorities from the first two years of Westminster's cuts.

The new budget tax raising powers to be introduced in 2015 proposed by the LibDems to the Scottish Parliament represent an additional massive future cut of £5bn to the Scottish budget representing about 16% of current spending. The LibDems should feel ashamed of this back door robbery. In effect it contains part of the cuts that the Tory Coalition hopes to make to the NHS in England by 2014 which would amount to a further £2 billion a year off the Scottish budget.

Under the plan Westminster will take 10p off the basic and higher rates of tax. The Scottish parliament can restore these rates or vary the basic and higher rates and introduce further additional rates of tax. Restoring these rates will leave a £5 billion shortfall in the budget, as the Westminster Tory coalition will cut the Scottish budget by 35% or just over £11 billion. Restoring the 10p cut in basic and higher rate taxes will only raise £6bn.

To restore the budget to its original level will require that the Scottish government raise taxes above the current levels. The Tory coalition are making huge cuts under the guise of giving Scotland more tax powers and letting the Scottish government take the flak for higher tax rates if they try to protect services.

These cuts are on top of massive cuts to the Scottish budget announced recently by the Coalition worth about 32% over four years if inflation is taken into account. Never has there been a better time for Scottish independence where the people of Scotland can fully control their wealth, companies and resources. Taking control of North Sea Oil alone would generate an extra £50 billion a year for Scotland. Redistributing wealth through taxing the rich and wealthy and corporations, as in the UK as a whole, and taking the banking sector under social control and ownership in exchange for paying off Scotland's share of the debt. Scotland too would need a new currency outside of the Euro and Sterling and align itself with other small countries. This is an alternative that can avoid the very serious austerity that the Coalition is planning for us.

## **The financial crisis in the EU and its future.**

Faced with a sharp escalation of the crisis this year the EU Executive is discussing a regulatory system with much harsher penalties for default, through how much effect this will have on the course of events is another matter. Meanwhile the most vulnerable economies such as Greece, Portugal, Ireland and Spain are forced into massive cuts and rising unemployment, more in order to stabilise the Euro than their domestic economies.

The Euro may not survive in its present form with further defaults. Ireland and Greece have already used the IMF, and not only the European Central Bank (ECB) and they are on the edge of default.

The bailout of Greece and Ireland in 2010 has put strains on the whole Euro system. A single currency with competing national capitals and a diverse range of economies is unsustainable. Portugal is unlikely to survive beyond the first half of 2011 without a bailout. Spain is the big one in the short term. That would create an even larger pressure on the Euro and possibly break it up in its present form.

*Socialist Resistance*, along with some Marxist economists such as Costas Lapavistas and his colleagues, and Raphie de Santos, have argue that not only should Greece, Ireland and Portugal default on their debts, but should also withdraw from the Euro. However, the French Marxist economist Michel Husson has strongly argued that withdrawal would leave these counties open to speculative offensives and devaluations. Leaving would “be the pretext for even more severe austerity measures – a situation that would block the emergence of a new balance of forces more favourable to the working class.” (*Socialist Resistance*, No 63 Jan. 2011) The left in Greece and other counties is divided on this.

In the same issue of *Socialist Resistance*, Raphie de Santos, explains why the Euro zone is not a nice place to be. All countries that are threatened by default will benefit from being out of the Euro, as devaluation will make their products more competitive versus Germany and France (one reason *they* don’t want to break up Euro). These countries are already the victims of speculation as the hedge funds and traders are driving down equity, government bond and corporate bond prices, believing a bailout is inevitable. This is happening under the ECB control and its demand for austerity measures.

Today the ECB is the only buyer of Portuguese bonds, but under draconian conditions. The latest bond auction in February 2011 was at a very high 6.4% interest rate for a five year debt, which Portugal will unlikely be able to service, with at least €35 billion to be raised in the remainder of the year. Portugal borrowed about 0.25% above market rates and already in a week market, rates have risen another 0.4% for five-year loans. Currently the ten-year borrowing rate for Portugal stands at a high for the last year of 7.15% - higher than when Greece and Ireland were bailed out in 2010. At the same time the ECB demands secure austerity measure to gain access to the fund.

Portugal’s banking sector has large exposure to the banks’ of Europe’s debt strapped nations. They too will have problems raising funds in 2011. The emergency European Union fund of €440 billion may be able to buy further Portuguese government bonds but



another rescue package will be needed to save the Portuguese banks. The ECB hopes to hide a full bail out for as long as possible from the market place, because it fears a Portuguese bailout will turn attention to Spain, which is too large to “fail”.

If there is a run on Sterling in the UK and the financial markets turn their back on UK government bonds (refuse to buy government bonds in auctions), the UK may only have the option of a bailout from the IMF - there is no European Central Bank (ECB) to issue us loans. (Note: the bonds are known as UK government bonds, not British because Britain excludes Northern Ireland.)

## **More than a financial crisis - a structural crisis of the system**

The current worldwide economic crisis is not simply a banking or financial problem, but a deep structural crisis of capital accumulation. The neo-liberal economic model, which has driven the world capitalist system for more than 25 years, was itself a response to this structural crisis of profitability in the 1970s.<sup>13</sup> Neoliberalism was an attempt initially to solve the crisis of the 1970s by abandoning the “Keynesian consensus” of the “golden age” of capitalism - relatively high social welfare spending, strong unions, and labour-management cooperation - via an attack on labour. It succeeded, in that profit rates eventually recovered in the major capitalist economies by the 1990s.

However, the underlying and long-term structural problem for capitalist profitability, a declining rate of profit, was particularly acute in the UK. Thatcher and Reagan’s solution to the crisis of capitalist accumulation and stagnation was free markets, deregulation, privatisation, cheap money and low wages, including taking on the unions. During this period there was an over-production of goods and shift in liquid wealth from the bottom 50% to the top 20% of the population. This further stimulated a need for credit, which was partly responsible for a massive increase in the role of the banking sector and financial services. Debt was the result of a financialisation of the world economy.

In addition, the capitalists’ initial success in reviving profits on the basis of lower wages engendered a potential realization crisis. In other words, workers could not afford to buy outright the goods that were being produced. To avoid this new threat to its profits, the capitalists seemed to have found a genius solution: debt-led consumption! The dramatic deterioration in wages forced working people to resort to increased borrowing in order to acquire mortgages, cars, electronics, white goods, holidays, etc.

Neo-liberalism temporarily reversed capitalism’s difficulties, but in the form of a long credit - and asset-led boom, during which there was a major shift in wealth from all working people to the world’s capitalist classes. But inevitably neo-liberal economics and its accompanying philosophy (‘greed is good’) eventually triggered the biggest bubble and bust in history.

<sup>13</sup>See Andrew Gamble, *Britain in Decline, Third Edition, 1990*

Over the last two decades, the rapid financialization of the economy helped to increase demand through various debt-credit stimuli, despite the weakening of the underlying economy. A decline in investment in physical, productive capital went hand-in-hand with the growth of a casino economy, in which profits were directed into speculation in financial assets. Eventually, however, debt-led growth could not be sustained. Beginning in the summer of 2007, this solution collapsed and the capitalist economy has come to face a major systemic crisis, comparable to the Great Depression—except for the unprecedented state intervention moderating the visible dimensions of the downturn. Now, with the collapse of the financial mechanisms that allowed for all the debt, it is unclear how these state policies can overcome the realization crisis.

The debt is therefore not the only serious problem facing British capitalism. Underpinning the debt is a huge shortfall in investment and productivity. In Britain, there have been nearly sixty years of under-investment and consequently, de-industrialization. The result was that, in the summer of 2010, Britain ran its highest trade deficit since the 17th century, greater than in the main European economies and the USA. The Tory coalition call for a growth in exports to reverse the crisis is a hopeless dream. The UK economy is already slowing down after a short period of limited growth in 2010. This is in part due to competition from Asia (especially China), the rising price of oil, and the fact that most of our exports are to Europe, where similar austerity programs have been launched, thus contracting markets. This means that private capital is reluctant to invest in Britain, despite the fact that British capitalists have saved nearly £600 billion in cash, which they prefer to invest in speculation - the bond markets, or in cheap labour regions of the world.

These problems have deep historical roots. The highly internationalized character of British capital – a legacy of Empire and the power of the City – means that capitalists based here have tended to invest elsewhere, in cheap labour. The British economy has relied on finance capital, and on the export of capital in pursuit of high profit margins around the world, rather than on investment in British-based industrial capital. Once the so-called ‘workshop of the world’, Britain is now de-industrialised to the extent that industrial capital now accounts for less than 13% of GDP, less value than the financial sector. This is unsustainable. It is the underlying reason why Britain could not underwrite another big run on the banks.

## **The bankruptcy of neo-liberal economics**

Nor was the structural crisis of world, or British, capitalist accumulation resolved by the neo-liberal era of boom and bust. Since the Second World War the USA has been the driving force behind the world economy. During the 1960s, at the height of the post-war boom, the US economy was growing at approximately 4.4% per year. After the end of the boom, in the mid 1970s growth levels declined and by the beginning of the Thatcher/Reagan era was down to about 3.1% p.a. In the last decade before the crash, growth was

down further to 2.6% p.a. During this same period of the credit-led boom, US debt grew from about 1.5 times total output to nearly 3.7 in 2007 – by which time the banks and money markets had turned into casinos. Inflated wealth was not based on production, being instead largely a massive growth of ‘fictitious capital’.

