

World Perspectives 2016

1. The year 2016 was ushered in by sharp falls on the stock exchange in China that swept across the globe, reflecting a mood of panic among investors. This nervousness expresses the fears of the bourgeoisie that the world is heading in the direction of a new slump. The history of capitalism is a history of booms and slumps. This cycle will continue until capitalism is ended, just as a person breathes in and out until he or she dies. However, in addition to these events, one can discern longer periods, curves of development and decline. Every period has different features that have a decisive effect on the class struggle.
2. Some, like Kondratiev and his modern imitators, have tried to explain this in a mechanical way. Kondratiev's ideas are becoming fashionable these days, because they presuppose that every downswing will be inevitably followed by a long period of upswing. This thought provides a much-needed crumb of comfort to the bourgeois economists who are cudgelling their brains attempting to understand the nature of the crisis and find a way out.
3. The present world situation is characterised by crisis at all levels: economic, environmental, financial, social, political, diplomatic and military. The main cause of the crisis is the inability of capitalism to develop the productive forces on a world scale. The OECD believes that there will be no significant growth for at least fifty years (<http://www.oecd.org/economy/lookingto2060.htm>). Booms and slumps will still continue, but the overall tendency will be downward. This means that the masses are facing decades of stagnant or falling living standards and the situation will be even worse in the so-called developing countries. That is a finished recipe for class struggle everywhere.
4. **A new slump looms**
5. The more serious capitalist strategists tend to draw the same conclusions as the Marxists, though with a certain delay, and from their own class point of view. The pessimism of the bourgeois economists is shown by their predictions of a period of "secular stagnation". The International Monetary Fund points out that the global financial crisis was worse than previous episodes of turmoil and warns that most of the world's leading economies should prepare for a prolonged period of lower growth rates.
6. The IMF reports are full of gloom. They have downgraded their forecasts repeatedly. In relation to 2012 forecasts, the IMF has revised its estimates for the level of US GDP for 2020 downwards by 6%; Europe by 3%; China by 14%; emerging markets by 10% and 6% for the world as a whole. Growth in the industrialised countries has not surpassed 2% for the past four years.
7. Growth in potential output in the developed capitalist countries is estimated to be 1.6% a year between 2015 and 2020, according to the IMF forecasts. This is marginally higher than the rate of expansion in the past seven years, but significantly lower than growth rates before the slump, when potential output expanded at 2.25% a year. Even that figure was miserable when compared to the colossal potential of modern industry, science and technology. Now, however, the economy is crawling along, and even that perspective is uncertain. Everything points to a new and deep slump on a world scale.
8. In the words of Christine Lagarde, head of the IMF, "In addition, medium-term growth prospects have become weaker. The 'new mediocre' of which I warned exactly a year ago – the risk of low growth for a long time – looms

closer.[...] High debt, low investment, and weak banks continue to burden some advanced economies, especially in Europe; and many emerging economies continue to face adjustments after their post-crisis credit and investment boom.”

9. Lagarde warned that the slowdown in China would have knock-on effects on countries that rely heavily on Chinese demand for their raw materials. She said there was a possibility of a prolonged period of low commodity prices, particularly in the large commodity exporters. She complained about low productivity holding back growth. But this is an explanation that explains nothing.
10. “*The risks are rising*”, warns Lagarde. “*We need a new recipe.*” Unfortunately, she does not enlighten us as to what this new recipe might be. But the Fund has its cookbook open at the page where a very old recipe is written: calling on politicians in “emerging markets” to “implement structural reforms”, that is, to open up their markets to be plundered by foreign capitalists, privatize state property and make labour markets more “flexible”: that is, to take measures that will lead to further attacks on jobs, wages and conditions.
11. At the heart of the crisis is the fact that productive investment – the key to any boom – is falling. Investment spending is forecast to remain below pre-crisis levels even if the present sluggish economic recovery persists. What this means is that the capitalist system has reached its limits on a world scale and in fact has gone far beyond them. This fact finds its expression in the mountain of accumulated debt that has been inherited from the last period. For several years, multi-national companies invested heavily in the “emerging economies”, but this has now slowed down, given the overproduction (“excess capacity”) affecting their economies.
12. The capitalists have lost faith in the system. They sit on piles of trillions of dollars. What point is there in investing to boost production when they cannot use the productive capacity that they already have? Lower investment also means stagnant productivity of labour. Productivity in the US is growing at a miserable 0.6% per year. The capitalists only invest for profit, but that presupposes that there are markets in which to sell their products. The fundamental reason they are not investing sufficiently to develop productivity is that there is a crisis of overproduction on a world scale.
13. Instead of investing in new factories, machinery and technology, they are trying to boost profit margins by lowering real wages in a race to the bottom everywhere. But this only serves to further exacerbate the contradiction by reducing demand, which in turn leads to further falls in investment.
14. Falling prices and low interest rates, which in normal times would be good news, now become a mortal danger. They are the mirror image of economic stagnation and falling demand. Interest rates have been falling for the past decade. They have reached rock bottom, even turning negative. According to Andy Haldane, the Bank of England’s chief economist, these are the lowest rates for 5,000 years.
15. Low growth, low inflation and zero interest rates add up to what the bourgeois economists refer to as secular stagnation. The economic engine of the industrialised economies is barely running above stall speed. That cannot be maintained for long. According to the strategists of Capital, the dangers facing the global economy are more severe than at any time since the bankruptcy of Lehman Brothers in 2008.
16. The fears of the bourgeois were well expressed in a speech on September 2015 delivered by Andy Haldane. He warned: “Recent events form the latest leg of what might be called a three-part crisis trilogy. Part One of that trilogy was the ‘Anglo-Saxon’ crisis of 2008/09. Part Two was the ‘Euro-Area’ crisis of 2011/12. And we may now be entering the early stages of Part Three of the trilogy, the ‘Emerging Market’ crisis of 2015 onwards.”

17. The problem for the bourgeois is that they have already used up the mechanisms they need to get out of a slump or lessen its impact. When the next slump occurs (and it is a question of when, not if) they lack the tools to respond. Interest rates remain very low and the continuing high levels of debt rule out further huge injections of state money. “The instruments to deal with such a condition are not readily available,” as Martin Wolf coyly puts it.
18. **Global Debt and the BRICs**
19. Since the crisis began global debt has actually risen. The hoped-for financial healing has happened only in a few scattered parts of the global economy. The level of debt is of an unprecedented scale. Government debt has in wartime reached present levels, but never in peacetime, and household and corporate debt has never before reached such heights. Before the crisis, debt was rising everywhere. In the US it reached 160% of GDP in 2007 and nearly 200% in Britain. In Portugal, such debt reached 226.7% of GDP by 2009. In 2013, it was still at 220.4%. In the US, total debt is presently 269% of GDP. Only once before in history has it reached such a level. That was around 1933 when it reached 258% after which it rapidly fell to 180%.
20. The whole point of the austerity regime was to lower the volume of debt, particularly state debt. But figures show that this is far from being the case. In the February 2015 report from McKinsey Global Institute, we find that global debt has increased by \$57tn since 2007, or from 269% of world GDP to 286%. This is happening in every sector of the world economy, but in particular with government debt, which is rising by 9.3% per year. This rise in levels of debt (“leveraging”) is also happening in practically every single country. Only a few countries, dependent on China or oil prices, were reducing their debt levels, but this has been brought to an abrupt end in the last two years. This vast mountain of debt acts as a heavy burden on the world economy, smothering demand and dragging down production.
21. All the so-called BRIC economies are in crisis: Brazil, India and Russia are in difficulties. In fact, Brazil and Russia are in a slump. The slowdown in the so-called emerging markets is set to be even sharper than in the advanced capitalist countries. The IMF predicts that their potential output, which continued to expand in the run-up to the crisis, is set to decline from 6.5% a year between 2008 and 2014 to 5.2% in the next five years.
22. The growth of these economies was one of the main factors that prevented the 2008 crisis from developing into a deep slump of the world economy. Over the past five years the so-called emerging markets accounted for 80% of global growth. These markets, especially China, acted as the locomotive of the world economy before and after the slump. They were an important field of investment previously, when profitable outlets were scarce in the west.
23. But now that has turned into its opposite. From being a factor that propped up world capitalism it has become the main danger that threatens to drag down the whole world economy. It is not just in the traditionally developed economies that debt has risen dramatically. The debts of so-called emerging markets have swollen to unprecedented dimensions. The study by McKinsey shows that total “emerging market” debt rose to \$49tn at the end of 2013, accounting for 47% of the growth in global debt since 2007. That is more than twice its share of debt growth between 2000 and 2007.
24. According to the IMF total foreign currency reserves held by “emerging markets” in 2014 (key indicator of capital flows) suffered their first annual decline since records began in 1995. These capital inflows resemble a flow of blood to a person in need of a transfusion. Without a steady flow of capital the so-called emerging economies will not have the money to pay their debts and finance their deficits while investing on infrastructure and the expansion of production.

25. The BBC also quotes figures from the International Center for Monetary and Banking Studies (ICMBS):
26. "Since then [2008], it is the developing world, especially China that has driven the rise in debt. In the case of China, the report describes the rise in debt as 'stellar'. Excluding financial companies it has increased by 72 percentage points to a level far higher than any other emerging economy. The report says there have been marked increases in Turkey, Argentina and Thailand as well.
27. "Emerging economies are particularly worrying for the authors of the report: 'They could be at the epicentre of the next crisis. Although the level of leverage is higher in developed markets, the speed of the recent leverage process in emerging economies, and especially in Asia, is indeed an increasing concern.'"
28. Some of the most significant capital outflows are originating from countries that piled debts up the quickest. South Korea, for instance, saw its debt to GDP ratio to debt rise by 45 percentage points between 2007 and 2013, while China, Malaysia, Thailand and Taiwan experienced debt surges of 83, 49, 43, and 16 percentage points respectively.
29. These economies are also slowing down or are in recession, preparing a deep global slump in the coming period.
30. **Trouble in China**
31. Most serious of all, the Chinese economy is experiencing a sharp slowdown. The slowdown in the "emerging economies" is due, on the one hand, to the prolonged slump in demand in the advanced capitalist economies and on the other, to the decline of China. This scenario must translate into significantly weaker world trade. Dialectically, everything is interconnected, so that weak demand and markets lead to weak production and investment. Weak investment leads to weak recovery, which in turn leads to weak demand.
32. The explosive growth of industry in China can be seen from the statistic that between 2010 and 2013, China poured more concrete than the USA did in the entire 20th century. But the huge productive capacity of Chinese industry is not compensated by a corresponding growth in world demand. The inevitable result is a crisis of overproduction.
33. In the period up to 2007, global demand was driven by credit and house building, especially in the US and Spain. This collapsed and demand was taken up by China, as it poured in billions into infrastructure and bank loans. Over 40% of GDP was invested, which built up the productive forces and demand for raw materials. It also built up huge excess capacity.
34. The bursting of the bubble in the West starting in 2008 led to the Chinese state pumping enormous amounts of money into the economy. This in turn led to an enormous speculative bubble and a massive accumulation of debt at all levels of the Chinese economy. This bubble is in the process of bursting, with far-reaching consequences. China is going the same road as Japan, the road of prolonged stagnation. The slowdown in China, in turn, has meant a collapse in commodity prices, which has hit hard the "emerging economies". More importantly, China represents 16% of world output and 30% of world growth. When China slows, the world slows.
35. Overproduction in China is affecting steel and other manufactured goods. There has been a massive accumulation of debt and there are fears of a collapse of the overheating property market. More than 1,000 iron ore mines are on the verge of financial collapse. The Financial Times predicts: "China, in particular, could see a sharp contraction in the growth of potential output, as it tries to rebalance its economy away from investment and towards consumption."
36. The Chinese premier Li Keqiang told the US ambassador that he relied on three things to judge economic growth: electricity consumption, rail freight volumes and bank lending. On this basis, economists at Fathom have compiled a "China Momentum Indicator" from the three sets of figures. The indicator

shows that the actual pace of growth could be as low as 2.4%. Rail freight volumes are sharply down and electricity consumption is virtually flat. As a result of falling growth, China has cut its interest rates six times in the last twelve months. It has also devalued its currency to revive its exports, which intensifies the conflict with the Americans and creates massive instability everywhere.

37. The decline in growth in China has hit the economies which depend on commodity exports, especially those who heavily depend on China. The fears of a Chinese slowdown were felt within China itself, especially on the falls in the stock market. The authorities intervened with \$200bn to stabilise the market, but had to give up in the end. Panic has gripped investors. "If we don't reform, the Chinese economy may even slow to collapse", says Tao Ran, professor of economics at the university of Beijing. "All we have achieved in the past 20 or 30 years will be lost."

38. The research division of Japan's second biggest brokerage house, Daiwa, did what nobody else has done before and released a report in which it made a global financial "meltdown", one resulting from nothing short of a Chinese economic cataclysm, its best case scenario. It added that the impact of this global meltdown would "be the worst the world has ever seen."

39. **World trade**

40. One of the most serious threats to the world economy is the re-emergence of protectionist tendencies. The growth of world trade in previous decades and the intensification of the international division of labour ("globalization") acted as the main motor force of the world economy. By these means the bourgeois succeeded partially and for a temporary period in overcoming the limits of the nation state. But now all this has turned into its opposite.

41. A striking example of this is the European Union, which the European bourgeois (led initially by France and Germany, now by Germany alone) attempted to unite in a single

market with a single currency, the Euro. The Marxists predicted that this would fail and that the first serious economic crisis would lead to the re-emergence of all the old national divisions and rivalries, which were disguised but not abolished by the single market.