We can see that the capitalist classes internationally, and their representatives in government, are increasingly divided about how to respond to what is effectively the deepest recession since the 1930s. Contradictory statements are made about the need for cutting deficits and warnings about the dangers of deflation and slump if the cuts are too deep. The International Monetary Fund (IMF), which was at first supportive of austerity programmes, by the autumn of 2010 was warning against too much zeal in their application, since wage cuts and budget cuts could damage weak signs of recovery and result in a ‘double dip’ recession. We should be under no illusions: neo-liberal economic solutions mean that we are sliding into a major long-term recession/stagnation. Large national economies are not managed like corner shops or credit-strapped households, as Thatcher argued, and now Osborne tries to make us believe (“we are paying off Britain’s credit card”). What makes sense to a household or a small business, if adopted by a government in the present crisis, will only deepen the recession. Marxist and Keynesian economists<sup>14</sup> have argued that to cut deficits in an economic downturn is a crazy policy. Because of damaged industrial capacity in Britain today, with continuing dependency on imports from abroad, austerity means stagnation along with inflation (stagflation) due to increases in the prices of imported goods along with a depreciating pound. Moreover, interest rates may have to go up to meet the expectations of the speculators even if the economy is still stagnating.

Austerity means cuts, job losses, wage freezes, slashed benefits and pensions, which will only cut demand, in other words reduce the amount people have to spend. In addition, if you then cut government spending on infrastructure, such as hospitals, housing, schools, transport and green energy, at best you hinder any recovery, or more likely deepen the recession. Spending on production and public works, as Keynesians have argued, can have the opposite effect by stimulating economic activity, creating more wealth and recovery through what the Keynesians call the ‘multiplier effect’. However, today this requires a big tax on the accumulated wealth of the rich if such a stimulus is to be credible.

## Our Solutions:

<sup>14</sup> John Maynard Keynes was the greatest liberal bourgeois economist of the 20th century.



## Investment Not Cuts - How Can This Be Achieved?

First, the most likely alternative strategy to neo-liberalism to emerge in the working class movement in the short term, are reformist Keynesian solutions not Marxist ones. The left needs to discuss this. The main neo-Keynesian policies put forward by governments today involve increasing the amount of money in circulation and thus stimulating demand. This included Brown's policies such as Quantitative Easing, the £45 billion in stimulus packages which included mortgage subsidies, the car scrappage scheme, tax cuts and cuts in VAT. Labour built up a structural deficit to support a weak economy, which cost about £135 billion. This type of policy was followed in many countries after the credit crunch without fully breaking from neo-liberalism.

Today, sections of the Labour and trade union left are discussing a left Keynesian policy, but also put forward demands including 'investment not cuts', or, in some cases 'full nationalisation of the banks', etc, which we fully support. Left Keynesianism is only a minority position in the workers movement, but is likely to become increasingly important on the left, as the crisis deepens.

One problem with a left Keynesian strategy is: where would the money for investment come from? The banks are not lending money and would not be prepared to run a deficit to finance public projects to stimulate economic activity. That is why they must be nationalised and capital controls implemented, as we outline below. Today a Keynesian policy of investment stimulus would mean borrowing more on the financial markets and that means a bigger deficit and debt and higher interest rates. Borrowing more money with our level of debt will become increasingly costly. Additionally, a large part of public spending goes to private companies, but this is an expensive and inefficient way to create jobs. As we can see today, public subsidies do not push capitalists to make fresh investments to the level required - because they are driven by realising their surplus value, or profits, at an acceptable market rate.

We in *Socialist Resistance* support progressive policies put forward by left reformist leaders, some inspired by Keynesian economic theory, which would take forward the struggle against the cuts, and undermine the Tory coalition. However, we recognise that a Keynesian strategy, which is an attempt to stabilise capitalism, can at best only lead to a temporary easing of the situation as far as working people are concerned. In the longer run it will prove to be a dead end, leading in the present international context to an unsustainable escalation of the debt. A real alternative strategy requires mass mobilizations and a completely different type of government based on the working class, one that is prepared to directly confront the power of capital, fully nationalise the banks and take back, by taxation or expropriation, the accumulated wealth of the rich. This is not part of the usual left reformist plan.

## **Building a mass movement to fight the cuts**

Today we must fight all cuts at every level, through campaigns, mass demonstrations direct action, occupations and strikes. The capitalist offensive can only be rolled back through mass action, including, the bringing down of the Tory Coalition government. This requires at least the kind of actions we have seen in Greece, Spain, France and elsewhere. We call on the Labour and trade union leaderships to fully back the anti-cuts movement – councillors must refuse to make cuts. Statements from Ed Miliband and the Labour Party leadership suggest they will be on the wrong side of this fight.

Nonetheless, we must ‘drag the reformists from their asylums’ as Leon Trotsky once put it, and build the broadest possible united front nationally and locally against the cuts. The Coalition of Resistance (CoR) is an important first step towards a united, national co-ordination of the anti-cuts movement (see Part 2 below).

Today the main task is to rebuild a fighting working class and trade union movement and a student-worker alliance, a united front, that links and finally unites trade unions, communities, young people and students, both nationally and especially at a local level to fight all the cuts. The ConDem government must be forced to retreat, or face being driven out of office.

The students have shown us the way – mass action to break up the coalition. We must call on the teachers unions, including the NUT to officially support future students’ actions, including with one-day solidarity strike actions.

In addition, broad-based local campaigns against the cuts must be built in every locality with involvement from all local trade union organisations, community groups and local activists. These campaigns should call on Labour Councillors to vote against all cuts in services, or resign immediately.

***Socialist Resistance calls for the following demands as the basis for a broad united front against austerity, which is today the political basis of Coalition of Resistance:***

- *No to all cuts, no to privatisations.*
- *Defend all public services and the Welfare State.*

***In addition Socialist Resistance also argues for the following measures to be taken by the movement:***

- *Investment in welfare and economic infrastructure.*
- *Investment in education – free university education for all.*
- *Investment in a free and publicly owned health service.*
- *A halt to the attack on wages, working conditions and pension rights.*
- *Rise in the minimum wage.*
- *Abolition of regressive VAT.*
- *For an immediate audit of the banking debts.*

***Capitalism has brought us to the edge of climate disaster (see Part 3). Our immediate demands to combat climate change include:***

- *A crash energy programme based on wind, wave, and solar power.*
- *A free and integrated public transport infrastructure based on electric power.*
- *A crash programme of carbon-neutral house building and house conversion.*
- *Support the campaign for a million green jobs.*

We say the building of united campaigns demanding investment not cuts is the essential task of the hour to drive back the ConDem offensive. However, anti-cuts campaigns, demonstrations and strikes will not, on their own, resolve the multiple crises of capitalism in the interests of working people. For that, we need an alternative programme of demands that can gain the support of the majority.

If the Tories succeed in implementing their five-year programme of cuts, partially dismantling and privatizing education, the welfare state and the NHS, or go further because of the spiralling debt, and then go ‘cap in hand’ to the IMF, as we believe is possible, Britain will be a very different place. It is by no means inevitable that this offensive will succeed. There is an alternative, but it means mobilizing the power of the working class and its allies to drive back the ConDem offensive and make the super rich pay for their crisis.

## **For a plan to beat the crisis**

Socialist Resistance also puts forward an action programme<sup>15</sup> that we argue should be



the political basis of a new broad workers' party - a programme for a future workers government. The socialist left must popularize such a programme as the only practical way to beat the capitalist crisis in the interests of the working class. This programme, which is not complete, would include the following:

- **An immediate audit of the banking debts** to uncover the scale and sources of the increase in the national debt and expose the scams organized by international finance. A national bank audit should uncover the sources of the debt, establish exactly to whom it is owed, and make public the terms under which such loans were made. It should conduct a review of loans to identify illegitimate debts, the different responsibilities in the debt process and demand that those responsible be held publicly accountable. Democratic participation will be an essential requirement to ensure the objectivity and the transparency of the audit.
- **Full nationalisation of the British banking sector under democratic control** and without compensation. This would enable the people to get control of the banks' enormous accumulated wealth, which is estimated today at £560 billion in liquid money and £5 trillion in assets. A significant part of the banking system has already been nationalised but without control or transparency. A large proportion of the national debt can be written off using bank capital and assets. In addition, much of this debt is held by our pensions and that could be cancelled in exchange for alternative retirement provision. We could also lodge £200 billion of banks assets with the Bank of England to cancel what they bought through 'quantitative easing'. Full nationalisation without compensation is necessary in order to direct investment for sustainable development.
- **The imposition of capital controls** in order to stop a flight of capital abroad. Capital controls will be an essential first measure. The abolition of capital controls was one of Thatcher's first moves in government in 1979, leading to a massive outflow of investment and speculative capital from the UK. In today's conditions, only a nationalised banking sector will be able to implement these controls effectively.
- **The re-nationalisation of other critical sectors** much of which is currently being, privatised, such as housing, energy, infrastructure, the pension system, education, and health. North Sea Oil should be taken into full public ownership and control bringing in about £38 billion per year – however this should be accompanied with a plan to phase out carbon fuels.
- **Abolition of VAT, which is a regressive tax**, because everyone pays the same rate no matter what their income. Therefore, it makes up a much higher proportion of household income for the less well off. VAT has been a weapon to

<sup>15</sup>An action programme is an anti-capitalist program that we say should be adopted by a real workers government. It is not a full revolutionary programme.

tax the poor since the Thatcher government of 1979. The rise in VAT to 20% under the Tory coalition will bring in almost half the £30 billion the coalition hope to raise per year in fresh tax. It will also boost inflation and deepen the crisis. In Japan in 1997, the VAT increase from 3% to 5% was a major factor in driving its economy into a second recession. It ended up widening their deficit and increasing the level of public debt.