42. The crisis of the Euro, which has plummeted against the dollar, reflects the seriousness of the economic crisis. The Greek crisis is only the most obvious expression of a crisis that can lead to the collapse of the Euro and even the breakup of the EU itself. Such a development would have the most serious consequences for the entire world economy. That is why Obama is urging the Europeans to solve the Greek crisis at all costs. He understands that the collapse of the EU would lead to a crisis in the USA itself.

43. 2015 marked the fifth consecutive year that average growth in the "emerging economies" has declined, dragging down world growth in the process. Before 2008, the volume of world trade grew by 6% annually, according to the WTO. In the past 3 years, it has slowed to 2.4%. In the first 6 months of 2015, it suffered its worst performance since 2009.

44. In the past, trade was a major factor driving production, but not anymore. Since 2013, every 1% of global growth has produced a trade rise of only 0.7%. In the USA, manufacturing imports have not risen at all as a share of GDP since 2000. In the decade before that they had nearly doubled.

45. The conclusion is inescapable: Globalisation is slowing. The engine of economic growth, world trade, is stalling. The volume of world trade fell in May (2015) by 1.2%. It fell for 4 out of the first 5 months of 2015. The Doha Round of talks has been going on for 14 years and has effectively been abandoned. The US is instead attempting to develop regional free trade blocks, in its own imperialist interests. They have recently negotiated the Trans-Pacific Partnership (TPP), which could cover 40% of the world economy, but it is full of contradictions. It needs to be ratified by a host of countries, including the US, which by no means is certain.

Obama faces a hostile Congress and might be unable to ratify it before the end of his term. Similar problems, if not bigger will occur in the negotiations over the Transatlantic Trade and Investment Partnership (TTIP), which aims to integrate the markets of the US and the European Union. TTIP has not yet been signed or even made public, but it is already creating strong divisions among the European countries.

46. **Inequality**

47. The concentration of capital predicted by Marx has reached unheard-of levels. It has created levels of inequality that are unprecedented. Enormous power is concentrated in the hands of a tiny minority of super-rich men and women who really control the lives and destinies of the peoples of the world.

48. Young people, women and ethnic minorities also suffer disproportionately from the crisis. They are the first to be sacked and those who take the largest falls in wages. The crisis aggravates the effects of inequality and gender discrimination as well as feeding moods of racism, xenophobia and intolerance towards minority groups among backward layers of the population.

49. Young people are suffering the worst economic prospects for several generations. That is acknowledged by all the bourgeois economists. Younger people have seen the greatest drop in income and employment. They suffer from the constant attacks on all levels of education, which is being ruthlessly slashed and privatised in the interest of finance capital. Working class youth increasingly face high costs and a lifetime of debt if they attend university, which is deterring some from attending altogether.

50. The majority of young people are denied opportunities that in the past were taken for granted. This is a major cause of instability and threatens to cause social explosions. It was a major factor in the so-called Arab Spring and similar uprisings are being prepared everywhere.

51. Everywhere the poor are poorer and the rich are richer. The anti-poverty charity Oxfam published a report that shows that the share of the world's wealth owned by the richest 1% increased from 44% in 2009 to 48% in 2014, while the poorest 80% currently own just 5.5%. By the end of 2015 the world's richest 1% already owned more wealth (50.4%) than the remaining 99% combined.

52. The more perspicacious bourgeois understand the danger this polarisation between rich and poor represents for their system. The OECD says its findings raise social and political questions in addition to economic ones. Winnie Byanyima, executive director of Oxfam International, said the increased concentration of wealth seen since the deep recession of 2008-09 was "*dangerous and needed to be reversed*".

53. Well-meaning reformers have urged world leaders to address the problems of inequality, discrimination and social exclusion as well as climate change and other pressing matters facing humanity. But how these miracles are to be achieved under capitalism is never explained. Summits and conferences come and go. Speeches are delivered. Resolutions are passed. And nothing changes.

54. **Permanent austerity**

55. The perspective is one of a very prolonged period in which economic recessions are interrupted by periods of sluggish economic growth with ever-increasing economic hardship: in other words, permanent austerity. This is a new scenario, entirely different to the one that existed in the advanced capitalist countries in the post-war period. The political consequences will therefore also be very different.

56. We have explained many times that every attempt of the bourgeoisie to restore the economic equilibrium will destroy the social and political equilibrium. And that is precisely what is happening on a world scale. A prolonged economic recession creates economic hardship and disturbs the old equilibriums. The old certainties vanish and there is a universal

questioning of the status quo, its values and ideologies.

57. Since the start of the global financial crisis in 2008 more than 61m jobs have been lost. According to the estimates of the International Labour Organisation (ILO), the number of people that are unemployed will continue to rise over the next five years, reaching more than 212m by 2019. It declares that the *“global economy has entered a new period combining slower growth, widening inequalities and turbulence.”* If we include the huge number of people engaged in marginal employment in the so-called informal sector, the real figure of world unemployment will not be less than 850 million. This figure alone is sufficient to prove that capitalism has become an intolerable barrier to progress.
58. In the advanced capitalist countries governments are attempting to reduce the levels of debt accumulated during the crisis by cutting wages and pensions. But the policies of austerity have sharply reduced living standards without having any serious effect on the mountain of debt. All the painful sacrifices inflicted on the masses in the last seven years have failed to solve the crisis; on the contrary, they have made it worse.
59. Neither the Keynesians nor the orthodox Monetarists have any solution to offer. The already intolerable levels of debt continue to grow inexorably, acting as a dead weight on growth. Governments and companies are trying to pass the burden onto the shoulders of the working class and middle class to bring down their debt levels. This is having profound effects on social relations and the consciousness of all the classes.
60. **Political effects of the crisis**
61. Here, however, we are faced with what seems at first sight to be an inexplicable paradox. Until recently the bankers and capitalists were congratulating themselves on having passed through the deepest crisis in history without provoking a revolution. This surprising outcome developed in them a sense of smug complacency that was as misplaced as it was stupid.
62. The main problem for these people is that they lack even the most elementary understanding of dialectics, which explains that everything sooner or later changes into its opposite. Beneath the surface of apparent calm, there is a growing anger against political elites: against the rich, the powerful and the privileged. This reaction against the status quo contains the embryonic seeds of revolutionary developments.
63. It is an elementary proposition of dialectical materialism that human consciousness always lags behind events. But sooner or later it catches up with a bang. That is precisely what a revolution is. What we are witnessing in many countries, is the beginning of a revolutionary change in political consciousness, which is shaking the institutions and parties of the establishment to the core. It is true that consciousness is shaped to a large extent by the memories of the past. It will take time for the old illusions in reformism to be burned out of the consciousness of the masses. But under the hammer blows of events there will be sudden and sharp changes in consciousness. Woe betide those who try to base themselves on the consciousness of a past that is already vanished beyond recall! Marxists must base themselves on the living process and on perspectives for the coming period, which will not be a mere repetition of the past.
64. The crisis is shaking the consciousness of the masses on a scale not seen for generations, provoking large movements in one country after another. What we saw in Greece, Spain, Portugal, France, USA, etc., is a first step in the political reawakening, a stage which will be followed by others, even broader and deeper.
65. What are the features of these mobilisations? In fact we can speak of a mobilisation that sees a united front between the working class and large sections of the semi-proletarian layers and even the petty bourgeoisie, destabilised by the crisis of capitalism.

66. Even in the advanced capitalist countries, where wage earners represent the large majority of the working population, there are large semi-proletarianised sections of the petty bourgeoisie, intellectuals, relatively privileged sectors of the working class, etc., who have been deeply shaken by the economic crisis. Indeed, in some respects the relative deterioration of the economic conditions of sections of the petty bourgeoisie has been even more violent than for the working class, because of their fragmented social nature and their difficulties in defending themselves through collective action.
67. The confusion and illusions expressed by leading figures such as Iglesias, Sanders, Corbyn, Tsipras, etc., is partly a reflection of the initial state of the movement, which does not enter the political arena with a fully worked out programme for the overthrow of capitalism. But this is only part of the truth. The heterogeneous, contradictory and ultimately utopian nature of these programmes is also a reflection of the interests and agendas of different classes, especially the petty bourgeoisie which has strong points of contact and affinity with the leading layer of the workers' organizations.
68. From these sections stem the "utopian" slogans such as a "regulated market" (as opposed to deregulation of international trade pursued by the big multinationals); the development of the internal market (and therefore a reduction of "excessive" social inequalities); reducing the power of the big banks or splitting them into smaller entities; the demand for "honesty" in politics, etc. The political synthesis of these ideas is the demand for a "more authentic" democracy, a revival of political democracy, in which the ordinary citizen can count as much as the billionaire.
69. The "Corbyn revolution", the "political revolution against the billionaire class" mentioned by Sanders, the hyper-democratic rhetoric of Iglesias, are all trying to picture a perfect democracy, a democracy such as has never existed under capitalism, and even less can exist today. But it exerts great attraction for millions, even billions of people who rightly feel defrauded and robbed of their right to decide on their future and that of society.
70. The fight against austerity policies by wide sections of workers, the unemployed, youth and also by not strictly proletarian layers ruined by the crisis, has tried to find a political expression, especially on the electoral front. Hence, the electoral rise of Syriza, the election of Jeremy Corbyn as leader of the British Labour Party, the vote for Podemos and its allies in Spain and for the Left in Portugal, or the success of Bernie Sanders's campaign in the US Democratic Party primaries against Hillary Clinton. The mass movement which has erupted in France, at some point, will lead to similar developments, even if it is not yet possible to predict exactly how and where they will occur.
71. Every time one of these characters appears on the scene and is projected to great heights and visibility, the intellectuals of the left rush to "analyse" them, trying to discover the secret of their success and to imitate them. They do not understand that if Tsipras and Iglesias appeared suddenly as true giants, it is not because of their own stature or of some hidden feature of their parties, but because they are being pushed up by a giant wave. Instead of looking at the twigs that are pushed up by the tide, we need to understand the wave that pushes them (and which may then abandon them, making them fall down with the same suddenness with which it pushed them up).
72. In each of these cases, the movement has followed different paths, using empirically the possibilities that were opening up. In Greece it has transformed a small party of 4% (Synaspismos) into the biggest party in the country; in Spain it has created an entirely new party (Podemos); in Britain it has revolutionized a mass party which has existed for over a century, the Labour Party, with the influx of hundreds of thousands of people, especially young people, who suddenly identified in the

leadership election a channel for their voices to be heard.

73. However, in today's capitalism no real mass movement against the ruling class can express itself without the participation of the working class, given its economic weight and predominant numbers. Thus, within all these movements coexist, in an eclectic and contradictory manner, petit bourgeois or even bourgeois programmes, with demands that express partially the interests of the working class (the minimum wage of \$15 in the Sanders' campaign or the proposals of public and universal education and health care, etc.)
74. "The masses go into a revolution not with a prepared plan of social reconstruction, but with a sharp feeling that they cannot endure the old régime. (...) The fundamental political process of the revolution thus consists in the gradual comprehension by a class of the problems arising from the social crisis – the active orientation of the masses by a method of successive approximations." (L. Trotsky, Preface to the History of the Russian revolution).
75. Except under very specific circumstances, it is generally impossible for the masses to embrace in the first instance an accomplished revolutionary programme. Even when they are disgusted by the situation in which they live, even when they begin to mobilise against the status quo, the first conclusion reached by them is not that the entire socio-economic system should be overthrown and uprooted. They seek a simpler solution: change of a government, of political leaders, better laws, target this or that particularly repugnant aspect of the system – in the hope that things will improve.
76. The social revolution is not the first option that is embraced, but the one which is reached when all others have failed.
77. This does not mean that the masses are "moderate" or "backward." Only by putting the various political tendencies to the test, can the masses reach the conclusion that their hatred towards this system can find an accomplished expression only in the revolutionary programme of Marxism. This is also the lesson of all great revolutions, including the Russian Revolution.
78. The movement, of which we are now seeing the first stages, will inevitably be riven by class contradictions, and only through this process will get to carry out its historic tasks by overthrowing this system.
79. Marxism is not only a tool for analysing the economic and political crisis. It is the sharp blade we use to cut, one after another, those political and ideological threads with which the ruling class is constantly trying to bridle and divert the movement of the masses, especially by putting pressure on the most privileged and conservative layers (the trade union bureaucracy, the MPs, the leaders who, as they are being pushed onto the "national political stage", fatally tend to be detached from their base).
80. Marxism can and must move on from its condition as a minority tendency, as the only theory that can guide this process of clarification and rupture within the mass movement, and for the affirmation within it of the class interests of the proletariat.
81. Looking for a way out of the crisis, the masses put to the test one party after another. The old leaders and programmes are analysed and discarded. Those parties that are elected and betray the hopes of the people, carrying out cuts in violation of election promises, find themselves rapidly discredited. What were considered as mainstream ideologies become despised. Leaders who were popular become hated. Sharp and sudden changes are on the order of the day.
82. There is a growing anger against the establishment, which goes beyond the immediate economic situation. People no longer believe what the politicians say or promise. There is a growing disillusionment with the political establishment and in political parties in general. There is a general and deep seated sense of malaise in society. But it lacks a vehicle that is capable of giving it an organized expression.

83. In France, the fight against the so-called Labour Law had marked a qualitative leap forward in the development of the class struggle and the political radicalization of a huge fraction of the youth and the working class. As during the 2010 mobilization against the breakage of the pension system, a wave of renewable strikes began in several key parts of the economy (energy, docks, steamers, transportation, etc.) on the initiative of the union's rank and file. Under pressure from its activists, the leadership of the CGT (the biggest trade union confederation) had been compelled to support – at least in words – these strikes, whereas in 2010 she condemned them at heart. A great part of the unionists openly criticized the punctual “days of action” strategy and asked for a hardening of the methods of struggle.
84. At the same time, the “Nuit Debout” expressed the radicalization of the youth, as in Spain, in Greece and in the USA in 2011. They have been characterized from the start by their will to get linked with the workers movement and push it toward more radical action (“general strike”). More significant, these general assemblies called into question, not only the counter-reforms, but also the capitalist system and its institutions.
85. The movement against the Labour law will have political consequences in the short term. The Socialist party (SP) is even more discredited. François Hollande is the most unpopular president since 1958. This opens a huge political space on the left of the SP. In the prospect of the 2017 presidential election, the Melenchon movement (La France Insoumise – Rebellious France) could crystallize the left opposition against austerity and the “system”, at a level much higher than in 2012.
86. In Greece we saw the collapse of Pasok and the rise of Syriza. In Spain we have the phenomenon of Podemos. In Scotland we saw the rise of the SNP. In Britain as a whole we have seen the emergence of Jeremy Corbyn. All this is an expression of the deep discontent that exists in society and is seeking a political expression.
87. We saw the same process taking place in Ireland in the recent referendum. For centuries, Ireland was one of the most Catholic countries in Europe. Not long ago, the Church held absolute dominion over every aspect of life. The result of the referendum on gay marriage, where 62% voted Yes, was a stunning blow to the Roman Catholic Church. It was a massive protest against its power and interference in politics and in people's lives. This represented a fundamental change in Irish society.
88. **The USA**
89. The US was the only main capitalist country to experience at least a minor recovery, although it was of a weak and anaemic character. Most of the growth that was recorded last year was due to the build-up of inventories (unsold stocks). In reality growth is slowing in the USA and has already slowed in Japan and the EU. Since July 2015 the IMF has scattered minus signs all over its forecasts. Thus, nothing is left of the much vaunted recovery.
90. The weakness of the world economy and particularly the so-called emerging economies has led to a stampede into the dollar, which is still seen as a safe refuge in times of crisis. But the strength of the dollar is itself a problem for the US, giving a competitive advantage to its rivals and hurting US exports. Last year, exports and imports into the US fell, reflecting the general weakness of the world economy.
91. The crisis is polarising American society. The Obama administration is seen as a failure. The fact that the anti-establishment message of Donald Trump and Bernie Sanders has resonated with so many Americans is an illustration of the alienation of millions of people. There is a polarisation to the left and to the right – a process that is taking place internationally.
92. Trump's reactionary rhetoric strikes a chord with people who feel alienated by the political elite in Washington. His soaring popularity has

come as a shock to the Republican Party leadership and the party is faced with crises and splits.

The US Presidential election presents a most interesting development. It is, of course, impossible to predict the outcome with any degree of certainty, given the extremely unstable and volatile juncture of US politics, although it is clear that Hillary Clinton is the preferred candidate of the ruling class. The media has focussed one-sidedly on the person of the Republican Donald Trump. However, far more significant than Trump or Clinton is the massive support for Bernie Sanders who openly speaks of socialism. The emergence of Bernie Sanders as a serious challenger for the Democratic presidential nomination is a symptom of profound discontent and ferment in society. His attacks against “the billionaire class” and his call for a “political revolution” resonate with millions of people, as tens of thousands attend his rallies.

93. The word “socialism” is now used more frequently in the mainstream media. A 2011 poll found that 49% of those aged 18 to 29 had a positive view of socialism, versus only 47% with a positive view of capitalism. A more recent poll, from June 2014, found that 47% of Americans would vote for a socialist, with 69% of those under 30 in favour.
94. Large numbers of people, many of them youth, but also many rank and file union members, are eager to hear Bernie Sanders’ message. It is true that his proposals are akin to Scandinavian-style Social Democracy, rather than genuine socialism. Even so, this is a most significant symptom that something is changing in the USA.
95. Bernie Sanders has tapped into a popular mood of hatred for the establishment and the government of billionaires and Wall Street bankers. The world slump has shaken America to its foundations. One in five US adults now lives in households either in poverty or on the edge of poverty. Almost 5.7m have fallen to the

country’s lowest income levels since the global financial crisis.

96. The US administration has been bragging that the unemployment level has fallen to 5%. But the reason for this is not economic growth, but the fall in workforce participation. If the ratio of those working or actively looking for work were the same as in 2008, the unemployment rate would be over 10%. Workers have been forced into low-paid insecure jobs.
97. With stagnant growth and high unemployment in the eurozone; Japan falling into recession; and US growth stuck throughout the “recovery” at a mere 2 to 2.5%, there is now no country that can serve as the engine for a new boom. In the last period the developed industrial nations have therefore been depending on the “emerging markets” to support the global economy. That is no longer an option.
98. **Europe**
99. All across Europe people are waking up to the fact that that the policies of austerity are not merely a temporary adjustment but a permanent attack on living standards. In countries such as Greece, Portugal and Ireland these policies have already resulted in deep cuts in nominal wages and pensions without having solved the problem of the deficit. Thus, all the sufferings and privations of the people have been in vain.
100. Europe faces a long period of slow growth and deflation. The attempt to reduce debts in this environment will be “harder and bloodier” than we have seen. Taken as a whole, the eurozone economy has not yet recovered to the pre-crisis level of 2007. This is despite a series of factors which should promote growth: low oil prices, the quantitative easing program of the ECB (which amounts to 60 billion euros a month) and a weaker euro, which should stimulate exports.
101. However, the extremely low rate of inflation is not a reflection of economic health but of chronic sickness; it mirrors the lack of consumer demand, which in turn is a

consequence of huge accumulated debts and falling incomes. It can lead to a downward spiral that can end in a prolonged recession. As a result they are talking about further cuts in the overnight bank deposit rate and an increase in the QE program.

102. Commenting on the situation, The President of the European Central Bank, Mario Draghi, writes: "It took between five and eight quarters for the countries now making up the euro area to recover their pre-recession level of real output after the slumps of the 1970s, 1980s and 1990s. During the recent recession – which was admittedly the worst since the 1930s – it took the US economy 14 quarters to reach its pre-crisis peak. If our current assessment is correct, it will take the euro area 31 quarters to return to its pre-crisis level of output – that is, in 2016".
103. Even this is an over-optimistic assessment. In its present enfeebled state the EU is sensitive to shocks. The slowdown in China and the crisis in "emerging markets" is having a damaging effect above all on Germany, which is an exporter of machine goods to China. Since exports accounted for 45.6% of Germany's GDP in 2014, the only country that could have acted as the motor force for an economic revival of Europe is in no position to fulfil that role.
104. The lower the growth, the higher will be the debt burden. That is the lesson of Greece. Under these conditions, defaults and financial losses will follow as night follows day, accompanied by a wave of bankruptcies and collapses in one country after another.
105. The economic impasse has had the effect of deepening all the contradictions and provoking serious tensions between the nation states of Europe. The refugee crisis, and the question of who is going to pay for it, was a catalyst that brought all these contradictions to a head. It has led to angry conflicts between Germany and Eastern European countries (Poland, Hungary), which not long ago had almost been reduced to the role of virtual German colonies.
106. France and Germany are locked in a conflict over the idea of a banking union, for which France is pressing, while Germany is dragging its feet. The men and women in Berlin are naturally not enthusiastic about the prospect of guaranteeing other countries' banks, which they see rather like a man with a sound credit rating lending his credit card to his next door neighbour who has been several times committed to the bankruptcy court.
107. The bailout of Greece is still not resolved, despite Tsipras' capitulation. It will not be easy for him to carry out the deep cuts demanded by Merkel and Co. There will be a further intensification of the class struggle as the Greek workers resist cuts and privatisations. At a certain stage this will provoke a crisis in the government and a new clash with the Troika, which will once again raise the spectre of Greece's exit from the euro and a crisis in the eurozone.
108. Then there is the little matter of Britain's forthcoming EU referendum. Cameron represents the Conservative Party which is implacably opposed to further EU integration. The negotiations will be difficult. Cameron must show that he has won some substantial concessions and Merkel must show that she has given him nothing.
109. The expansion of the EU has come to a shuddering halt. It is no longer in a position to integrate new and prospective Eastern European members. Having dangled the carrot of closer relations with the EU to Ukraine, that unfortunate country will now be left to sink or swim – and it is already sinking. Moreover, the process of European integration (which went further than what we thought possible) is now going into reverse, as border controls are reimposed.
110. The crisis in Europe is producing sharp changes in consciousness. The December 2015 regional elections in France indicate the process taking place. The National Front emerged as the first party in the first round, with the Socialist Party coming third behind Sarkozy's conservative "Les Républicains", but the biggest party by far was the party of those who didn't vote (over

50%), expressing the general alienation of a large part of the population from all the mainstream parties.

111. In Spain, in 2011, the right wing Popular Party (PP) won the election. The explanation for this lies in the fact that the previous “left” government of the Socialist Party (PSOE) carried out a policy of cuts that disappointed the masses and led inevitably to the victory of the Popular Party. But now we see the opposite process with the rise of Podemos, which grew from nothing to a movement of hundreds of thousands in the space of 18 months.
112. There is ferment and a process of radicalization in Spain that is still developing. The December general election in Spain solved nothing. The PP has lost its majority and the result is a governmental crisis that will almost certainly lead to new elections. The widespread support for Podemos, which increased its number of seats from nothing to 69 is causing alarm in the ruling class.
113. The rapid growth of Podemos was a reflection of a profound discontent with the entire existing political order. At the present time one can say that the masses do not know exactly what they want, but they know very well what they do not want. Pablo Iglesias’ outspoken criticisms of the bankers and the rich and his denunciations of the political establishment, which he calls “the Caste” (La Casta), accurately reflect the anger of the masses.
114. It is true that the ideas of the leaders of Podemos are confused and unclear. But that corresponds to the existing state of consciousness of the masses, who are only just awakening to political life, and therefore did not prevent Podemos from growing, at least in the initial period. However, if it is not corrected this lack of clarity can ultimately destroy Podemos. Very soon it will have to decide where it stands and in which direction it intends to go.
115. All these processes will be accelerated in the event of a deep slump. Europe will be facing a situation far more similar to the 1920s and ‘30s than the decades that followed the end of the Second World War: a prolonged period of social and political upheavals with violent swings to the left and right. However, as well as similarities there are also profound differences with the period between the two World Wars. The correlation of class forces is entirely different.
116. This means that the European bourgeois is faced with an insoluble dilemma. It is compelled to try to abolish the reforms conquered by the working class over the past half century but is confronted with the stubborn resistance of the working class. Precisely for that reason the crisis will go on for years with ups and downs.
117. **Donald Tusk’s predictions**
118. The general figures for unemployment in the eurozone conceal deep divisions between wealthier and poorer countries. Before the crisis, unemployment rates in the region’s largest economies were broadly similar.
119. In 2016 the EU will try to speed up the vicious policy of cuts and austerity under the soothing banner of “fiscal consolidation”. The serious strategists of Capital can see the dangers that are implicit in this situation. They have come to the same conclusions as the Marxists. Writing in the Financial Times on 15/6/14, Wolfgang Munchau warned that Europe is under a “constant threat of insolvency and political insurrection ... The bottom line is that the total post-crisis adjustment will be much more brutal than it was in Japan 20 years ago. In such an environment I would expect the political backlash to get more serious... Even if deleveraging could work – which is not clear – it may not work politically... By reducing political instability, they will end up increasing financial instability.”
120. More recently, Donald Tusk, the former Polish prime minister who now heads the European Council, said he feared “political contagion” from the Greek crisis far more than its financial fallout:
121. “I am really afraid of this ideological or political contagion, not financial contagion, of this

Greek crisis,” he said. “It was always the same game before the biggest tragedies in our European history, this tactical alliance between radicals from all sides. Today, for sure, we can observe the same political phenomenon.”

122. This was the same Tusk who played a central role (together with Angela Merkel) in forcing Alexis Tsipras to agree to the brutal terms involving sweeping austerity measures including the privatisation €50bn of Greek public assets, cuts in pensions, tax hikes and other deep cuts. The same Tusk later protested that he could not accept the argument that “someone was punished, especially Tsipras or Greece. The whole process was about assistance to Greece.”
123. But Tusk also said he was concerned about the far left, which he believes is advocating “this radical leftist illusion that you can build some alternative” to the current EU economic model. He argued those far-left leaders were pushing to cast aside traditional European values like “frugality” and liberal, market-based principles that have served the EU in good stead.
124. As in other parts of the world, the youth is particularly hard hit, with persistently high levels of unemployment. Presently in the region’s largest economy, Germany, youth unemployment is at 7.1%. In Italy, more than 40% of people under 25 looking for work are without jobs. The figure for France is 24% and in the UK 17%. But it is over 45% for both Greece and Spain.
125. The ruling class is well aware of the danger this represents for their system. Ms Reichlin of the London Business School said: “There is a big stock of young people in Italy that risk being lost forever and that will create political pressures over time. The Italian opposition is fragmented at the moment, but that won’t necessarily always be the case.”
126. Donald Tusk, referring to Tsipras, said the febrile rhetoric from far-left leaders, coupled with high youth unemployment in several countries, could be an explosive combination: “For me, the atmosphere is a little similar to the time after 1968 in Europe,” he said. “I can feel, maybe not a revolutionary mood, but something like widespread impatience. When impatience becomes not an individual but a social experience of feeling, this is the introduction for revolutions.”
127. The impact of the Greek crisis has been felt far beyond Greece. The idea of European integration has been shattered. In negotiations, Germany was like the dictatorial conductor of an orchestra. Merkel made no secret of the fact that she was in charge of the whole show. The French bourgeois, who once had the illusion that they were the joint rulers of Europe, had to take care not to push too hard for any concerns they might have had. These tensions will grow even sharper as the crisis deepens.
128. The reality of bourgeois democracy as a fraudulent façade stood exposed in the minds of millions. Merkel was saying in very clear language: popular referendums and elections are of absolutely no value: the big powers and the real rulers of Europe, the bankers and capitalists, will take all the decisions, irrespective of the opinions of the majority. Likewise, the humiliating climb-down of Tsipras has exposed the limits of reformism and social democracy.
129. This is a period of wars, revolution and counterrevolution. But that does not mean, as the ignorant sects imagine, that fascism or Bonapartism are an imminent danger. In the long term, of course, if the working class offers no way out, the ruling class will try to move in the direction of reaction. But because of the changed correlation of class forces, this could not take the form of fascism as in the past, but some kind of Bonapartist regime. Even so, they could not immediately install a military dictatorship without running the risk of civil war, which they would not be guaranteed to win.
130. Sooner or later the ruling class will decide that democracy is a luxury they can no longer afford. But they will move cautiously, one step at a time, gradually eroding democratic rights and

edging towards parliamentary Bonapartism first. But in conditions of capitalist crisis a reactionary Bonapartist regime would be unstable. It would not solve anything and probably would not last long. It would only prepare way for even greater revolutionary upheavals, as the Greek Junta in 1967-1974 ended in a revolution. We must be prepared for these kinds of developments and not allow ourselves to be thrown off balance by events.