- **Tax the accumulated wealth of the rich - not just their income.** Central to any alternative strategy to devastating cuts is getting hold of the vast accumulated wealth of the British ruling class, with a tax on its liquid wealth and assets. For a one off 10% tax on the top thousand richest people, immediately bringing in £35 billion, which would be an important contribution to paying off the national debt, followed by 10% p.a. tax. The Sunday Times rich list estimates that the top 1,000 richest people have £335 billion in wealth that is held in illiquid or semi-illiquid assets such as shares and property. This wealth increased by £77 billion in 2009 through a rise in the stock and property markets and by another 10% in 2010.
- **An increase in corporation tax,** potentially raising £30 billion a year - and a Tobin-style tax on international transactions, higher taxes on high-end incomes, dividends and interest on investments.<sup>16</sup>  
A 50% tax on income above £100,000 could raise £4.7 billion on its own.
  - \*Taking on the millionaire and corporate tax dodgers by closing tax loopholes could raise £25 billion plus.
  - \*A real workers' government should go further with much higher taxes on the income of the rich - up to 80% on the 2% of employees who earn over £100,000. Before Thatcher's neo-liberal counter reforms the top income tax rate was 83% on incomes above £90,500, in today's prices. In addition there should be heavy progressive taxes on ownership of real estate, cash, deposits, equities, securities, bonds, etc. These policies, including the abolition of VAT, would radically narrow the gap in wealth distribution and pay off the national debt.
  - \*A progressive tax to replace council tax would raise £20 billion a year for hard pressed local councils.
- **There are many savings that can be made to immediately** relieve the pressure on the state finances. For example;

<sup>16</sup> In Britain there is no proper tax on wealth compared to the other main capitalist counties. Inheritance tax is only 40% for bequests above £325,000 and the Tories had controversially planned to reduce this further. The ConDem government now plans to reduce an already low corporation tax to 24% by 2014. In France, Germany and Japan the highest marginal tax rate on individuals is between 47.5% and 50%; in Britain it is just 40% for those earning above £37,000 and a temporary rate of 50% tax on super rich incomes over £150,000

- ending the expensive war in Afghanistan, saving £20 billion a year;
- cutting the Trident replacement program, saving £80 billion;
- cutting the arms bill, such as £4.5 billion on two aircraft carriers;
- halting the nuclear energy program and directing resources into other, cheaper forms of renewable energy, such as wind, water and solar energy.

- **Reduction of the working week without loss of pay.** This would create tens of thousands of jobs by sharing out the work. Substantially raise the national minimum wage to increase demand for basic goods.
  - \*We should create more job opportunities for women, with equal pay for equal work.
  - \*Reduce mortgages and repayments to affordable levels that correspond to the real value of property.
  - \*Stop repossessions/evictions of families from their homes on the basis of inability to pay.

A real ‘big society’ which is ‘fair’ involves public spending and job creation in infrastructure, health, education and social protection, community services, a mass expansion and restoration of communal sports facilities, lidos, libraries with digital facilities, a mass expansion of child-care and care homes – all of which must be under democratic control of users and the local community. Reverse the present scandal of private care for children and senior citizens. Any civilization must be judged on how it treats women, cares for its children and the vulnerable elderly – capitalist Britain already fails badly on every score.

- **End the profiteering in the NHS.** We stand for a properly funded and resourced public NHS, free at the point of access and paid for through a progressive tax system. No to the proposed privatisation of NHS services and end all subsidies to private care.
- **For the elimination of all forms of discrimination** based on gender, race, nationality, religion, sexual orientation, disability or age. Full equality for lesbian, gay, bisexual and transgender people, including the right to marry for same sex couples. End all state anti immigration and anti-asylum seeker laws. Give asylum seekers the right to work with equal pay to help us fight “the race to the bottom” in pay and conditions.
- **Create jobs with a green, carbon-neutral recovery programme.** A crash programme to replace carbon-based energy systems with wind, water and solar energy. This, together with a replacement of the inefficient national grid. Ecological investment based mainly on current technological solutions rather than relying on untested, expensive, high tech solutions will create millions of new jobs. An economy that improves the quality of life means a planned expansion of jobs in green industry, transport and services and labour-intensive employment in social services.

This is the only way to reconcile growth with a low carbon and an ecologically sustainable economy. Low sustainable growth, or even zero growth in some rich countries, if combined with redistribution of wealth, does not mean lowering living standards. Quite the opposite, it means a profound increase in the quality of life for a large majority of people.

- For a programme of industrial conversion of armaments industries and the car industry to making products that are of benefit to society, for example green transportation<sup>17</sup>
- For a free, carbon-neutral, electric public transport system and the exclusion of private cars from city centres. Private cars cannot be immediately or completely replaced by public transport in the foreseeable future and we call for tax relief for electric cars and a national network of charging points. For an expansion of safe cycling lanes.
- For a crash programme of good quality, zero carbon public housing, together with a massive plan to insulate older housing stock and adapt it to the use of renewable energy.

## For a New Workers Party to take on the bosses

Were this action programme to be adopted by the movement, it would be met with unabated fury by the super rich. For it to be implemented, it would require a socialist government backed by a huge movement for change of the working class and its social allies, a movement that understood that capitalism must be confronted not appeased.



**A Programme to beat the crisis therefore requires the construction of a new, broad-based, radical socialist party based on the mass movement that fights for the interests of all working people.**

We believe that as Labour and Social Democratic parties have embraced neo-liberalism, the socialist left needs to unite to create a new working class party. Such a party would need to be democratic and pluralist, be based on the movement, and adopt a programme that would challenge the

<sup>17</sup> See the Lucas plan of the 1970s

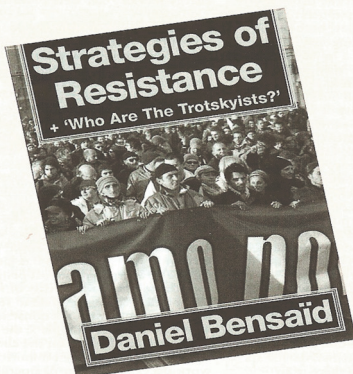
capitalist system. Already across Europe new parties of the left have or are emerging, such as the Left Bloc in Portugal, the New Anti-Capitalist Party in France, the Red Green Alliance in Denmark or Die Linke in Germany. The depth of the crisis and the extent of the attacks outlined in this pamphlet make this task urgent.

Only a fundamental move in the direction of democratic socialist planning under popular and workers' control – and this must be extended on an international scale - can resolve the deep structural crisis of Britain and the world economy, and save the planet from climate catastrophe. It is therefore imperative in this new period that revolutionary socialists set aside petty differences and come together as part of this fight.

We in *Socialist Resistance* are committed internationalists and member of the Fourth International. We recognise, however, that the international organisations of socialists today are tiny, compared to the colossal tasks facing the movements of workers and the poor across the world. We therefore look forward to joining with other organisations and new social forces to create the mass International of the future.

Subscribe to

## Socialist Resistance



Free! copy of Daniel Bensaïd's book *Strategies of Resistance* when you subscribe to *Socialist Resistance*.

I would like

- ☐ A free information pack
- ☐ To speak personally with a supporter in my area

I'd like to subscribe for the next five issues, and get my free copy of Daniel Bensaïd's book:

- ☐ UK [£10]
- ☐ Europe [£15]
- ☐ Rest of World [£20]
- ☐ Institutions/Supporters [£30]

Name

Address

Post Code

Phone

Email

Send order and payment to: Socialist Resistance,  
PO Box 62732, London SW2 9GQ or send payment by  
paypal.com to [resistance@sent.com](mailto:resistance@sent.com)

# PART 2

## Organising the fightback

### How to fight the cuts?

*Socialist Resistance argues that the main task now is to begin the fightback against the unprecedented programme of cuts and austerity which will be a defining aspect of this parliament.*

*We say the anti-cuts movement should build the widest possible unity, maintain a clear radical stance by opposing all cuts and privatisations and develop a strategy of mass action to force the government to retreat. We believe that the Coalition of Resistance (CoR) has established itself as the main national umbrella under which to organise, and that we should respect the diversity of the movement at a local level. The struggle against austerity, cuts and privatisation is European-wide as the attacks on the post-war gains of public services are not limited to Britain. A European-wide common day of action would boost the fight in each country.*

The unprecedented attack on public services needs a response that is as vigorous, massive and united as possible. The determination of the Tories and LibDems to roll back every aspect of the welfare state must be matched by a similar determination to defend everything that the labour movement has gained.

The student mobilisations against the huge hike in tuition fees and cuts in the funding of higher education and the abolition of the EMA (Education Maintenance Allowance), have shown that the Tory Coalition is vulnerable.

The front line of the battle that we will be engaged in over the coming period must be along simple positions such as “No to all Cuts and Privatisation”, “Defend the Welfare State” “Free education for all” and “We will not pay for their crisis”. These are simple and radical positions that millions across the country understand and agree with.

New Labour has failed to challenge the Tories' argument that the cuts are necessary. Even Ed Balls, seen favourably by some on the left of the party, has accepted the Tories' logic when he says that their cuts are "too far and too fast" that the debt should be repaid but over a longer period of time. Once the argument for some form of cut has been accepted, disguised as protecting front-line services for the most vulnerable, then Labour-run councils are trapped into carrying out the programme of the most reactionary government in a generation.

The demonstration called by the TUC on the 26 March 2011 must be on a massive scale

to give confidence to the movement to go forward in a campaign of community and industrial action to force the government to retreat.

## **The poor subsidise the rich**

In a period when the gap between the rich and the poor has been increasing dramatically, the cuts will create yet further impoverishment as people dig into their savings to pay for essential services previously funded through taxation. Research estimates that the loss of earnings because of the cuts will be vary from 5% to 11% depending on whether you are a pensioner or a lone parent. Even Mervyn King, the Governor of the Bank of England, admitted at the end of January 2011 that, "one has to go back to the 1920s to find a time when real wages fell over a period of six years". And that is even before the impact of the current austerity programme has been taken into account.

The ConDems are also attacking working people on other fronts through a freeze in public sector pay, changes to pensions, and increases in taxes. The only cuts in the public sector that can be supported are to the pay and bonuses of the bosses in the nationalised banks (the head of RBS, Simon Hester will be getting £7million), military spending such as on Trident and the war in Afghanistan or to the massive use private consultants.

The unwrapping of the cuts programme coincides with the handing of gifts to the bankers. The ConDem government sits on its hands and urges "restraint" while bankers distribute £7billion in bonuses, close to the sums before the crash in 2008. The bankers are again brimming with confidence. Bob Diamond, the head at Barclays, told the Treasury Select Committee in January that the period of "remorse and apologising" for banks was over.

The mass demonstration of university and school students has changed the mood in the country from passive resignation following the general election, to opposition to the Tory Coalition. Polls now show Labour ahead of the other parties and a majority against cuts. But more importantly, local campaigns are getting off the ground organising demonstrations across the country and union branches are preparing ballots for strike action. Even the selling of Forestry Commission land has attracted large scale opposition. People are beginning to see things as they are: we are not "all in it together", it is still "them and us".

## **A democratic, united, mass campaign**

Only a campaign on the scale of that in support of the miners strike of 1984-85, the opposition to the Poll Tax in 1990, or the Anti-War movement with its demonstration of close to 2 million in February 2003, can force the government to retreat. Although people are realising the scale and effects of the cuts, there is still a huge task in providing information on a mass scale to counter the lies of the media. If people are not informed



about the effects of the cuts, (and much more is planned) they will not be angry. And if they are not angry, they will not fight.

The attachment of millions to the ideals of the welfare state, such as a free and public NHS, libraries, education is deeply rooted. As the scale of the attack dawns on people, so will the desire to defend these gains and not see future generations much worse off than they are. It is out of the need to defend these gains, that arises the desire for the broadest and most united movement possible both at a local and national level.

A united movement, supporting trade unions taking industrial action to defend public services and jobs, can win. It is in this spirit that the Coalition of Resistance, launched in November 2010 at a conference attended by over 1,300, has established itself as a broad and democratic organisation. It has since attracted the support of Labour MPs, UNITE, UCU, the Green Party, the Communist Party, and is pursuing collaboration and joint actions with other organisations such as the People's Charter and the Right to Work Campaign.

Now is not the time to create differences where none exist or to set up another national campaign against the cuts. That is why at its founding conference in November, the Coalition of Resistance committed itself to, *"encourage all anti-cuts organisations to work together with the aim of establishing a single, broad, and united anti-cuts organisation in each area"* and that it, *"will collaborate with other national campaigns, and supports the creation of a national united anti-cuts movement which is able to mobilize millions of people against the ConDem government"*. In addition to a campaign providing a national focus, there have to be campaigns focussing on specific areas of the welfare state, such as Keep Our NHS Public, Defend Council Housing, in defence of our libraries or forests.

A united and broad campaign must be democratic so that every individual or affiliated organisation can influence the direction of the organisation and is not the property of a single political organisation. The Coalition of Resistance recognises this need as it, *"seeks to provide a national umbrella for a network of local and sectoral campaigns; and aspires to support, encourage, coordinate, and facilitate a transfer of experience rather than to command"*.

## **The Marxist tradition of the united front**

Overcoming disunity and winning a majority for socialism, or a particular campaign, cannot be achieved simply by proclamation. Nor can it be achieved by setting up small formations, pretending they are broadly representative and then excluding or marginalising all who disagree.

It is largely through their own experience of struggle that the many sections of the

working class will develop the unity and perspectives required. This happens through a process in which collective consciousness is raised and self-confidence strengthened. At times this can occur very quickly, and we are moving into such times.

But this will never happen unless methods of organising bring together all the different sectors, experiences and perspectives. This in turn entails not just a fundamental respect for different tendencies and currents, but a positive understanding of the necessity for pluralism in any successful movement.

By definition true pluralism requires democracy and transparency to create trust. People want that reassurance if they are to invest their precious time and money in a joint activity alongside others with whom they have disagreements. There is always a concern to know who is involved, how structures are accountable and who controls the resources.

The united front is not an abstract off-the-shelf formula that can be downloaded and applied to any given situation. Its application is always a concrete issue dependent on the political context and the balance of class forces.

The united front is an organic and sensitive process that cannot be achieved by ultimatums or artificial preconditions, abstract or schematic approaches. In particular any mechanical counter-position of the strategic goals of revolutionary Marxists to the need for such unity will prove disastrous.

Today, the revolutionary left finds itself in a weaker position, not just because of small numbers, but due to a historically low level of class struggle in the past two decades. Despite this it is still possible for movements and struggles to be built using united front methods. The united front is not just between parties, but a method used to form the broadest possible front of working class organisations.

Successful mass social and political movements have been built in the last three decades. The Anti-Nazi League, Campaign for Nuclear Disarmament, Anti-Poll Tax campaign and Stop the War were all, to varying degrees, action focussed, mass campaigns that were pluralistic, based on autonomous grass roots activism and democratic national structures. These features were key to their success. And despite its ultimate defeat, the movement in support of the 1984-5 miner's strike was similarly a model united front.

The anti-cuts and rate capping fights of the 1980s are perhaps the most recent example of an anti-austerity struggle. They were largely organised around and led by the Labour left, focussed in particular local government strongholds. This aspect is very unlikely to be replicated today.

But even if there are no signs that local Labour Parties will lead a fightback today, the involvement of individual Labour councillors, MPs, members and party structures is

essential if the broadest possible campaign is to be build. Trade unionists and the local communities at the brunt of the attacks are likely to be the core building blocks this time around. And much of the strength of any struggle will be at the level of local actions.

But on its own “localism” will not be sufficient. In every campaign against cuts and job losses it will be impossible to build sufficient momentum without confronting fundamental political questions of national governmental policy: concerning the causes of the economic crisis and who should pay for it. And local campaigns, whilst retaining their autonomy, will need to co-ordinate in a national democratic structure.

Combining the need for a national, highly politicised approach that addresses these issues, whilst remaining as broad as possible, rooted in local activism and focussing on simple and specific concrete goals, will be a very difficult balancing exercise. Getting it right will lie at the heart of successful resistance today in defence of all public services and the welfare state.

## **What strategy for the campaign against the cuts?**

A strategy of mass action against the cuts should have both community action to defend every facility and industrial action by the unions to protect public services and jobs. A community campaign is essential and urgent to counter the lies of the mass media, and to challenge the assumption that the cuts are necessary. When the decision to close a facility has been taken, then the local campaign will need to respond with determination through actions such as occupations, without of course falling into the "Big Society" trap of running services by volunteers. Acts of civil disobedience, such as occupations, have a long tradition. It is based on the simple argument that a majority decision in Parliament or the Council Chamber may be opposed by a majority outside of those hallowed places, and that such a decision therefore has no legitimacy regardless of its legality.

With such big cuts being forced through by central government, there is no scope for any form of “dented shield” strategy, trading off one set of cuts for limited protection of other services. Instead, with the current devolution of local government by the government, councillors are also being given even more responsibility for the cuts. In the run-up to the forthcoming local elections in May 2011, the Coalition of Resistance and local anti-cuts groups should not be putting up candidates, but should simply focus on building the strongest possible broad-based resistance to cuts as they are proposed, putting local councillors on the spot, linked to a call to “Vote against Cuts!”.

Councillors cannot hide behind the excuse that these cuts are being imposed on them by the Tories and that they have no choice. Different tactical options can present themselves, including refusing to set a budget or calling fresh elections. If councillors can’t vote against the cuts, then they must resign. There is a tradition in Britain of Labour councillors standing by their communities and confronting central government. Members of the very deprived Poplar Council lead by George Lansbury went to prison

in 1921 for refusing to hand over part of their rates to the rich boroughs in London; councillors in Clay Cross in 1973 were fined for refusing to implement the Tory Housing Finance Act; and in 1986 councillors in Lambeth and Liverpool were surcharged for refusing to set a cuts budget.

Local campaigns and coalitions must be open to all those who want to join forces and protect services and jobs under threat. That will mean welcoming Labour councillors and activists who are breaking from their party's capitulation and who want to fight back. Anti-cuts groups should appeal to local councillors to denounce the cuts that are being imposed on them and join in the movement of resistance. The local campaigns will therefore have to be built on an inclusive platform to bring together all those who oppose all cuts.

With the scale of redundancies announced, industrial action is unavoidable if we are to force the employers to retreat from their plans. On the basis of notices issued by local councils the GMB union is predicting that 140,000 jobs will go shortly after April 2011. The Government itself expects at least 500,000 jobs to disappear in councils across the country over four years as a result of the cuts, but the the Chartered Institute of Personnel and Development (CIPD) calculates that the level of job cuts will be at least 750,000.

The TUC conference in September 2010 adopted a composite resolution, moved by UNISON and UNITE, which agreed to, *"build a robust campaign in defence of public services, seeking to publicise and build this fight across the labour movement and local communities as a whole, (and to) support and co-ordinate campaigning and joint union industrial action, nationally and locally, in opposition to attacks on jobs, pensions, pay or public services."* The commitment to joint co-ordinated national and local industrial action now needs to be organised without delay for strike action to begin immediately redundancy notices are issued.

With the anti-union laws designed to trip up unions on a minor technicality, defiance of the anti-union laws will be posed. The scale of the industrial action required is such, that millions of council staff must be involved in the action. Through such mass union action, with the active and militant support of local anti-cuts campaigns, the anti-union laws can be defied successfully.

Defending jobs and services cannot wait four years for a hoped for Labour government. This means that the leadership of the unions must break with subordination to Labour's electoral strategy. With New Labour wedded to neo-liberalism, it is time that the unions, in particular UNISON, UNITE, and the GMB pursued an independent course. The election of Len McCluskey is welcome in this regard, but he will have to go beyond speeches in support of students and against cuts, and organise nationally co-ordinated industrial action as soon as possible.

Without the trade unions in Britain having even started showing their strength with a national demonstration of 500,000 – let alone a one day national strike like that in France and elsewhere - the call for a general strike is abstract propaganda at the present time. The only and most urgent task for the anti-cuts movement is to build for a massive turn-out on the TUC demo of the 26 March 2011, as a step towards the mass community and industrial campaign to oppose all cuts and defend the welfare state.

## France shows the way

In the autumn of 2010, France saw a massive and radical movement against the reform on pensions. Only after six separate days of national strikes in September and October 2010, several demonstrations across the country totalling millions and with some sectors, such as in the oil refineries, on all-out strike, was it possible to popularise the call for generalised strike action.