131. **Britain**

132. The election of Corbyn as leader of the Labour Party by a big majority transformed the whole situation in Britain practically overnight. This development was anticipated by events in Scotland, where the revolt against the establishment was reflected in the rapid growth of the SNP. This was not a movement to the right but to the left. It was not the expression of nationalism but of a burning hatred of the effete elite that rules in Westminster. The Labour Party, as a result of the cowardly class collaborationist policies of its leaders, was seen as just another part of that establishment.

133. In itself, the election of Corbyn was the product of a series of accidents. But Hegel pointed out that necessity expresses itself through accident. The fact that Corbyn managed to get his name on the leadership ballot falls under the philosophical category of accident – that is, something that might or might not have occurred. But through this accident, the necessity of some outlet for the frustration of British workers and youth was expressed. The pressure for such an outlet had been building over the past period due to disillusionment with the establishment, and had the particular accident of Corbyn's acceptance onto the ballot not occurred, this necessity would have expressed itself elsewhere - as it did in Scotland. This transformed the whole situation.

134. From his very first appearance in a television debate Corbyn stood out clearly in comparison with the other candidates. He stood for something different, fresher, more honest, more radical and more in tune with the real

aspirations of millions of people, who were fed up with the status quo and wanted to express their rejection of the establishment.

135. Before the general election there was little or no life in the Labour Party. But the Corbyn campaign transformed the situation. It was precisely the catalyst that was needed to act as a rallying point for all the accumulated discontent in society that had until then not found any point of reference, and least of all in the right-wing dominated Labour Party.

136. The election of Jeremy Corbyn provided the one thing that was lacking in Britain: a point of reference for the accumulated discontent and frustration of the masses. A movement has begun which uses the Labour Party to resist and this movement is being pushed to the left. That represents a mortal danger to the ruling class and they will stop at nothing to destroy it.

137. For decades the Labour Party under right wing leadership was a pillar of support for the existing system. The ruling class will not abandon this without a ferocious struggle. The first line of defence of the capitalist system is the Parliamentary Labour Party (PLP) itself. The Blairite majority of the PLP are the direct and conscious agents of the bankers and capitalists in this struggle. That explains their fanatical determination to get rid of Jeremy Corbyn at all costs. The ground is being prepared for a split in the Labour Party that will create an entirely new situation in Britain.

138. Not only the Labour Party but also the Tory Party is split, especially on the question of the EU. The outcome of the British referendum is hard to predict, but a British exit would have the most serious effects both on Europe and on Britain. It would accelerate the process of disintegration that could end in the destruction of the EU. On the other hand, if the UK leaves the EU, the Scottish nationalists, who are pro-EU, would demand another referendum on independence, which could lead to the breakup of the united British state.

139. The cracks in the Tory Party will deepen, probably leading to a split-off of the anti-

European right wing, which could fuse with the anti-European and anti-immigration Ukip, to form a Bonapartist-Monarchist party to the right of the Conservatives. On the other extreme, the Blairite Right are clearly moving in the direction of a split from Labour. Although both they and the bourgeois fear the consequences of such a move, it is likely that at a certain stage the Labour right wing will be forced to split and link up with the “left” Conservatives and Lib-Dems to enter some kind of National Government.

140. This seems to be the only way the British ruling class could prevent the emergence of a Corbynite Labour government. But it is a very risky strategy. It would cause extreme polarization, pushing Labour further to the left. In opposition at a time of deep crisis, the Labour Party would recover, preparing the way for a Left Labour government. The generals of the British army have already threatened a coup if Corbyn came to power.
141. A senior serving general has reportedly warned that a Jeremy Corbyn government could face “a mutiny” from the Army if it tried to downgrade them. He told the *Sunday Times*: “The Army just wouldn’t stand for it. The general staff would not allow a prime minister to jeopardise the security of this country and I think people would use whatever means possible, fair or foul to prevent that. You can’t put a maverick in charge of a country’s security.
“There would be mass resignations at all levels and you would face the very real prospect of an event which would effectively be a mutiny.”
([The Independent](#), 20th September 2015)
142. It would immediately open the door to a clash between the classes and a revolutionary crisis in Britain.
143. The perspective now opens up of a crisis and split in the Labour Party, which will offer even bigger possibilities for the Marxist Tendency. But our priority is still that of winning and educating the youth. That will provide us with the cadres we will need if we are to take advantage of the possibilities. This is not a

normal crisis. Sharp and sudden changes are implicit in the situation. We must expect the unexpected. Tactics may have to change within twenty-four hours.

144. All these events are a reflection of a profound change that is taking place in the depths of society. It was very well described by Trotsky as the molecular process of socialist revolution: a process in which a series of small changes gradually accumulate until it reaches that critical point when quantity changes into quality.
145. **Illusions of the bourgeoisie**
146. With the collapse of the Soviet Union and the end of the Cold War the dazzling prospect opened up before the European bourgeois of permanent economic prosperity and ever-increasing European integration that would end with Europe (under German control) expanding its borders up to the Urals. Intoxicated with such dreams of grandeur, the European bourgeois were induced to give up a large degree of national sovereignty in some very sensitive areas. The creation of the eurozone is probably the most striking example of this.
147. The Marxists pointed out that it is impossible to have monetary union without political union. We predicted that the Euro could be maintained as long as the economic conditions remained favourable, but in the event of a slump, all the national antagonisms would re-emerge and the Euro would collapse “amidst mutual recriminations.” Twenty-five years later this prediction retains its full force.
148. Marxists stand unequivocally for the abolition of all borders and for the unification of Europe. But on a capitalist basis this is a reactionary utopia. The reactionary aspect was shown by the brutal treatment meted out to Greece by Brussels and Berlin. Under the domination of the bankers and capitalists, the EU stands for a policy of permanent austerity. An unelected and irresponsible clique of bureaucrats can dictate policies and overrule the decisions of elected governments like the government of Syriza in Greece.

149. In alliance with NATO and US imperialism the EU also plays a reactionary role on a world scale. It has intervened in the Balkans, where it was instrumental in the criminal dismemberment of Yugoslavia. It intrigued for the breakup of Czechoslovakia – something that neither the Czechs nor Slovaks were ever consulted about. Its interference in the Ukraine, together with US imperialism, caused the present disastrous mess. All this was basically in the interests of German imperialism, which is the real master of the European Union and has been striving to reassert its domination of Eastern Europe and the Balkans.
150. The other imperialist powers of Europe, in the first place Britain and France, now find themselves in the role of junior partners subordinate to Germany. But they have their own imperialist interests in Africa, the Middle East and the Caribbean, which they continue to pursue under the flag of the EU. The French and British led the way in the bombing of Libya. The British were the most enthusiastic allies of the USA in the criminal invasion of Iraq. Now the French play a similar role in Syria. All are pursuing their own cynical interests, under the flag of “humanitarianism”, of course.
151. Together with the Euro, the Schengen Agreement is one of the cornerstones of the European Union. It has reduced the time and cost of moving goods across Europe because trucks no longer have to wait for hours to cross an international border. It benefits tourists and people living in border towns, because passports and visas are no longer needed. It does away with the absurd waste of spending money on patrolling obsolete borders. This treaty was supposed to be a key step in the creation of a federal Europe.
152. In 1995 the Schengen Agreement eliminated border controls between its signatories and created a common visa policy for 26 countries. But now the process towards greater European integration has gone into reverse. The crisis of the European Union was sharply exposed by the refugee issue.
153. **Europe and the refugee crisis**
154. With the November 2015 massacre in Paris, ordinary workers were made to pay the price for the barbarism and horror sown in the Middle East by imperialism. Simultaneously, the arrival of thousands of desperate people fleeing from the horrors of war, hunger and oppression presented the governments of Europe with a dilemma. In reality, there is a global refugee crisis, not just a Middle Eastern one. Globally the number of people displaced by wars, persecution of minorities and violation of human rights was close to 60 million at the end of 2014. This is a graphic reflection of the world crisis of the capitalist system – its inability to give people the most elementary of human rights – the right to live. The flood of refugees from Syria, Afghanistan and other war-torn and poverty-stricken parts of the globe has led to demands for tighter border controls.
155. Angela Merkel was quick to open her arms to the poor refugees who were knocking at her door. Partly no doubt this was an attempt to capitalise on the genuine feelings of sympathy that were naturally expressed by many people in Germany and all other European countries. The ordinary people, whose thoughts and actions are not dictated by the cold calculations that motivate the bankers and capitalists, always display sympathy and solidarity to the poor and downtrodden. On the other hand, big business was in favour of an open door policy, not out of empathy for the sufferings of others, but as a means of securing a large supply of human labour at bargain basement prices.
156. However, Merkel’s kind heartedness did not last long. Germany was expecting to receive over 1 million asylum seekers in 2015. But attacks against immigrant shelters in Germany are increasing as are the votes for right wing anti-immigration parties like *Alternativ für Deutschland*. Now Merkel is pleading with Turkey not just to halt the flow of refugees but to take them back. Berlin is urgently demanding proportional distribution of migrants across the European Union – a suggestion that meets with

no great enthusiasm in London and Paris and outright rejection in Warsaw and Budapest.

157. Sharp contradictions have emerged between the members of the EU. French and Austrian authorities accused Rome of allowing (and even encouraging) asylum seekers to leave Italy and threatened to close their borders with Italy; indeed, France followed through with its threat and briefly closed its border in late June. Germany, the richest country in Europe, was in a position to absorb a large number of refugees. Others are not so fortunate. Italy and Greece have taken a larger portion of refugees than most others. They have repeatedly demanded more resources and the introduction of immigration quotas in the European Union. But these pleas fell upon deaf ears. Central and Eastern European countries immediately rejected the idea of quotas.
158. The problem is now posed: what exactly to do with the Schengen Agreement, which makes it possible for immigrants to move freely among member states. Even before the Paris events the Polish President of the European Council Donald Tusk said: "let there be no doubt; the future of Schengen is at stake and time is running out...we must regain control of our external borders." The Paris attacks provided governments with a convenient excuse for the "temporary" introduction of border controls, not only by France but by other states including Germany and Sweden.
159. Throughout Europe there is a growing malaise and a feeling of mistrust and hostility to the EU. After the brutal treatment of Greece, there is growing political opposition to Brussels from workers and youth in Southern European countries that are opposed to austerity. At the other extreme there is opposition from right wing, anti-immigrant and populist parties in Germany, France, Finland, Denmark and other countries in northern Europe.
160. The longer countries maintain border controls or fencing, the more the principle of an open Europe will be undermined. The rise of nationalist and anti-immigration parties in Germany, France, Finland, Denmark, Sweden and Hungary is putting further pressure on European governments to close the borders. The days of the Schengen Agreement are clearly numbered. If it is not abolished altogether, it will certainly be revised to such a degree that not much will be left of the "sacred principle" of the freedom of movement in Europe.
161. Member states are pushing to be given more power and discretion on the issue of reintroducing border controls. With or without a reform of Schengen, there will be stricter police controls at train and bus stations and at airports. This is already happening. Immigration laws will be tightened to make it harder for immigrants to obtain welfare benefits. Countries like Romania and Bulgaria that have not yet joined Schengen will want severe controls. Poland and Hungary, which were the satellites of German imperialism, are now in direct conflict with Berlin over the refugee issue.
162. The undermining of the Schengen Agreement will necessarily lead to the weakening of the free movement of people — one of the key cornerstones of the European Union. Once a basic principle is weakened, the door is open for other things to be similarly affected. The removal or weakening of the free movement of people can provide a precedent for the weakening of the free movement of goods. Together with the collapse of the Euro — which is entirely possible — it would mean the end of the European Union as we know it. Nothing would remain of the dream of European unity but an empty husk.
163. Under capitalism the idea of a Continent without borders will remain an unattainable dream. The unification of Europe — a historically necessary and progressive task — can only be achieved when the workers of Europe move to overthrow the dictatorship of the banks and monopolies, destroy the present capitalist European Union and lay the foundations for a free and voluntary union of the peoples on the basis of the Socialist United

States of Europe as a step towards the World Socialist Federation.

164. **World relations**

165. From the standpoint of international relations the period through which we are passing is without historical precedent. In the past there were always at least three or four Great Powers vying for superiority on a European or world scale. Thus, for long periods international relations tended towards some kind of equilibrium that was periodically punctuated by wars.
166. The economic instability is also expressed in increasing political instability. Not since the Second World War have international relations been so fraught with tensions. The aggressive expansionist tendencies of US imperialism since the fall of the USSR has created a chaotic situation everywhere: in the Balkans, in the Middle East, in Central Asia, North Africa, Pakistan and lately also in Africa.
167. Before the Second World War Leon Trotsky had already predicted that the USA would emerge as the dominant world power, but he added that the USA would have dynamite built into its foundations. That prediction was dramatically confirmed with the rise of terrorism in the US and internationally and the inability of the US to impose its will as it had in the past.
168. The United States established itself as the dominant world power in 1945. The rise of American power was accompanied by the collapse of the power of the European imperialist states. World War II had shattered both Japan and Western Europe. The United States dominated economically, militarily and politically, although it was confronted by the power of the Soviet Union.
169. An uneasy equilibrium was established that lasted almost half a century. Power was not in London, Paris or Warsaw. It was in Moscow and Washington. There was no question at that time of the USA interfering in countries like Iraq, Syria or Yugoslavia, which were in the Soviet sphere of influence. Much less could Washington contemplate meddling in the Ukraine or Georgia, which were still part of the Soviet Union.
170. All that changed with the collapse of the USSR just over two decades ago. Dragged down by internal crisis and under the pressure of a massive protest movement, Moscow was compelled to withdraw from Eastern Europe. The Soviet-led Warsaw Pact was wound up. However, NATO continued to exist as a potential threat to Russia.
171. In the 1980s American President Ronald Reagan made a verbal promise to Soviet leader Mikhail Gorbachev that the West had no intention of expanding NATO eastwards into the sphere of influence of the Soviet Union. That was a lie. In the past two decades the USA has been systematically expanding NATO to the east, incorporating several countries that were previously within the sphere of influence of the USSR.
172. German and US imperialism were behind the breakup of Yugoslavia – an entirely reactionary development for the peoples of Yugoslavia and a complete humiliation for Russia. Although Russia had troops stationed there, the West was allowed to take over while the Russian army was relegated to the role of an impotent bystander.
173. In the past, the contradictions we see on a global scale would have led to world war. But this is no longer a possible outlet. The correlation of forces on a world scale does not allow it. That, however, does not signify an epoch of peace. On the contrary, the contradictions will find an expression in a never-ending series of small wars, leading to terrible bloodshed and chaos.
174. Although the United States remains enormously powerful, it is far from being omnipotent. The wars in Afghanistan and Iraq exposed the limits of the power of US imperialism. Even the most powerful imperialist state cannot afford to be directly involved in large numbers of conflicts all around the world. It would soon find itself exhausted economically and politically as public opinion swung sharply against foreign

interventions. This lesson was lost on the short-sighted ruling clique under George W. Bush. It had to be learned painfully by his successor.

175. **Russia and America**

176. Urged on by US imperialism NATO advanced right up to the frontiers of Russia. First the Balkan states were incorporated into NATO, and then Poland joined. But when the Americans attempted to draw Georgia into NATO, it was one step too far. The Russian army was sent and Georgia was swiftly crushed. Now it was the Americans' turn to be humiliated, as the Russians seized large quantities of arms and equipment provided to the Georgian ruling clique by Washington - even the toilet seats.

177. That was a clear warning to the Americans. The Kremlin was saying: "Thus far and no further!" But the US ruling circles are blind, deaf and dumb. When the Germans were ready to pull back from the conflict in Ukraine in late 2013, John McCain and his Republican allies stepped in, forcing Obama's hand in the matter. They were looking to deal Russia a blow in revenge for Georgia and draw it closer to the EU and NATO. The idea that Putin would quietly accept the loss of Ukraine was foolish in the extreme. It was even more foolish to expect him to accept the loss of the Crimea, where the Russian navy has a big base at Sebastopol.

178. The right-wing coup in Kiev, backed by extreme nationalist and fascist forces, succeeded in toppling the government of Yanukovich, but by so doing they have plunged Ukraine into an abyss of economic collapse and civil war. The West, predictably, has not delivered any of its promises to the Ukrainian people. Nor have they done anything to stand up to Russia, despite all their fist-shaking and threats.

179. The imposition of sanctions on Russia have not weakened the regime but strengthened it. Before the Ukrainian crisis and US sanctions, Putin was not in a very strong position. But the measures taken by the USA to "punish Russia" had the opposite result to that intended. Putin was able to ride on a wave of patriotism, and at

some point enjoyed an approval rating of nearly 90%.

180. On the surface it may seem paradoxical that Putin has emerged strengthened from the crises in Ukraine and Syria. The efforts of the West to isolate him have been a miserable failure. In Syria he is the man who now calls the shots. And even if the US persists in maintaining sanctions over Crimea and Ukraine, we can confidently predict that its European allies will quietly drop theirs. The crisis-ridden European economy needs the Russian market and Russian gas just as much as the European bourgeois need Russian help to clear up the mess in Syria and halt the unending flow of refugees.

181. But if we look deeper into the situation, it will become evident that it is not as stable as it looks. The Russian economy continues to fall, hit by the falling price of oil and western sanctions. Real wages are falling. The middle class can no longer spend pleasant weekends in London and Paris. It grumbles but does nothing. The Russian workers were influenced by the official propaganda on Ukraine. They were scandalised by the activities of the Ukrainian fascists and ultra-nationalists and Putin was able to take advantage of their natural sympathy with their brothers and sisters in eastern Ukraine. On this basis his poll ratings soared.

182. Putin may be able to maintain his grip on power for some time, but everything has its limits and in the end history always presents its bill. The economic crisis has led to a sharp fall in living standards of many workers, especially outside Petersburg and Moscow. The masses are patient, but their patience has definite limits. We saw evidence of this at the end of 2015 when long-distance truckers went on strike. A small symptom perhaps, but a symptom nevertheless that sooner or later the discontent of the Russian workers will find its expression in serious protests and strikes.

183. In AW's *The Revolution Betrayed: A Marxist Masterpiece* the following analysis was given: "The spectacle of the big Russian monopolies

enriching themselves at the expense of the people is provoking a burning sense of anger. It is not like the West where people have had generations to get used to capitalism. They might not like what flows from it, but most people regard it as inevitable and almost natural. They do not normally question the capitalists' God-given right to own industry and exploit labour. But in Russia things are different. For generations the people have got used to a society where the means of production were in the hands of the state and the state, at least nominally, was supposed to stand for the interests of the working people. The big majority believe that the owners of the privatised enterprises are just crooks who have stolen the people's property. And this is entirely correct. Capitalism has no legitimacy in the eyes of the working class. This is a very important difference with the West, and one that can have enormous consequences in the next period.”

184. This can also be applied to the other ex-Stalinist countries. The fall of the USSR and the planned economies was the biggest defeat for the international proletariat this side of the Second World War. With the economic poverty that resulted from it we also have social and moral poverty. Alienation, corruption, far right pogroms, violent national divisions plague these countries whilst pro capitalist and anti-communist propaganda reaches hysterical levels and poisons consciousness. However it would be a mistake to draw pessimistic conclusions from this. The masses in Eastern Europe have not experienced a post-war, successful capitalist boom. Unlike the working classes of the western countries, illusions in reformism will not be as strong and revolutionary conclusions may be reached with surprising speed. The uprisings in Bosnia, Bulgaria, mutinies in the Ukraine and very militant strikes in Poland and Slovakia are just some examples of the explosive nature of things to come in the ex-deformed workers states.
185. Putin felt confident enough to launch a military offensive in Syria, which caught the West off guard. As a result, the man who was supposed to

be an international pariah is now in effect the arbiter of Syria's fate.

186. Not long ago Obama and Kerry were breathing fire and brimstone against the man in the Kremlin. Then suddenly Putin turns up at the United Nations and becomes the centre of attention. He even appears in public together with the US President and there is a well-publicised handshake – though not a very warm one to be sure.
187. For Putin, the main aim in Syria was to keep Assad in power as a reliable Russian ally and to halt the advance of the Islamist rebels who were getting ever closer to the main areas of Assad's support in the West – and Russia's bases there. At least one can say that Putin's intentions were clear and unambiguous. That gave him an appearance of strength.
188. Obama, on the contrary, is a man with a sharply divided Congress and a rabid Republican Opposition. He is acutely aware of the danger of getting involved in a war on the ground in Iraq. The American people are weary of foreign adventures. That, and not any pacifist or humanitarian considerations, is why he is at pains to avoid committing US forces on the ground in Syria.
189. The reason for the contradictions in US policy in Syria is not hard to see. The only serious military actions against the jihadis in Syria have been the ones carried out by the Russians in collaboration with the Syrian army of Bashar al-Assad. And the only serious military actions against Isis in Iraq (apart from the Kurds who will only fight in their own areas) are carried out, not by the so-called Iraqi army and its US backers, but by the Iranian-backed Shia militia and elements of the Iranian military.
190. In practice, the Americans have been forced to recognise this and accept the demands of Russia and Iran that Bashar al-Assad must remain in power for the foreseeable future. That is why Obama had to arrive at a deal with Iran over nuclear arms that is hated by Saudi Arabia and Israel and also by their Republican friends in Congress. In short, he has to face all ways at

once. That gives him the appearance of weakness. The Russian leader returned to Moscow convinced that with regard to Syria the Americans would do exactly the same as with regard to Ukraine – that is, nothing of any consequence, and he was not wrong.

191. The Russians redoubled their arms shipments to Damascus, pouring in weapons and equipment. They have launched a series of bombing raids against Isis and other targets. The Russian raids effectively changed the balance of forces on the battlefield. This forced the US and its western allies to step up their bombing campaign which until then had been halfhearted and aimed at containing Isis rather than defeating it. Thus, at every step the Russians have run rings around American diplomacy. In Syria Washington has had to swallow its pride and accept Moscow's terms. This has fundamentally altered the correlation of forces, not just in Syria but in the Middle East as a whole.

192. **The Middle East**

193. *"C'est pire qu'un crime, c'est une faute"* ("It's worse than a crime, it's a mistake"). The celebrated words attributed to Louis-Antoine-Henri de Bourbon-Condé, duke d'Enghien might serve as a fitting epitaph for the foreign policies of US imperialism in recent decades.

194. The flames that engulf the entire Middle East are the direct consequence of the criminal invasion of Iraq and the continuing interference of US imperialism in that unhappy region. Having destabilised Iraq and reduced it to a smoking, war-torn ruin, the Americans and their allies have aided and abetted reactionary forces in Syria which now pose a serious threat to their interests. But the so-called war against terror that has allegedly been waged for nearly fifteen years in Iraq has achieved precisely nothing.

195. The politicians in Washington understood nothing and foresaw nothing. Ironically, by destroying the old state machine of Saddam Hussein and the Iraqi army, they upset the balance of power in the region and created a vacuum into which stepped their old enemy

Iran. When the US army stormed into Iraq there was no al-Qaeda present in that country. Now the whole region is in the grip of the jihadi madness. This is the direct result of the meddling of US imperialism.

196. Belatedly the Americans have woken up to the disastrous state of affairs they themselves have created and which now threatens them. Now the US is faced with the growing threat of jihadi violence that is spreading like an uncontrollable epidemic through the Middle East and North Africa, crossing the Sahara desert to burst through in Nigeria, dragging in the neighbouring countries of Niger, Chad and Cameroon.

197. How is the world's greatest military power to respond to this threat? It was forced to limit itself to bombing from a great height. But it is an open secret that bombing alone does not win wars, and least of all wars like the one in Iraq and Syria. America and its allies have bombed Isis positions for over a year. But the effect on Isis seems to have been minimal.

198. It is true that the self-styled Islamic state with its cruel and inhuman punishments, its crucifixions, beheadings and stoning to death, its oppression of women and attacks on culture and education represent a reactionary aberration – a throwback to a dark and primitive past. But all this is merely the mirror image of the crimes of imperialism, the indiscriminate bombings, the torture and abuse of prisoners in Abu Ghraib and Guantanamo Bay. The interventions of imperialism in the Middle East since 2001 have cost between 1.3 and 2 million lives and led to the displacement of many millions more who now live in barbaric conditions. This comes under the heading of "collateral damage."

199. The imperialists need an excuse for their criminal aggression in the Middle East, and this is conveniently provided by the murderous actions of the jihadis. The imperialist propaganda machine has assiduously built up the impression of an all-powerful Isis. But events will show that Isis is not as all-powerful

as it seemed. Since the intervention of the Russians, Isis and other the jihadi groups have quickly been forced onto the defensive.