The movement in France had also gone through the experience of three separate days of strike in the first six months of 2009 and the exemplary strikes and occupations against redundancies that same year at Continental, Goodyear, Ford and elsewhere. The movement had been following closely the events in Guadeloupe (a French "departement" in the Caribbean) where a 43 day general strike ended in March 2009 with major concessions from the employers and the state. Furthermore, the unions and the social movement had also seen in 2006 the successful student and youth struggle against the Contrat de Premiere Embauché (First Employment Contract).

Within the movement in France, there was a debate on the character of the general strike: it could not be a simple all-out indefinite strike called on and off at the instruction of a narrow general staff, as the TUC General Council did during the 1926 General Strike. Instead ideas on democracy, unity, self-organisation, joint union committees, mobilisation of communities were debated by many on the left of the movement.

The mobilisation of autumn 2010 in France occurred without real self-organisation, but its radical character and its strength nevertheless compelled the union leaderships to go along with it and to lead it while avoiding a real test of strength with the government. The absence of an extended and generalised strike movement temporarily allowed the government and the union leaderships a way out. But this occurred in a situation of deep political and social crisis when the majority in the country wanted to kick out the government. Despite the defeat, the movement has gone through a tremendous political and organisational experience which will allow it to return more quickly and stronger than if it had avoided the fight.

In Britain, the defeats in the 1980s of the steelworkers, dockers, miners and printers are still with us. The rate of strike action over the 20 years has been at its lowest levels ever.

Trade-union membership is half what it was in the early 1980s, and many union stewards and branch leaders now do not have the same class consciousness as they once had. The occasional national strikes are limited and ground down by legal challenges and re-balloting. Longer strikes in a particular workplace are the exception. Although industrial action by the working class is key to inflicting a major defeat on the government, it would be complacent to ignore, as the three main parties do, the political shifts that have occurred outside of the traditional labour movement and the "old left" during the last decade at least.

During the last ten years Britain has seen some of the biggest demonstrations ever. Everyone remembers the anti-war demonstrations, such as the 2 million out in February 2003, and the 400,000 one evening in London against Bush's visit to the UK. But there have also been the massive G8 protest in Scotland in 2005, the 150,000 in January 2009 protesting against the invasion of Gaza, the 100,000 in December 2009 demonstrating before the Copenhagen talks on Climate Change. But the fightback has not yet begun with the trade-unions, which are the decisive organisations of the working class, although it has started with the youth and students.

In addition to these huge demonstrations, there has been a crisis of legitimacy of the three main political parties, especially Labour and the Tories and Parliament itself. This started with the questioning of the necessity for the invasion of Iraq, the MPs' expenses scandal, followed by the banking crisis in 2008 exposing the naked greed of individuals and corporations, and now the Wikileaks documents. This crisis is confirmed by the lowest turnouts since 1945 in the last three general elections, ending with the last one when voters returned a "hung" Parliament.

During its 13 years in office New Labour was able to shift the political debate to the right with a greater acceptance of individual choice and personal advancement as opposed to social solidarity (see the latest Public Attitude Survey based on 2008 data). But this has come crashing down over the last two years. The 2008 crash, the effects of the cuts, and the open class character of the Tory Coalition have started a political reawakening amongst the broader working class and detonated a rebellion amongst the youth who have seen their future snatched away from them. It is this new situation that promises to be the fertile ground out of which the anti-cuts movement can grow to encompass wide sections of society and mobilise them for action.

## **The fight is across Europe**

The economic crisis is a very deep systemic crisis of capitalism as a whole, not the result of "bad" government in a particular country. It has come to a head at different times in countries across Europe, but the strategy adopted by all governments to reduce the public sector debt is nevertheless essentially the same: massive cuts in public services, increasing the retirement age and reducing pensions, attacking pay and conditions and privatisation. With the backing of international financial organisations such as the IMF

and the World Bank, the European Union and the European Central Bank are supporting every government on the continent in its attacks to roll back all the gains of the welfare state.

Last summer, the strikes and demonstrations in Greece inspired many across Europe. This was followed by the very hot and long autumn in France and the biggest strike in Portugal's history. Ireland again saw a tremendous national demonstration, which the ITUC again failed to use as a springboard for a industrial action and a mass campaign to force the government to retreat. The ETUC also organised a demonstration in Brussels in September 2010.

The resistance against austerity and cuts has frightened many governments across Europe. It has been on a tremendous scale in France and Greece as the trade unions and the social movements in those countries have not suffered defeats on the scale seen in Britain. In Britain, the youth and student movement demonstrated that the ConDem government was not that strong and that it could be defeated.

But the resistance across Europe has so far failed to blow the ruling class and their representatives off course. In December 2010, the European Central Bank President Jean-Claude Trichet, urged EU governments to “turn the page” and start making serious budget cuts in 2011. As the recession threatens to turn into a depression, further attacks on pay, conditions and public services are to be expected.

While the representatives of the ruling class were in a cheerful mood at their annual meeting in January in Davos on the back of a slight growth in GDP in Germany and the USA, the IMF was flying into Athens to restructure the Greek debt. To enforce the programme demanded in exchange of the current bailout would require Greece to have a budget surplus of 5.5% to keep up with payments. This could only be achieved by years of relentless austerity. The financial institutions are therefore haunted by the possibility of a debt default by Greece, which would trigger a chain reaction with Ireland, Spain and Portugal.

The resistance against austerity needs to be rapidly stepped up into a sustained and escalating campaign encompassing the whole of society in each country in Europe, but also through co-ordinated actions across the continent. The odd demonstration in Brussels called by the ETUC is not sufficient. The call to demonstrate against the G8 and G20 summits in May and November in France and the Coalition of Resistance European Conference against Austerity on 1st October should be the opportunities to strengthen the links between working class organisations from each country. Even a modest European-wide common day of action would boost the fight in each country and renew the tradition of international solidarity.



# Women and the crisis

Women now represent around 50 per cent of the workforce, and the right to work and the right to choose both seem firmly embedded in contemporary thinking, yet women still only earn 80 per cent of the male wage.

The impact of the recession and impending public sector cuts on women's employment is likely to be great. A recent TUC report, *Women and the Recession*, published in 2010, revealed 600,000 women were facing involuntary part-time work, and 250,000 in involuntary temporary work: thus 10.3 percent of women would prefer to be working full-time, this figure the highest since March 1996.

The decision of the ConDem Coalition to prioritise paying back the deficit created by the near collapse of the banking sector, will lead to swingeing public sector cuts including a pay freeze, redundancies, and cuts in pension provision over the next four years. A very high proportion of women work in the public sector – 5,748,000 compared to 2,488,000 men – including in education, health and public administration. This represents 40% of female employment compared to 15% for men. It is here in the next period where we will see much greater levels of redundancy that will hit women harder than men, not least because women are often in low paid jobs and are unable to save for the difficult times ahead.

Research by the House of Commons library, commissioned by shadow minister Yvette Cooper, claims women will suffer 72% of the tax and benefit cuts. Four in 10 working women are in public sector jobs – which will be hit by a pay freeze and projected net losses of 600,000 posts. Women also make up 85.4% of part-time jobs in the civil service that makes them vulnerable to redundancy and job losses.

Women in Britain today still have primary responsibility for caring for children, young people and elderly relatives because of the sexual division of labour within the family. Women are the most intensive users of public services because many of those services relate to the caring sphere – most obviously nurseries, after-school clubs, youth clubs and day centres for the elderly but also libraries and swimming pools. In many areas these are precisely the areas which are likely to face the most dramatic cuts because there is no legal obligation on local authorities to provide them.

Among the long list of welfare benefits likely to be cut in the budget women will again suffer most. Cutting back the Sure Start maternity grant will affect 262,000 women and no men; freezing and means testing child benefit, mostly paid direct to mothers, will affect a disproportionate number of women; housing benefit cuts will affect 2.9 million women against 1.9 million men; the tax credit reforms, and the removal of income support for lone parents when their children reach the age of five, instead of seven will affect single parents, nine out of 10 of whom are women.

Although public sector pensions have been better than in the private sector, because women often have breaks in work because of childcare, their pensions are still only 62 per cent of men's. Thus women are facing higher levels of unemployment and underemployment, have greater responsibilities for the family income, and will therefore suffer more than men in the coming period.

If these cuts go through this may affect their ability to remain in their current place in the labour market even if their own jobs are not under threat. If a woman currently works full time and can do so because they have one child in a local authority nursery which is set to close and another child in a school with an after-school club both of which are set to close, such cuts may force her into part time work.

While formal equality may seem to have been achieved by equal pay laws and legislation outlawing sexual discrimination, capital works in devious ways to outwit and undermine such reforms. These laws did not challenge the way that the sexual division of labour in the family is reflected in the labour market – not only seeing more women than men in the “caring” professions, but valuing these skills less than those that are seen as traditionally male.

Formal legal equality within a capitalist society can never be real equality. Even though campaigning for such legislation is important in raising consciousness on these issues, we cannot depend on the legal process alone to achieve it. Underlying, structural reasons, the way in which capital operates, at both economic and ideological levels, make real equality more or less impossible to achieve under capitalism.

However many women are in work, it is unlikely that we will be given equal pay, access to all levels and grades of work, adequately paid maternity leave (to say nothing of paternity leave), free childcare, equal rights in practice, without a complete change in the system. But fighting for changes now is not a waste of time. The achievements of the Women's Movements in the twentieth century put us in a better position than ever before to fight for equality with men.

As part of the burgeoning struggle against the cuts, important new organisations are developing. Women against the Cuts, to some extent Queers against the cuts and most notably Black People Rising against the Cuts (BARAC) and Disabled People against the Cuts are making an important contribution to today's fightback. However, without realistically assessing our actual situation, that fight for equality will take place with one hand tied behind us.

Forty years after the first Women's Liberation Conference in Oxford, women remain unequal – at work, in the home, in legal and social institutions. Achievements in some areas such as divorce, reproductive rights and legislation on equal pay and against sex

discrimination are open to reversals and are often unenforceable. Capitalists and their supporters gain from social division and will always impede genuine equal rights for all, for capitalism is a system premised on inequality and the right of the rich to exploit the poor.