200. The Russian intervention has changed everything. It has forced the Americans to intensify their activity. But in order to defeat Isis, they need boots on the ground. Only the boots in question must not be American ones. A small number of American Special Forces have been involved on the ground, though to what extent is not clear.
201. Unfortunately for Obama in order to defeat Isis it would require not very small forces but rather substantial ones. How is this problem to be resolved? Some incurable optimists placed their hopes on the Iraqi army. But this was the vainest of all vain illusions. When they destroyed the Iraqi army in 2003, the Americans removed the only military force in the region capable of acting as a counterbalance to the power of Iran. Now the pathetic remains of that shattered force is demoralised and not fit to fight Isis or anybody else. Its total lack of fighting ability was shown last summer when the Iraqi army ran away like frightened rabbits, leaving Mosul to the tender mercies of the Isis jihadi hordes.
202. At the same time, the “moderate opposition” inside Syria has proven to be a complete fiction. With minor exceptions, almost all the groups fighting Assad are Islamist fanatics of one kind or another. They are more interested in fighting the Assad government than fighting Isis. The main role of these “moderates” is to act as a bridgehead to channel the arms sent by the Americans to jihadi groups. The Americans announced that they were going to form a fighting force of 5,000 “moderates”, but now admit that there are only a handful left in the field (where they are and what they are doing remains a complete mystery). Others have been killed by al-Qaeda groups – who received intelligence about their whereabouts from the US ally, Turkey – or have gone over to Al Qaeda, handing over their weapons.
203. In the end the US has been forced to give up all its plans in Syria. The support for the “moderate” rebels has been significantly scaled down. Meanwhile it has been forced to throw its weight behind the Kurdish forces of the YPG. Around the YPG, they have set up the Syrian Democratic Forces (SDF) and the Democratic Syrian Congress.
204. The YPG has proven extremely efficient in Syria, mainly because it is a popular militia based on a democratic and non-sectarian programme. With 50-70,000 troops it is only surpassed by the Assad army which is inferior to it in training, morale and motivation. With the setting up of the Democratic Syrian Congress it has de facto become a Kurdish statelet.
205. The YPG is undoubtedly the most progressive movement in the Middle East at the present time. However it is being used by the US for wholly reactionary reasons. US imperialism aims to breakup Syria into small statelets run by different militias and warlords which they can play off against each other to maintain its control. For the imperialists the slogan of self-determination for small nations is always a reactionary deception and a trap. For the present, they are obliged to make use of the Kurds to fight Isis on their behalf. However, at a certain stage the imperialists will inevitably attempt to use this divide and rule tactic against the Kurds themselves. While supporting the progressive aspects of the Kurdish movement and defending the right of the Kurdish people to self-determination, Marxists must warn against mixing up the Kurdish cause with the intrigues of US imperialism, and criticize the inconsistencies and shortcomings of the Kurdish leadership.
206. The shift in US policy towards the Kurds has deepened the divisions between Washington and its Turkish ally whose al-Qaeda linked proxies stand to lose direct and indirect US support. Turkey views the YPG and its sister organisation the PKK as a threat and has been alienated by the new US line. This has led to the ironic situation of a low-intensity war, brewing

between the US supported SDF and Saudi and Turkish supported Islamist proxies. This could explode into a full scale war at any point.

207. Besides support for the Kurds the US has realised that it needs Iranian-backed forces, as well as the Assad regime, to stabilise Syria and prevent it from being overrun by Islamic fundamentalist groups. Everybody knows that the brunt of the fighting in Iraq, apart from the Kurds who are mainly interested in fighting for their own areas, has been borne by the Iranian-sponsored Shia militias and Revolutionary Guard and that the Iraqi army is being trained and commanded by Iranian officers. The attempt to build up a fighting force based on “moderate Islamists” is likewise doomed to failure. The different factions are more intent on fighting the Assad government and each other than fighting Isis. Clashes between al-Qaeda groups and groups belonging to the newly formed Syrian Democratic Forces (a US-backed group consisting of the Kurdish YPG and dubious, yet non-jihadist remnants of the FSA) have increased.
208. Therefore, all insistence on regime-change in Syria has been conveniently forgotten and the Americans have been forced to drop their earlier belligerent attitude to Teheran and reach a shaky compromise with Iran over its nuclear programme with the promise of reducing sanctions. This was undoubtedly a humiliating climb down for Washington and a major diplomatic triumph for Teheran. Iran now has effective control of southern, eastern and central Iraq (Isis and the Kurds control the west and the north) and a major influence in Syria, as well as most of Lebanon, the base of the powerful pro-Iranian Hezbollah.
209. Gritting its teeth, Washington has been compelled to turn to the only viable option: a deal with Iran – and Russia. But is this not that same Iran that, not so long ago, was demonized in the American press as part of the “Axis of Evil”. Not long ago John Kerry was breathing fire and brimstone in his bellicose denunciations of Tehran. Now suddenly all is sweetness and light in Washington’s dealings with Tehran. Mr. Kerry delivers conciliatory speeches, beaming with a smile from ear to ear as he sings hymns of praise to the leaders of Iran for their great wisdom and moderation.
210. The same is true of America’s dealings with Russia – only more so. Not so long ago Vladimir Putin was considered to be outside the Pale of civilization, a man to be shunned and boycotted. Now, suddenly, he is the hero of the hour in Syria. These developments are raising serious concern in Ankara and Riyadh. The American imperialists are trying to face two ways at once, and in the process they are finding themselves in new and insoluble contradictions. These diplomatic contortions are a further indication of the mess that the Americans have landed themselves in the Middle East. The government in Baghdad is heavily dependent on Iran. The fear in Saudi Arabia and other countries in the region is that Iraq is being turned into nothing more than an Iranian satrapy. This result is not at all what Washington desires, but it is the logical consequence of all America’s actions.
211. Their attitude towards Syria is even more contradictory. Publicly they continue to denounce Assad and complain about the Russian “interference” in Syria, while in reality there is a de facto detente. The Americas complain that the Russians do not give them enough information about their targets in Syria, that it is impossible for them to co-ordinate the bombing raids, that there is a risk of accidents etc., etc. They complain loudly that the Russians are bombing not only Isis targets but also the “moderate opposition” forces backed by the West, that are attacking the Syrian army in the West. But the Russians pay no attention and continue blasting their targets remorselessly.
212. **Saudi Arabia and Yemen**
213. It is an old maxim of diplomacy that nations have no friends, only interests. In the Middle East the United States is trying to balance between the four major regional powers – Iran, Saudi Arabia, Israel and Turkey – leaning now

- towards one, then towards another in a perpetual balancing act. In Iraq, US fighters carried out airstrikes in parallel with Iranian ground forces, while in Yemen, the United States supports Saudi air strikes against the Houthis, who are backed by Iran. The United States says it is expediting deliveries of weapons to Saudi Arabia, yet at the same time the Obama administration is desperately signalling to Tehran that it does not wish to clash with Iran over Yemen.
214. The Saudi ruling clique is at the centre of counterrevolution in the entire region. For decades western leaders have constantly backed the reactionary Saudi monarchy, fawning over and cynically ignoring the vicious actions of the creatures that rule the roost in Riyadh, as we saw at the funeral of the late unlamented King Abdullah.
 215. These devout Muslims, the “protectors of the Holy Places” and hitherto one of America’s most loyal allies, beheaded more than 50 people in one year alone, apart from other pleasant little practices like floggings and crucifixions. But the rotten Saudi regime is resting on very shaky foundations. There is a growing ferment among the oppressed Shia population of Saudi Arabia as well as a significant part of the youth. This could lead to an uprising at a certain stage. But there is also a growing impatience amongst the Wahabi reactionary zealots who are more sympathetic to Isis and al-Qaeda than the royal family, whom they see as illegitimate. This contradiction is undermining the regime which is desperately trying to cling on to power.
 216. These were major factors that determined the Saudi reaction to events in Yemen. The volte-face of American foreign policy in relation to Iran led to further complications for Washington. It enraged the Saudis and Israelis who see Iran as the main enemy. Iran has good relations with the Houthi-Shia militias that swept through Yemen and took control of Aden, driving out the Saudi puppet. In response to this, Saudi Arabia ordered its air force to bomb the rebels.
 217. The Saudis hastily put together a coalition of ten states which aims to drown the Yemeni insurrection in blood. Reluctantly the US and Britain joined the coalition although they have avoided direct participation in the bombing. The Coalition forces have brutally bombed the country, pulverising its infrastructure, destroying schools and hospitals and killing a large number of civilians. Twenty million people are in acute need of aid. Despite the murderous bombings, the Houthis have not been destroyed and there is a general hatred towards the Saudis and their allies among the mass of the population. The fact that the Pakistan army refused the request by the Saudis to participate in their military campaign against the Houthi rebels is sufficient proof that a ground offensive in Yemen would end in disaster.
 218. The present ruling clique is playing with fire. The old king Abdullah was a very cautious man who tended to avoid direct involvement in risky foreign adventures that could upset the stability of his regime. But his successors are degenerate upstarts, ignorant, stupid and over-confident. Blinded by their sense of invulnerability they have launched an unwinnable war. By intervening militarily in Yemen, Saudi Arabia risks destabilizing its own regime or even provoking an uprising.
 219. Saudi Arabia is deliberately stirring up religious sectarianism against the Houthis. This has led to the strengthening of al-Qaeda in large parts of the country. The execution of Nimr-al-Nimr was a judicial murder ordered by the Saudi royal clique. It was a deliberate provocation intended to stir up sectarian strife between Shias and Sunnis and push the government of Teheran into taking military action against Saudi Arabia, which would then call on the Americans for aid.
 220. This immediately led to the storming of the Saudi embassy in Tehran and the breaking off of diplomatic relations by Saudi Arabia. All this was carefully premeditated. Events proceeded step by step, like the steps of a ballet dancer. But this ballet is the dance of death. This was a

desperate act by a regime that finds itself in deep trouble and faces the prospect of overthrow.

221. The Saudi gangsters miscalculated in Yemen. They have stirred up the anger of the Shias who constitute at least 20% of the Saudi population and are among the poorest and most oppressed layers. Mass demonstrations broke out in Saudi cities with slogans like “Death to the House of Saud!” By overreaching themselves the Saudi ruling clique has sown the winds and will reap a whirlwind.
222. **Turkey**
223. Together with Saudi Arabia and Israel, the Turkish state represents the main counter-revolutionary force in the region. Although formally part of NATO, under the reactionary regime of Erdogan, Turkey in practice has been backing Isis and other Islamist forces in Syria.
224. Erdogan’s regional ambitions are well known. He wishes to re-establish something resembling the old Ottoman Empire, bringing large parts of Central Asia and the Middle East under Turkish control. In order to further this ambition he attempts to use the Turkic-speaking peoples like the Turkmens for his own cynical purposes, just as Russian tsarism used the South Slavs in the past as the pawns of an expansionist foreign policy.
225. It is also an open secret that Erdogan has been supporting Isis and other Islamist gangs in an attempt to overthrow President Assad and grab slices of Syrian territory. That is why he has allowed a large number of Islamist fighters to cross the Turkish border into Syria, while blocking the supply of arms and volunteers to the anti-Isis forces in Syria and brutally crushing the Kurds who are fighting Isis.
226. The shooting down of a Russian warplane by the Turks was a provocation intended to create a conflict between America and Russia. Turkey is a member of NATO and has appealed to its allies for help. But while publicly expressing support for Turkey’s “right to defend its national sovereignty” NATO did nothing, while Putin used the incident as an excuse to move a Russian S-400 missile defence system to Syria, thereby taking control of Syrian airspace.
227. Erdogan’s provocation achieved nothing. It did not stop President Hollande from visiting Moscow or calling for a wider international coalition against Isis. In reality, the Erdogan regime is not stable.
228. Last year, when Erdogan’s AKP didn’t win the targeted absolute majority of parliament seats to consolidate its power, an unprecedented attack on the Kurdish movement and the entire left was unleashed. In the parliamentary elections of June 2015, the Kurdish left HDP surprisingly won 13% of the votes. This posed an existential threat to Erdogan’s AKP; particularly in the light of countless corruption scandals and distinct nepotism. Even after new elections, which were held during extreme terrorisation of the left and the Kurdish movement, the HDP managed to stay above the 10% hurdle.
229. It was on this basis that Erdogan attempted to stir nationalism by starting a civil war against the Kurds and leftist forces in Turkey. This is a reflection of the crisis of the Erdogan regime, which after years of stability based on an economic boom is facing a rising tide of dissatisfaction and disillusionment as the economy, affected by the world economic slowdown and Erdogan’s recklessness, enters a crisis. Under the guise of a civil war, Erdogan is attempting to further consolidate his own shaky rule. But by doing this he is destabilising the whole of Turkish society and laying the ground for the disintegration of the country.
230. Turkish capitalism is incapable of solving the problems of the masses which is why the class struggle has been on the rise the recent period. We saw the potential for this in the Gezi Park movement 2013 and the rise of the HDP. The contradictions between the Turkish working class and the regime cannot be covered up much longer with repression and division along national lines. The numerous strikes and mobilisations like the fast spreading strikes in

the car industry and the numerous mobilisations after the Ankara bombings - despite major police and military operations - are only a foretaste of the coming struggles.

231. **Israel**

232. The Palestinian question remains unresolved and continues to poison the political life of the Middle East. The attempts of Abbas and the Palestinian Authority to isolate Israel diplomatically in the UN and other international forums are exercises in futility.

233. Relations between the administration of President Obama and the government of Israel have become openly hostile since Netanyahu accepted an invitation from the Republicans to address the US Congress last year.

234. When Netanyahu was elected, the White House refrained from customary congratulations. There was no phone call from Obama. Instead the prime minister got a brief call from the secretary of state, John Kerry. This little incident, of small significance in itself, indicates the growing contradictions between the USA and Israel.

235. In an attempt to put pressure on Washington, Netanyahu resorted to the crudest blackmail. Israeli Intelligence obtained secret details about the nuclear talks between Iran and the United States from "confidential" briefings from US officials as well as from informants, diplomatic contacts in Europe and eavesdropping. They handed this sensitive information over to members of Congress.

236. By such underhanded means, Netanyahu was attempting to sabotage the deal with Iran. The Wall Street Journal quoted a senior US official as saying that it is "one thing for the US and Israel to spy on each other. It is another thing for Israel to steal US secrets and play them back to US legislators to undermine US diplomacy."

237. The chill deepened when Netanyahu explicitly ruled out the so-called two-state solution - the cornerstone of Washington's peace efforts. The White House warned that that the Obama

administration could be making "recalculations" in its dealings with Netanyahu.

238. Israel has maintained its iron grip over the West Bank. Gaza is being slowly strangled and Jewish settlements in the occupied territories are being remorselessly expanded. The leadership of the Palestinians is totally impotent, leading to desperate actions on the part of the youth, actions which will play right into the hands of Netanyahu. This is yet another blow to Obama and US imperialism, which has failed in its attempts to find a compromise solution.

239. **The rise of China**

240. In the East, the USA faces another challenge in the rise of China. After the crisis of 2008 China saved the world economy by absorbing a large amount of surplus capital (that is, overproduction). But now China's role in the world has changed into its opposite. As a rising economic power, hungry for raw materials to feed its industries, China penetrated Africa and South America where it mainly extracted raw materials. But now it is faced with a crisis of overproduction.

241. Like Germany before 1914, the productive forces amassed in China cannot be contained within its borders. This is leading to conflicts with surrounding states as well as the big imperialist powers. The huge programmes of economic stimulus packages have had no lasting effect. China finds itself compelled to resort to dumping in order to unload vast quantities of cheap goods on the world market. Thus, China's role in the world economy has turned into its opposite.

242. Also like Germany in the past, China is striving to gain power and influence in world affairs that reflect its economic power. It is seeking a redistribution of spheres of influence. To the existing powers, especially Japan and the United States, China's thrusting ambitions are increasingly perceived as a threat. Publicly America says it welcomes China's ascent to great-power status, so long as the Chinese respect international norms and play a proper part in the "multilateral system". But in

practice, whenever China does anything on the world stage, the USA tries to hem it in.

243. America has systematically blocked China from increasing its say in international financial bodies like the IMF. Even a modest proposal to increase the resources of the IMF (giving slightly more votes to China) has been stymied for years in Congress. America has also frustrated efforts to boost China's weight in the World Bank. To counter China's growing weight in the region, the USA is also intriguing with eleven other Pacific Rim countries to set up the Trans-Pacific Partnership, which excludes China, despite it being the most important economy in the west Pacific. But China continues to expand its influence in the region, to America's chagrin.
 244. We saw this in the case of the Asian Infrastructure Investment Bank (AIIB). As usual, America has adopted a policy of containment. But this has failed in practice. China now holds in its hands the world's largest foreign exchange reserves, with which it plans to launch a new bank to help build bridges, roads and other necessities of development in Asia.
 245. The Chinese ruling elite wants to ensure that its military might and political influence are brought into line with its economic strength. Its expansionist tendencies are bringing it into conflict with US imperialism in the Pacific, which is destined to become the decisive area in world history. Fearing (correctly) that the new bank will be a vehicle for Chinese influence in an area vital to its own interests, America is attempting to sabotage the plan. Behind the scenes the Americans have put pressure on its allies not to join it.
 246. When Britain became the first country outside Asia to apply for membership, an American official complained about the UK's trend towards "constant accommodation" of China. But that did not stop Cameron from inviting China's President Xi Jinping to London for a state visit with red carpet treatment and dinner with the Queen in Buckingham Palace. The European powers are falling over themselves to court favours in Beijing. Following Britain's lead, Germany, France and Italy announced that they too wanted to be founding members of the Bank.
 247. A high-speed rail line from Shanghai to Kunming will be completed in 2016, promoting China's expansion into South-East Asia. And the Asian Infrastructure Investment Bank, the first China-led multilateral financial institution, set up in 2015, gives China the chance to use its huge reserves to boost its political ambitions.
 248. Over the past two years China has been engaged in a massive campaign of building artificial islands in the South China Sea. In response the Americans sent a naval destroyer on what they called a "freedom of navigation operation" near one of the artificial islands. The head of China's navy, was probably not alone in seeing all this as a "veiled threat". Except that it was not really veiled.
 249. Admiral Wu Shengli said his forces had shown "enormous restraint" in response to "provocative actions" by America in the South China Sea. In the past these tensions would have led to war. But the correlation of forces has changed dramatically. No longer is China a poor, downtrodden semi-colonial nation that could be invaded by Japan, Britain or the United States. The Americans are not even able to take military action against North Korea, which is constantly provoking them. Still less will they dare to challenge the military might of modern China.
- Although the US can call most countries in the region its "allies" against China, such as Vietnam, China's rise will test this balance of forces more and more. Each time the US fails to intervene, as it did in Ukraine and Syria, it is registered not just in Beijing but in Hanoi, Taipei and Seoul. China is the biggest trading partner for all of these countries, and its share of their trade will only grow. These contradictions will in the future cause political instability in the countries of the western Pacific as the US and China vie for influence.

250. The new \$1 trillion Silk Road strategy, involving in particular Pakistan, Afghanistan and Central Asia, is motivated partly by strategic considerations (avoiding the Strait of Malacca) but also by the need to export overproduction. 70% of loans to countries in the new Silk Road strategy are made on condition that Chinese companies must be involved. But this is also provoking conflict with and within these countries.
251. The China-Pakistan Economic Corridor, a huge project that aims to connect Gwadar Port in southwest Pakistan to China's autonomous region of Xinjiang, is an extension of China's proposed 21st century Silk Road initiative. It is supposed to provide benefits to Pakistan in transport, infrastructure, telecommunications and energy. In reality, it is a plan to turn Pakistan into a Chinese satellite.
252. China will benefit most by opening trade routes for western China and providing China direct access to the resource-rich Middle East region via the Arabian Sea, bypassing longer logistical routes currently through the Strait of Malacca. It will include the construction of highways, railways, and natural gas and oil pipelines connecting China to the Middle East. China's stake in Gwadar will also allow it to expand its influence in the Indian Ocean, a vital route for oil transportation between the Atlantic and the Pacific.
253. The Chinese state intends this to serve the geopolitical and strategic interests of the Chinese elite. This project is opposed by US imperialism and also by an important section of the Baloch nationalists. It brings no benefit to the inhabitants of Gwadar who live and work in desperate conditions. On the contrary, they are being deprived of their rights in the area. There is also resentment among Sindhis and other nationalities through which this "corridor" has not been routed. Thus, China's expansionist policy serves to aggravate the contradictions in Pakistan and the entire region.
254. **Pakistan, Afghanistan and India**
255. More than one-fifth of the human race lives in the South Asian subcontinent, which has natural resources abundantly sufficient to create a paradise on earth. Yet after nearly seven decades of formal independence, this ancient land is a sea of misery, poverty, illiteracy and oppression. It has been plagued by wars and terrible ethnic and communal violence. The bourgeois of India and Pakistan have proven completely incapable of solving any of the basic tasks of the bourgeois democratic revolution. They are more dependent on imperialism than they were prior to independence. Pakistan has not succeeded in completely eradicating feudalism, while India has not even succeeded in abolishing the cruel and reactionary caste system.
256. In Pakistan the situation of the masses is not any better than in India. In both countries the exploitation of the masses is made far worse by the cancer of corruption and the pillaging of the state by venal politicians, businessmen and army generals. In both countries vast sums are wasted on military expenditure at the expense of health and education.
257. The counter-revolutionary strategy of the ruling clique in Pakistan has produced a nightmare situation in both Afghanistan and Pakistan itself. The ruling class and the army are heavily involved in massive drugs smuggling rackets and other criminal activities.
258. This is the real basis on which the Taliban and other fundamentalist monsters thrive. The feuds between rival fundamentalist cliques and the state are at bottom a fight for the huge swathes of black money generated by the drug trade. This was originally created and encouraged by the Pakistani Intelligence Service (the ISI), with the full knowledge and support of US imperialism, to fund the counter-revolution in Afghanistan. The result has been an absolute catastrophe.
259. The rabid bigots of the Taliban and other Islamic fundamentalist groupings are now out of control. This was shown in a most brutal way

by the bloody attack on an Army Public School in Peshawar in December 2014, in which the Pakistani Taliban killed at least 132 children and nine staff. These were all children of Pakistan army officers. As a result the army was compelled to step up its attacks on the Taliban who were previously their stooges and puppets.

260. The imperialists and their regional stooges are responsible for the destruction of what was one of the richest cultures in Asia. They have created Frankenstein's monsters: rabid dogs that do not hesitate to bite the hand of their master. In Afghanistan, after fifteen years of imperialist occupation, nothing has improved for the ordinary people. The oppression of women continues unabated. And the human rights record, so loudly trumpeted by Western commentators, has only worsened.
261. The government of Kabul is hopelessly split and in crisis. Its impotence has been revealed by a series of bloody attacks staged by the Taliban in what were supposed to be safe areas. As a result, the imperialists are forced to maintain a military presence that they intended to terminate. The Kabul government is sitting on American bayonets. Without them it would be overthrown immediately.
262. Until recently, there appeared to be one bright spot amidst all the darkness of the Subcontinent. The Indian bourgeois boasted about the growth of the economy. They talked about the "Asian tiger". But that was in a period when the world economy was expanding. And in any case the benefits of that growth went mainly to a privileged minority. Conditions for the overwhelming majority did not improve. Now the Indian economy is feeling the cold winds of a worldwide crisis. The rupee has fallen sharply. India has tied its fate to that of the capitalist world market. It cannot escape the effects of the global crisis of capitalism.
263. Despite all his triumphalist demagoguery, Narendra Modi's government is in deep trouble. His Bharatiya Janata Party (BJP) lost a key state election in Bihar. Voters complained, most of all, of food inflation. Thanks to falling oil prices,
- overall inflation has been under control since Modi became prime minister. But rising prices of certain food products have pushed the retail inflation higher in the last few months. In the middle of the campaign, the prices of *arhar dal* – split red lentils which are an essential part of the people's diet – soared, becoming a central campaign issue.
264. The real situation was shown by the general strike called by the ten largest central trade unions in September 2015, paralyzing India. The trade union and communist leaders had anticipated a maximum of 100 million workers participating in the strike. That figure itself reveals the colossal potential power of the Indian proletariat. But in fact more than 150 million workers came out on a total one-day general strike that day, the biggest general strikes in history.
265. Only the proletariat and its natural ally the poor peasantry can show a way out of the nightmare into which capitalism and imperialism have plunged this ancient and potentially prosperous land.
266. **South Africa and Nigeria**
267. South Africa is the key to the African continent. It is the second largest economy in Africa, Nigeria being the largest in absolute terms. The difference in terms of level of development between the two can be seen by one statistic, electric power consumption per capita. In the period 2011-2015 it was 142 kWh per capita in Nigeria and 4328 kWh per capita in South Africa. [World Bank statistics]. Nigeria in terms of GDP per capita it is also still behind South Africa. South Africa also has a strong and organised working class. It has by far the largest economy and working class and it is a nation with a very proud revolutionary tradition. It was the revolutionary masses and not the negotiating skills of the ANC leaders which led to the overthrow of the apartheid regime in 1992. Nevertheless after twenty-four years of formal bourgeois democracy under the rule of the ANC, the situation has not changed much

for most of the people of the second biggest mineral producer of the world.

268. This has laid the basis for an increasingly radicalised mood, especially amongst the young generation which has no illusions in the old leaders of the liberation movement, many of whom have joined the ranks of the bourgeois. The Marikana massacre, when black workers were shot down in cold blood by the forces of the ANC government in defence of the (black and white) owners of the mining industry, had a profound effect on the attitude of many towards the ruling party. The ANC today is seen by many as a hotbed of corruption, thieving and stealing.
269. The radical metalworkers union, NUMSA – with almost 400,000 members – has split away from the tripartite alliance. The NUMSA leaders talk about setting up a new party, which if it were to happen, would represent a serious challenge to the ANC. But the NUMSA leaders are dragging their feet on this question, instead dedicating themselves to futile bureaucratic struggles and court cases with the ANC right-wing.
270. Into this vacuum stepped Julius Malema, the former ANC Youth League leader and his Economic Freedom Fighters. Their radical rhetoric has made them very popular, in particular amongst the youth, even though their programme amounts to developing nationalist "black" capitalism in South Africa. All this reflects the enormous revolutionary potential which is developing in South African society.
271. Revolution is also affecting the rest of sub-Saharan Africa, with the events last year in Togo, Burundi and most importantly, Burkina Faso. Revolutionary movements have broken out in these countries, and in Burkina Faso we have witnessed yet again a mass movement overturning an attempted military coup. This underlines the enormously favourable conditions for revolution even in what are relatively underdeveloped countries.
272. Much has been made of Nigeria having become the "Giant of Africa" since its economy surpassed that of South Africa in absolute GDP terms, but this is more the result of the rebasing of its economy in April 2014, which on paper produced an increase of three quarters of its overall GDP for 2013 on 2012. The revised figure placed Nigeria as the 26th-biggest economy in the world. But the real situation is revealed by the fact that with in terms of income per capita (\$2,688) it ranks as 121st. It is the sixth largest exporter of crude oil, but has no functioning oil refineries and has therefore to import all its fuel.
273. It continues to be a very underdeveloped economy and oil still provides over 90% of foreign earnings and almost 80% of government revenue. Foreign reserves in 2008 – when the price of oil was still very high – were at about \$68 billion but are now currently down to \$27 billion, and still declining.
274. The true picture of life faced by the average Nigerian is revealed by the figures from the Human Development Index (HDI) which gives a measure of human capital development in three fields: income, health, and education. The latest figures show that Nigeria in HDI terms is ranked 156th out of 187 countries.
275. In 1998-99 the Nigerian ruling class, advised and pushed by its imperialist masters, removed the military regime to avoid an eruption of class struggle from below and moved towards a parliamentary regime which saw Obasanjo elected as President for the PDP. The PDP remained in power until last year by when it had become very unpopular.
276. A turning point in the course of the class struggle in Nigeria was the January 2012 "Occupy Nigeria" uprising triggered by the fuel price hike by the then Jonathan-led PDP administration and came in the wake of the Arab revolution, openly identifying with the movement in Egypt and Tunisia the previous year. That movement fundamentally changed the balance of class forces in the country and accelerated the process of discrediting the then dominant bourgeois party, the PDP, and sowed the seeds of the latter's implosion and split, and its eventual massive defeat in the 2015 polls.