## Students fighting for a future

The explosion of the school and university student's movement along with the sudden direct actions of the UkUncut against corporations avoiding taxes burst onto the streets in late 2010 after low turnouts in elections and general lack of confidence in the political system and established parties.

The size of these recent student demonstrations is a reflection not just of the fact that the future of youth has been snatched away with the prospect of high university fees and unemployment, but that students are a much larger group in society than in the past.

Investments by New Labour have increased the number of students. Now, nearly 45% of young people go to higher education, four times what it was 40 years ago. Instead of apprenticeships, working class youth go into further and higher education.



The current radicalisation is occurring outside of the traditional left and trade union framework. Most of the young people have little political education, are unfettered by political baggage and do not see the need to organise in the traditional manner. Except for the first demonstration, the others were organised independently of the NUS. The NUS President, Aaron Porter is under tremendous pressure, having been totally marginalised.

The Labour Party is bureaucratic, neo-liberal and has nothing to offer to youth and students. It brought in tuition fees in the first place, and set up the inquiry under Browne (former BP chief executive) into university fees and funding in the last days of its government.

Trade unions also appear to offer little to young workers. They have a membership with an average age well over 40 as few young people are in jobs in areas with a significant union presence. Recent deals such as over pensions negotiated by unions have been aimed at protecting the gains of their existing and older members, at the expense of younger non-unionised workers.

This bypassing of the traditional left and trade union framework gives the movement a strength that allows all sorts of radical and anti-capitalist initiatives to occur very rapidly involving tens of thousands of young people. This can renew the confidence of union members to take strike action in defence of jobs and services and push their union leaders to organise for national action.

The current youth and student movement is trying to keep the mobilisation as broad and united as possible but by keeping politics (in terms of orientation to political parties and the unions) as much as possible at arms length. But this new movement needs to go beyond the moral stance of “unfair” tax avoidance and high fees and see itself as the lever that could lead to even broader layers in society take actions against the cuts to attack directly the political system. Without a politicisation this movement runs the risk of dissipating as rapidly as it coalesced.

The student movement will carry on being able to mobilise tens of thousands if it develops a structure which can involve all the activists who have radicalised, which is independent of the left political organisations and their fronts (e.g. EAN and Youth Fightback), and maintains an autonomy both from the NUS and the trade unions while focussing its fire on the Coalition Government. Such a co-ordination or network, like the London Student Assembly, should have its own representatives that would provide a fighting alternative leadership to that of the NUS NEC and its President. Providing a united democratic campaign with a radical orientation is a necessity as it is for the anti-cuts movement.

## Defending the NHS

The NHS under the ConDems faces a deadly combination of cuts and privatisation. Andrew Lansley’s new NHS Bill threatens to break the NHS up into a competitive market, with almost all health services to be provided by private for-profit or non-profit companies by 2014.

Every cynical promise on the NHS made by Lansley and Cameron to get elected has been broken already. Lansley’s promise to rescue threatened A&E and maternity units, then scaled down to a “moratorium” has come and gone, and now all of the threatened closures are proceeding apace.

The pledge of real terms increases in health spending every year of the government has been cynically met with a microscopic 0.1% increase per year in the comprehensive spending review, but this will be more than swallowed up by rising costs and pressures of an ageing population. The gap between NHS resources and the growing costs of care is predicted at £20 billion by 2014, requiring massive “efficiency savings” of 4% per year, every year: cuts on this scale have never been achieved either in Britain or

anywhere else. Of course the Tories also promised “no more top-down reorganisation” of the NHS – and has rudely shattered that pledge with the monstrous 367-page Health and Social Care Bill published on January 19 – the biggest-ever piece of legislation on health in Britain.

The Bill, following last July’s White Paper “Liberating the NHS” proposes to scrap the existing 150 Primary Care Trusts which hold local budgets and commission health services, and the ten Strategic Health Authorities that attempt to get them working together. Instead the £80 billion or so in commissioning budgets will be handed to local consortia of GPs – which will be supervised by a remote NHS Commissioning Board, with powers to intervene: the Commissioning Board, in turn is strongly influenced by the Health Secretary.

So GPs will be limited in their decision-making: and in reality few of them will have the time, training or inclination to do much actual commissioning of services or administration and monitoring: that will be hived off to management teams, which may include former PCT employees, or may simply wheel in private management consultancies such as KPMG or United Health.

The options for GPs in commissioning will also be constrained by UK and EU competition laws, leaving it open for private companies to press for any service to be opened up for competitive tender, in which the Bill stipulates that “any willing provider” may bid – including for-profit private companies and non-profit “social enterprises”.

To make matters worse, the Bill also opens up the prospect of competition based on price, with cash constraints on commissioning budgets making it likely that the lowest priced bid will win. As we saw with the tendering of hospital cleaning services back in the 1980s, price competition is the enemy of quality in health care services, which are labour-intensive: hospitals almost 30 years later are still combating the tide of cross-infections and MRSA that was unleashed by that privatisation under Margaret Thatcher. Now a new Thatcherite government is threatening the quality of clinical care.

Another reminder of Thatcher’s “reforms” is the Bill’s proposal to remove the limit on the amount that a Foundation Trust can raise through private medicine – at the very point where EU legislation has just opened the doors to a new escalation of “health tourism”.

With NHS budgets frozen, and the price paid to hospitals for treating NHS patient set to fall, many Foundations will focus more on attracting lucrative paying patients from home and abroad than on treating less profitable local patients. And new stronger powers for the Foundation Trust regulator, Monitor, mean that there will be more pressure on these Trusts to scale down and close any services which do not deliver a surplus: they will be run more and more as private businesses.

All these changes will take place behind a wall of silence, with all the key decisions on the future of health services taken in closed meetings with press and public excluded. The PCTs, Strategic Health Authorities and the last remaining NHS Trusts have all been obliged to meet in public and publish board papers: there is no such requirement on GP consortia, the NHS Commissioning Board or Foundation Trusts. Nor are they obliged to consult on changes. The NHS will be run like a business: customers and the wider public get no say on board decisions of Sainsbury or Tesco.

The first you will know about change in your health care is when a press release is issued announcing the decision.

The Bill is outrageous. It is being driven through amid a tide of redundancies, job losses, service cuts, rationing and exclusions. It is more far-reaching than any previous health reform, but it has not yet been seriously fought by the trade unions or by the Labour Party. These have only made correct, but low-key statements and made no attempt to mobilise their members and supporters to challenge the White Paper and the Bill.

With no concerted opposition, there has been limited media discussion, and therefore the wider public remains almost completely unaware of the threat to their most popular public service. That is the challenge for the left, the campaigns and the labour movement.

## Defending Education

In her book *The Shock Doctrine* Naomi Klein calls ‘orchestrated raids on the public



sphere in the wake of catastrophic events, combined with the treatment of disasters as exciting market opportunities, “disaster capitalism.” One such event was Hurricane Katrina hitting New Orleans in 2005. As Milton Friedman, the American free market guru, said at the time, ‘Most New Orleans schools are in ruins. [...] This is a tragedy. It is also an opportunity to radically reform the educational system.’ Within nineteen months New Orleans’ public school system had been almost completely replaced by privately run charter schools.

The hurricane of the financial crisis has provided the opportunity for the Conservative-Liberal Democrat coalition government in Britain to complete the Thatcherite reorganisation of the school system on neoliberal lines by cutting back the role of the state in the local provision of schooling, in keeping with the doctrine of the small state.

To achieve this they have two strategies: cuts in school and local authority budgets, and marketisation through academies and free schools. They go hand in hand - the cuts are being used as financial blackmail to drive the marketisation.

The Con-Dems want all schools to become academies. This means :

- they are no longer part of the local authority
- they are funded directly by government
- they own their land and buildings
- they decide on their own admission policy (within the national admissions code)
- they have some more freedom over the curriculum
- if they are graded ‘outstanding’ they don’t have Ofsted inspections
- they employ their own staff – and are not bound by national and local pay and conditions agreements. The government has recently said that schools who agree to stick to national agreements may not get academy approval. Its aim is clear, to break the unions.
- the decision to become an academy is made by the school governors – no consultation with staff, parents or anyone else is required

In reality most of these additional freedoms can be achieved without becoming an academy, and most governors and headteachers don’t want their schools to become academies. But there is one big temptation – extra money at a time when schools face cuts in their budgets. Schools converting to academies get their normal funding plus a share of the money the local authority holds back for central services. For a secondary school this can easily come to more than half a million pounds. Of course, out of that the school has to buy in the support services which the local authority used to provide, but they can still be left with a surplus, perhaps enough to stave off losing teachers’ and teaching assistants’ jobs. This is the vicious dilemma schools have been forced into.

Every school that leaves the local authority weakens its ability to supply those support services to the schools that remain. In addition support services are being slashed as a result of local authority budget cuts. The schools affected most are those in greatest need, which tend to be those schools in poorer areas. So the equality gap will get even wider. If enough schools leave the authority there will come a tipping point after which it will have hardly any central support services left it. The virtual destruction of local authorities’ role in education is clearly the government’s aim, and a real possibility.

In addition to existing schools converting to academies there are so-called free schools – fresh-start academies controlled and run by private groups and organisations but funded by public money. Like other academies they are outside any accountability to local



elected councils. The spread of academies and free schools will make the planning of school places impossible, creating a free-for-all jungle of competing schools.

Who expects to benefit from these wrecking policies? Private companies, which are now knocking on schools' doors offering to sell them the services they got from local authorities. More than that – they are offering to run entire academies and free schools on for-profit management contracts. The latest to enter the market is Internationella Engelska Skolan (IES), which runs a chain of about 17 for-profit free schools in Sweden> it is currently – in talks with eight potential secondary or all-age free school operators in England to run them for profit under the IES brand. While the school governing body would be nominally in charge, EIS would hold most decision-making powers, including deciding the appointment of the headteacher, school policy and structures, staff selection and training and 'everything else to do with running a school.'

The government will justify its wrecking tactics by claiming that the market will raise standards. The evidence from Labour's academies and from the Tories' international models – US charter schools and Swedish free schools – proves them wrong. Marketised schools do no better than ordinary schools with similar pupil intakes.

All around the country teachers and parents are battling to prevent schools becoming academies and free schools being set up, backed by all the main school unions. (See the Anti-Academies Alliance website for details.) Some we win, many we lose – but each campaign confirms that there is no mass support for these ConDem school policies and that the government pays a political price for everyone it railroads through.

## **Racism and the fight against the far right**

Even in times of economic growth and with more progressive governments, there was a potent and destructive well of racism in British society. The strongest moments of black self organisation whether on the streets against the fascists or in the trades unions, have not and could not eliminate this fundamental legacy of British imperial might without creating a fundamentally different society.

Militant black self organisation which grew amongst black and Asian youth in the 1970s was, like other forms of self organisation, dealt a major blow by the defeat of the Miner's strike and the seeming hegemony of Thatcherism. Black self organisation seems to be making a resurgence as part of the movement against the cuts – and clearly the development of the anti-war movement saw the greatest politicisation amongst the Muslim community in Britain who came into political activity in a completely new way.

Multiculturalism was all too often about local authorities linking up with the most conservative forces within minority communities - not aligning themselves with women's organisations or those run by and for youth. However Cameron's statement in

February 2011 that ‘multiculturalism has failed in Britain as it has failed elsewhere’, is informed by a racist and nationalist ideology that we oppose.

With the development of the economic crisis and a growth of unemployment, particularly amongst young people, the easy answers that the fascists give have found something of an audience. The BNP opportunistically championed not only the “British jobs for British workers” strikes – this could and should easily have been predicted – but also opposition to the war in Afghanistan.

All three of the big parties pledged themselves to cuts and austerity as they geared up for the General Election. With only a weak voice from the left the BNP were seen by some as the only party standing up for the (white) working class. The election of two BNP MEPs in the 2009 European Elections sent shockwaves through the political establishment. The BNP gained nearly a million votes, massive publicity and, crucially, a degree of respectability. The UKIP vote also reflects a hardening racist current..

The BNP has been able to capitalise on the drip-fed racism of both the Tories and New Labour’s anti-asylum racism and Islamophobia. The fight against racism has to be on the agenda of the anti-cuts movement.

Coupled with this is the way successive governments perpetuate and strengthen British imperialist propaganda, by fully sanctifying and justifying Britain’s bloody racist imperialist and colonialist past and present. Both the ‘war against terror’ and the growing offensive against migrants prepare a strong state that is increasingly used against working people.

The emergence over the past year of Black Activists Rising Against the Cuts (BARAC), and their active involvement in the Coalition of Resistance is a very positive development in the struggle against racism and the cuts, based on the important principles of autonomy and self organisation. It is not sufficient to simply sloganise: “black and white unite and fight”. The example of BARAC shows that victims of racism can unite with the anti-cuts movement and so strengthen the struggle. We are seeing similar movements emerging amongst women, gays and people with disabilities. The challenge facing the anti-cuts campaigns at a local and national level is to develop a unifying strategy that can reach out to all sections of working class communities, developing a clear anti-racist and anti-sexist perspective. The labour movement must totally reject any formula that is based on protecting “British jobs for British workers”. The only winners from such a campaign will be the racists and fascists. Internationalism must be at the forefront of our struggle against austerity measures at all times.

## EDL and the far right

“The next time the students want to protest in our capital, the English Defence League will be there.” So threatened ex- BNP supporter Tommy Robinson, aka Stephen Yaxley Lennon, in a speech at Peterborough in December 2010. As expected the English Defence League (EDL) have thrown in their lot with those forces attacking both students and any other opposition to the cuts, for example from trade unionists. Robinson's

statement confirms what many knew. The EDL are committed to developing into a hardened street fighting organisation determined first to attack Muslims and then to use that to divide working people, through the scapegoating of innocent victims of the capitalist crises. They see mass student resistance on the streets, as being a real challenge, with an ability to mobilize and unite working class youth and trade unionists, whilst making it clear the enemy is not Muslims but the ConDem Government, the City, their banker friends and the ruling class.



The racist, Islamophobic, homophobic and reactionary statements coming from the EDL represent a classical attempt by fascists to attack the working class and their allies, in defence of capital. Whilst claiming to be a working class movement of ordinary people, the EDL does not in any way represent the working class. It represents a crude and violent attempt to act as the thugs of capitalism. Some of their organisers may be *of* the working class but certainly not *for* the working class. Many of their leaders are petty bourgeois small businessmen, with a few secret financial backers. Objectively their role is certainly not to protect workers from the ravages of the crises, far from it.

The state is not and never has been neutral. State violence is used to reinforce class oppression and oppose resistance by working people and organised labour. The same capitalist state that inhumanely mistreats the children of asylum seekers at places such as Yarl's Wood, batons and bludgeons students such as Alfie in Whitehall, will be the state that attacks workers on picket lines in defence of jobs. Only united action on the streets, as shown at Cable Street in the 1936 and in Harrow 2 years ago, can prevent the fascists from marching.

Although the BNP suffered a tremendous defeat in Barking and Dagenham, along with other electoral losses in the last general and local council elections, their vote had increased to over half a million nationally. This, combined with votes for other far right and nationalist candidates, shows that they are not finished, in spite of recent splits and faction fights.

Yet is the Labour Party able to present a challenge? Given its record on immigration controls, support for public spending cuts and accepting the case for cutting the size of the budget deficit, it is unlikely. Disillusionment by working people is understandable when all three main political parties argue that cuts are inevitable in one way or another. The disgraced Labour MP, Phil Woolas, was happy to play the race card by accusing his Liberal Democrat opponent of trying to woo the votes of Muslim extremists.

Similarly, in the middle of the Dagenham election campaign in 2010, Margaret Hodge, New Labour Culture Minister at the time, called for tighter immigration quotas. Yet in campaigning against Griffin, anti-racists had to point out the racist nature of immigration controls and how racism cannot be fought with racist arguments. All immigration controls are by definition racist. Theresa May, the ConDem Home Office minister has now also faced defeats, following successful appeals over immigration restrictions that her Government had recently introduced. Even the City accepts that some immigration controls can have a harmful effect on the economy, yet they only want the restrictions lifted on their overpaid “key workers” not all workers, many on very low pay.

We need to bring together the international experiences of the anti-fascist movements, linking in with the struggle against austerity measures across Europe and beyond. The present crisis is international and the struggle against this and fascism must be international also.

## Part 3 - Class Struggle and Ecology

**When Socialist Resistance was refounded in 2009 we reaffirmed our orientation as an ecosocialist organisation. The document adopted included the following:**

**“An ecosocialist approach to the economy radically challenges the capitalist assertion that we always need more commodities by saying that we need enough to live comfortably... Putting these issues at the heart of our politics helps us establish a Marxism that is both humane and ecological and which frees it from the anti-humanist, Stalinist, ecocidal distortions that the Soviet bureaucracy introduced.”**

**Ecosocialism is a symbolic declaration that ecological issues cannot for us be an add-on but must central to everything we do, a fundamental component of our programmatic identity. It is a signal that we reject the capitalist logic of insatiable growth, which is built into the nature of the system and fuels the requirements of capitalist production. It means striving for a society based on ecological rationality, democratic control, social equality, and the predominance of use-value over exchange-value.**

*“...we with flesh, blood and brain, belong to nature, and exist in its midst, and... all our mastery of it consists in the fact that we have the advantage of all other creatures of being able to learn its laws and apply them correctly.”*  
Friedrich Engels

## **Ecology as crucial as imperialism**

For socialists in the 20th century imperialism was the great dividing line between those who accepted the logic of capitalist society and those who were willing to challenge it. In the first decades of the 21st century it is apparent that imperialism and war will remain inherent features of late capitalism. To these threats we must add the genuine and serious risks of severe ecological degradation and climate change caused by the capitalist economic model. These will also be factors that will shape socialist politics in the coming decades.

## **The biosphere and us**

Humanity exists in an enclosed finite biosphere from which we draw everything we need to stay alive. We can define the biosphere as our planet's ecological system that includes not just human beings but all other living organisms and their interaction with the lithosphere, the hydrosphere and the atmosphere. Underpinning the Marxist view of the world is the idea that human beings take from nature – or the biosphere - the things that we transform through labour power to give us what we need and want. By doing so we are also creating our own relationship with nature. If you drive anywhere in Britain you will see that the landscape has been modified beyond all recognition from its original forest covering by agriculture and urbanisation. Our species has reshaped its own environment.

## **How does capitalism destroy the environment?**

Capitalism's dominant goal is the maximisation of profit. To this end capitalists must exploit people and the environment. This form of economic growth requires vast amounts of energy and raw materials every day and these have to be extracted from the biosphere. The ecological costs do not figure on the balance sheet even though 50-75% of all physical inputs into manufacturing end up as waste within one year.

But while capital seeks infinite expansion this is self-evidently a contradiction within an environment that is finite. The scale of this transformation of raw materials and energy is now rivalling natural processes. Our species is adding carbon to the atmosphere at a rate equivalent to at least 7% of the natural exchange between the atmosphere and the ocean. This is a process that can only increase under capitalism and it is simply beyond debate that carbon dioxide and methane trap heat and so cause the planet to warm.

Global industrial production increased at an average rate of 3% annually between 1970

and 1990. At this rate world industry doubles in size every 25 years, by a factor of 16 in a century and 250 fold in two centuries. All the materials and energy for this expansion come from the biosphere. For capitalism this is necessary if more commodities are to be produced and more profits made. Yet it is clear that the planet cannot submit to many more doublings of productivity and increases in greenhouse gas emissions without succumbing to an environmental catastrophe.

Much of what is produced under capitalism is unnecessary for a fulfilling human existence and in many cases actively detrimental to the environment. Cars are one obvious example and the high streets full of shops selling disposable clothes shipped from the far side of the world another. This pattern of consumption is encouraged by a massive advertising industry that sets out to create false needs in people. According to John Bellamy Foster 60% more money was spent on advertising than on education in the United States in 1992. This expenditure shapes mass consciousness in a very profound way but the essential problem is the manner in which commodities are produced rather than the way in which they are consumed.

## **The science is beyond doubt**

The 'Intergovernmental Panel On Climate Change' (IPPC) drove the final nail into the coffin of climate change scepticism with its 4th Assessment report in 2007. It confirmed what environmentalists had been saying for years in terms that left no doubt: "Eleven of the last twelve years (1995-2006) rank among the twelve warmest years in the instrumental record of global surface temperature (since 1850)." "The temperature increase is widespread over the globe and is greater at higher northern latitudes. Average Arctic temperatures have increased at almost twice the global average rate in the past 100 years. Land regions have warmed faster than the oceans" "Carbon dioxide (CO<sub>2</sub>) is the most important anthropogenic GHG (greenhouse gas). Its annual emissions have grown between 1970 and 2004 by about 80%, from 21 to 38 gigatonnes (Gt), and represented 77% of total anthropogenic GHG emissions in 2004." "Changes in the atmospheric concentrations of GHGs and aerosols, land cover and solar radiation alter the energy balance of the climate system and are drivers of climate change."

The IPPC recommends stabilising the emissions of CO<sub>2</sub> at 450 parts for every million parts of atmosphere (ppm) and says that 550ppm gives a 77-99% chance of a 2° global temperature rise or worse. On the basis that the latter figure would cost 1% of global GNP to implement, this is what was proposed in the Stern Report. In the most authoritative capitalist attempt to come to terms with the problem, Stern made a hard calculation between what he thought industry and governments would be willing to pay and the human cost. As one would expect from a business orientated solution it will be left to the world's poor to pick up the bill.

The scientific evidence makes it plain that climate change, caused by human activity is likely to result in sudden and dramatic changes to some of the major geophysical

elements of the earth. If global average temperatures continue to rise as a result of the predicted increase in emissions of man-made greenhouse gases these changes will be irreversible on a human timescale. There is a sliding scale of damage that is caused by each rise in global temperature above pre-industrial levels. An increase of 2.5° will result in the extinction of 25-30% of species rising to 40-70% at 3.5°. Water shortages will become chronic for up to 4.4 billion people and crop yields will drop concomitantly. As the earth heats up sea levels may rise by up to 7 metres displacing hundreds of millions of people in the world's cities.

There are nine major elements of the biosphere that could abruptly change once they pass a certain threshold of change:

*Arctic sea ice:* some scientists believe that the tipping point for the total loss of summer sea ice is imminent.

*Greenland ice sheet:* total melting could take 300 years or more but the tipping point that could see irreversible change might occur within 50 years.

*West Antarctic ice sheet:* scientists believe it could unexpectedly collapse if it slips into the sea at its warming edges.

*Gulf Stream:* few scientists believe it could be switched off completely this century but its collapse is a possibility.

*El Niño:* the southern Pacific current may be affected by warmer seas, resulting in far-reaching climate change, while its counterpart, La Nina has caused widespread flooding in 2010-11 in Australia, Brazil, Pakistan and elsewhere.

*Indian monsoon:* relies on temperature difference between land and sea, which could be tipped off-balance by pollutants that cause localised cooling.

*West African monsoon:* in the past it has changed, causing the greening of the Sahara, but in the future it could cause droughts.

*Amazon rainforest:* a warmer world and further deforestation may cause a collapse of the rain supporting this ecosystem.

*Boreal forests:* cold-adapted trees of Siberia and Canada are dying as temperatures rise.

In the light of current scientific opinion, the Stern Report's conclusions and the weaknesses of its solutions demonstrate just how extensive capital's influence on government is. This should come as no surprise in a world where 7 of the top 10 corporations (by sales) are either oil companies or auto manufacturers.

In a capitalist economy the environment will be at the end of a list of priorities. Instead increasing sales, reducing costs, developing new products and services, competing for staff, securing growth in emerging markets, innovation and technology come first. In any case every single previous advance in technology under capitalism has been used to increase production. As manufacturing costs are reduced more commodities are made, sold and scrapped so adding to the stress on the biosphere. This is not an argument in favour of arresting technological innovation but it does oblige us to consider how technological solutions are used. Increasing production under capitalism has not



eliminated poverty. That is not its purpose.

## **Private and market solutions**

Some governments claim to take climate change seriously and primarily rely on market mechanisms to solve the problem combined with a low intensity campaign to make individuals feel responsible for the global situation. Both approaches are wrong.

We have already demonstrated that the logic of capitalism makes it incapable of developing a globally sustainable economy and the privatisation of individual responsibility is straightforward neo-liberalism. For example many families rely on cars because they do not have accessible, convenient and cheap public transport. The destruction of the public housing stock obliges millions of people in Britain to waste a fortune every year on heating shoddily built, privately owned homes.

The focus on individual responses also serves the interests of capital. It's not so much a conspiracy as a diversion, an attempt to divert our attention from those who are truly responsible for this crisis and to encourage an individual response to climate change. The working class does not choose its own conditions of life.

## **Planning and collective action**

It is becoming increasingly clear to growing numbers of people that capitalism not only generates war, poverty and insecurity but that it also potentially threatens our survival as a species. As socialists we understand that only by collective action will we be able to develop solutions to climate change. The key terrain for this debate in Britain is in the trade unions. But traditionally trade unionists have tended to regard environmentalism as a threat to jobs, and environmentalists distrust the unions because they defend even the most polluting industries.

The union bureaucracy has always allowed capital free rein to direct production as long as it provided their members with jobs. Union members or leaders rarely questioned what is produced or how it is produced and while some unions are now talking of "greening the workplace" the questions of the social utility or environmental implications of what is produced are still not a subject of real discussion.

We will never build a mass movement on the basis of arguing for self-imposed austerity. But the changes we need to make would greatly enhance the quality of life for the vast majority of us. They would release millions of people from the stress of car and traffic jams by replacing it with free public transport; we would significantly shorten the working week; we would socialise domestic labour. We can only solve the problem of climate change through rationally planning what we produce and how we produce it, not by clinging to the anarchy of the market.

## An ecosocialist approach

An ecosocialist approach to the economy radically challenges the capitalist assertion that we always need more commodities. Instead we say that we need just enough to live comfortably. The first priority is not the creation of profit but the satisfaction of human need. As internationalists we insist that this is true on a global scale and we reject any solution that leaves a world in which:

- Nearly half of the world's population, 2.5 billion people, survive on less than two dollars a day.
- Over 850 million people are chronically undernourished and three times that many frequently go hungry.
- Every hour of every day, 180 children die of hunger and 1200 die of preventable diseases.
- 1.3 billion people have no safe water and 3 million die of water-related diseases every year.

Putting these issues at the heart of our politics helps us establish a Marxism that is both humane and ecological and which frees it from the anti-humanist, Stalinist, ecocidal distortions that the Soviet bureaucracy introduced. The internationalist and explicitly revolutionary implications of ecosocialist politics will be attractive to the radicalising new generations of activists who have shown themselves capable of impressive feats of organisation. They have no memory of the defeats suffered by the working class movement in the last three decades but equally they have not seen evidence that convinces them that the real power to change the world lies in the hands of the working class. It is part of our responsibility to demonstrate that this is so.

## Our demands

The environment is already an object of intense class struggle on the international level. In some parts of the world it is taking the form of disputes over agricultural land, access to water and food supply. Our strategic objective is for the working class to resolve capitalism's impending and actual ecological catastrophes in its own interest. This means beginning with collective struggle, mass struggle, and leading, if we are successful, to collective planning and to collective control over the resources of the planet. That is the only outcome that will enable humanity to allocate the biosphere's resources not to generate profit for the few but to the satisfaction of real human need.

## **Contact us**

### **Socialist Resistance National Office**

PO Box 62732,  
London,  
SW2 9GQ

Phone 0207346 8889

[contact@socialistresistance.org](mailto:contact@socialistresistance.org)

#### **London**

Phone Fred 09741893212  
[London@socialistresistance.org](mailto:London@socialistresistance.org)

#### **North West**

Phone Stephen 07724139278  
[northwest@socialistresistance.org](mailto:northwest@socialistresistance.org)

#### **Birmingham**

Phone Stuart 07775942841  
[midlands@socialistresistance.org](mailto:midlands@socialistresistance.org)

#### **Oxford**

Phone Andy 07796460663  
[oxford@socialistresistance.org](mailto:oxford@socialistresistance.org)

#### **Brighton & Sussex**

Phone Andy 07810486059  
[sussex@socialistresistance.org](mailto:sussex@socialistresistance.org)

**For other areas, please contact  
the National Office**

**International Viewpoint** is the online magazine of the  
Fourth International, the worldwide socialist organisation

**[internationalviewpoint.org](http://internationalviewpoint.org)**

# socialistresistance.org

This pamphlet puts forward the views of Socialist Resistance on the new political period that has opened up with the banking crash and subsequent economic crisis, and the response needed by socialists and the working class.

Socialist Resistance believes that Britain and in the Western imperialist countries are moving into a long period of capitalist austerity and crisis deeper than any since the Second World War. This pamphlet examines in some detail the depth of this crisis, and concludes that it is far deeper than many on the left believe. Although we present a detailed economic analysis, the direction the crisis will take is still a matter of debate.

We also present a perspective for a way forward for working people; both for the immediate fight back now and in the longer term. The twenty-first century world could be a harsh and dangerous place; however, we stand with those who fight against capitalism and who say that another world is possible.

We put this pamphlet forward to promote discussion on the left in Britain. It is essential for socialists to understand the nature of the present capitalist crisis in order to go beyond immediate responses and to develop a strategy and a programme to resolve the crisis in the interests of all the working class and oppressed.

**Socialist**  
**Resistance**



£1