277. Faced with the demise of the old PDP, the Nigerian ruling class turned to Buhari for salvation. They promoted the formation of the APC and put forward Buhari as its candidate. This was to exploit his image as a non-corrupt leader, supposedly living a frugal lifestyle, and present him as the “man of the people” who would put an end to corruption and poverty. They needed a figure such as Buhari to fill the vacuum left by the demise of the PDP. The fact that the stock market surged when Buhari won the elections last year was a clear indication that the bourgeois believed that he could manage the system for them better than the outgoing Goodluck.
278. Buhari was elected by enthusiastic masses in the hope that he could provide real change. But his programme remains one of continuation of privatisations and sell-offs. His recent decision to allow fuel to be sold at a much higher price has partially exposed him in the eyes of at least the advanced layers. It will not be long before the wider Nigerian masses realise the real nature of the Buhari regime from their own living experience.
279. One thing that is clear is, if it took the PDP 16 long years to be exposed and to implode, the APC will not have such a luxury. It has to rule with the economy in a much more difficult situation and carry out its policies among a huge population that has already awoken and has tested its power. The implosion of the PDP has successfully replaced itself with a rickety APC so that the status quo could remain. Once the real nature of Buhari becomes clear to the masses, we can expect a new movement on the level of that of 2012.
280. **Venezuela and the limits of Reformism**
281. The situation in Latin America has been transformed. Ten years of relative stability guaranteed by economic growth has come to an end. This is having the most profound social and political implications.
282. The situation in Brazil has dramatically changed with the economy entering into serious decline, with a fall in GDP last year of 4.5%. This, together with a series of unpopular anti-working class measures introduced by the government has brought more sharply into focus the fact that the PT has been defending the interests of capitalism, not the workers. This has enormously weakened the PT. Gone are the days when the party commanded huge loyalty from the masses. In its place we have a radicalisation, especially among the youth, expressed in a series of strikes and protests.
283. The victory of Mauricio Macri in the Argentinean presidential election spells the end of twelve years of Kirchnerist governments that ended with an economy in crisis; dwindling foreign-exchange reserves; inflation of around 25%; and a budget deficit of more than 6% of GDP. This created the basis for the victory of the right. Now Macri is implementing a policy of brutal austerity, with tens of thousands of lay offs in the public sector, brutal cuts in subsidies to basic services and social spending, and harsh repression against social activists. It is certain that if candidate Daniel Scioli had won, he would have had to carry out similar policies. The crisis of capitalism would have left him with little choice.
284. This exposes the limitations of “left wing” nationalist demagogy, which attempts to solve the contradictions of capitalism without carrying through the expropriation of the bourgeoisie and imperialism. That is to say, it attempts to square the circle. Shorn of its radical and “revolutionary” terminology, this “left” nationalism stands exposed as being little more than a variant of left reformism adapted to the traditions and psychology of Latin America.
285. **Nevertheless, Kirchnerism maintains a significant base of support. The brutality with which Macri and the Argentinean bourgeoisie is applying its austerity policy is already causing, after a few months of shock and disorientation, a regrouping of popular unrest with very important mass mobilisations. This situation creates very favourable conditions for Marxists to reach the most advanced layer of the masses,**

which is starting to look for guidance and a way forward which goes beyond the failed demagogic policy of Kirchnerism.

286. Chavez in Venezuela came closer than anyone to embracing the socialist revolution. But he never carried it out to the end. Following his death all the contradictions have come to the fore with disastrous consequences.
287. Nicolas Maduro possesses neither the charisma nor the boldness of vision of his illustrious predecessor. He reminds one of Robespierre, who could call the masses out again and again to save the revolution – until one day they failed to respond. When Robespierre moved to the right, he acted like a man sawing the branch of a tree upon which he is sitting. By disappointing and demoralising their mass base, the Bolivarian leadership has prepared the grounds for their own destruction.
288. The election defeat in Venezuela on December 6, 2015, was the direct result of the refusal to carry out the revolution to its conclusion by expropriating the ruling class and destroying the capitalist state. The attempt to regulate capitalism through price and foreign exchange controls instead led to massive economic distortions. The Bolivarian leadership had used the oil revenues to fund social programs and a massive program of public works. The collapse in the price of oil in the world market deprived them of any room for manoeuvre.
289. The distortions created by the attempt to manage capitalism led inevitably to a chaotic situation: a vicious circle of hyperinflation, smuggling, black market, corruption and crime. The Maduro government, remaining firmly within the limits of capitalism, has been incapable of addressing these problems. An important section of the masses lost confidence in the government and this led directly to the election defeat. Between the 2013 presidential election and the 2015 parliamentary election the PSUV and allied forces went from 7,587,532 votes to 5,599,025. In other words, the Bolivarians lost nearly two million votes. The counterrevolutionary opposition on the other hand went from 7,363,264 votes to 7,707,422 votes, gaining a mere 344,000.
290. What failed was not socialism or the revolution, but on the contrary, reformism, half-measures, corruption and bureaucracy. The counterrevolutionary opposition, having a two thirds majority in the national assembly will launch an offensive to reverse the most progressive laws of the revolution; to regain control over key levers of the state apparatus; to privatise nationalised companies and land; to remove regulations on prices and foreign exchange; and to trigger a presidential recall referendum.
291. These events have exposed the hollowness of the illusion of “oil socialism”, just as the capitulation of Tsipras in Greece has exposed the limitations and contradictions of left-reformism. In practice, they amount to the same thing: a utopian attempt to carry out socialist policies without a radical break with capitalism. Such policies in the end always serve to demoralise the masses, destroy their faith in socialism and prepare the way for the victory of reaction in one form or another.
292. Marx explained that counterrevolution can act as a whip to drive the revolution forward. After a period of inevitable disorientation, the revolutionary masses will attempt to resist the attacks of the counterrevolution through mobilisation and direct action. The election defeat will also serve to accelerate the process of inner differentiation within the Bolivarian camp. Within the leadership there will be a strong pressure to compromise with the opposition. The most corrupt and degenerate elements will jump ship to join the ranks of the right wing. But the rank-and-file revolutionary activists will draw more advanced conclusions and will be open to Marxist ideas. This will create new and favourable conditions for the strengthening of the Marxist tendency in the Bolivarian movement.
293. **Tactics and the Mass Organizations**
294. Perspectives are a science, but tactics are an art. In order to work out correct tactics, we cannot

base ourselves on general schemes and perspectives for the future. One must also remember that perspectives are conditional, a working hypothesis, they are not the tablets brought down from the mount, valid for all times and in all situations. Perspectives must be developed and updated, and be constantly compared with the living reality. On the basis of events, we must modify and change the perspectives, or, if necessary, tear them up and start again.

295. Tactics must be based on concrete circumstances, which are constantly changing. When discussing tactics, we must remember we are not looking for a formula that fits every possible scenario. We need a flexible approach, need to keep an eye on the situation and how it changes, and in the meantime, build our forces so as to be able to intervene when the opportunity arises.
296. In working out our tactics we must pay careful attention to the processes taking place in the mass organizations. These will change over time, reflecting the ebb and flow of the mass movement. Over long periods of relative class peace the labour movement comes under the pressure of alien classes. The mass parties and unions acquire a thick bureaucratic crust.
297. Without the active participation of the workers, their internal life becomes stagnant. Their upper layers fall increasingly under the influence of the bourgeoisie. For decades before the crisis the so-called socialist and social democratic parties were carrying out counter-reforms: deregulation, privatization and cuts. When the crisis broke out in 2008, the bourgeoisie in many cases handed power to the reformists to carry out the dirty work of saving capitalism, introducing savage attacks on the workers (Spain, Greece, etc.). Under such conditions, old and established parties can lose their mass base quite quickly. The old equilibrium has been destroyed. We have entered a period characterised by sudden changes, crises, splits, the disappearance of

some parties and the emergence of new political formations.

298. It was the decay and degeneration of the PASOK that led to rise of Syriza in Greece. Similarly, it was the betrayals of the PSOE and the reformist degeneration of the Communist Party that led to the rapid rise of Podemos in Spain. This type of phenomenon was already anticipated by the rise of Chavez and the Bolivarian Movement in Venezuela.
299. Where such movements emerge we will have to keep an eye on these formations and work in and around them. But these formations also have limits. They tend to be ideologically confused and organizationally fragile. If they do not develop roots in the working class and adopt a clear anti-capitalist policy, they can unravel as quickly as they arose.
300. In the last period the dominant tendency in the labour movement was right-reformism. But under conditions of capitalist crisis the reformist organizations will tend to enter into crisis. This can lead to shifts to the left in the direction of left-reformism, as we already see in Britain, or to a collapse of these organisations where no left wing develops.
301. Where the traditional mass parties have either collapsed or been severely weakened we have seen new formations appear in some countries. The main point we need to understand is that the masses do not move through small groups. The idea of the sectarians that it is possible to create a revolutionary party simply by proclaiming it is absurd, and in contradictions with the facts. Where the old organisations have betrayed, the masses can coalesce around new formations, but always *mass* formations. These formations will tend towards left reformism, or even centrism under the pressure of events.
302. We must never forget that the difference between right- and left-reformism is only relative. The essence of reformism – whether of the right or left variety – is the idea that it is not necessary to overthrow the capitalist system, that it is possible gradually to improve the conditions of the workers and oppressed within

the framework of capitalism. But the experience of Greece, Venezuela, and everywhere else this has been attempted shows that this is not possible. Either you take the necessary measures to destroy the dictatorship of Capital, or Capital will destroy you.

303. That is what we mean when we say that betrayal is inherent in reformism. It is not a question of deliberate betrayal but of the simple fact that if you accept the capitalist system, then you must accept the laws of that system. In the present day situation that means you must carry out a policy of cuts and austerity. The case of Tsipras is very instructive in this respect.
304. While giving critical support to the left reformists we must not foment any illusions, or accept any responsibility for their actions. Let us recall that Tsipras enjoyed great popularity until his policies were put to the test. In the end he compromised and surrendered to the pressures of the bourgeoisie. Now people who had illusions in Tsipras and thought we were too critical are more open to our ideas.
305. We must differentiate ourselves. Of course, we must avoid the shrill denunciatory tone of the sects. We must enter a dialogue, keeping a friendly tone and stressing what we support, but also explaining the need to go further, to move to the abolition of capitalism. We ask: how will they pay for the reforms they propose if they don't nationalize the banks and key industries?
306. The sharp shift to the right in the mass organisations in the past period led many left groups to develop ultra-left conclusions, writing off the mass organisations altogether. They believed they could build an alternative to the left of the old organisations. However, all the attempts of the sects to declare new revolutionary parties have ended in miserable failure. The ultra-lefts fail because they ignore the real movement of the masses and their organizations. But ultra-leftism also leads inevitably to opportunism. In trying to get the ear of the masses, they end up by watering down the programme in order to try and get a wider audience.

307. This opportunism, which usually attempts to disguise itself by appeals to "transitional demands", always ends in a blind alley. If the masses want a reformist programme they already have plenty of reformist leaders to turn to. The transitional programme is not a series of individual reformist demands that you cherry pick to "fit in" in a reformist milieu. It is a complete and worked out programme for international socialist revolution, for workers' power.

308. Our priority at this stage is to orient to that layer in society where we can build now, not in the future. That is generally the youth, which is open to revolutionary ideas. By winning the youth and training them in the ideas of Marxism we are laying the basis for successful work in the mass organizations when the conditions present themselves.

309. **A new period**

310. The long period of economic growth that characterised the two decades before the First World War was the soil upon which reformism first took root. The illusion was created that capitalism could be reformed peacefully and gradually through parliamentary and trade union activity. Those illusions were shattered in 1914. The World War ushered in an entirely new period – a period of war, revolution and counterrevolution.

311. The period that lasted from 1914-1945 was entirely different to that which preceded it. It was a period of turbulence in which the old equilibrium was destroyed. Through the experience of stormy class struggles, the workers were drawing revolutionary conclusions. The social and economic crisis shook the old reformist organizations to their foundations. The parties of the working class entered into crisis. Mass left currents crystallized under the influence of the Russian Revolution, leading to the formation of mass Communist Parties.

312. This is not the place to deal with these processes in detail. Suffice it to say that the defeats of the German and Spanish revolutions,

as a result of the betrayals of the Social Democratic and Stalinist leaderships, led directly to the Second World War. The Second World War ended in a peculiar way, which was not foreseen by Trotsky, just as it was not foreseen by Roosevelt, Stalin, Churchill or Hitler.

313. We have dealt with this in the past and there is no need to repeat the reasons for the recovery of capitalism following the Second World War. The world economy entered into a period of upswing that lasted for decades and left its imprint on the consciousness of the masses in the advanced capitalist countries of Europe, North America and Japan. Like the period that preceded the First World War this led to a strengthening of reformist illusions. For decades the Marxists were isolated from the masses and fighting against the stream.
314. We refer here to the situation in the industrialised capitalist world. The situation was entirely different for the masses of what were then the colonial and semi-colonial countries of Africa, Asia and Latin America. Throughout this whole period there were constant upheavals in China, Algeria, Indochina, Bolivia, Cuba, Chile, Argentina, Sub-Saharan Africa, Indonesia and the Indian Subcontinent. But the colonial revolution that brought millions of people to their feet was distorted by Stalinism. In many cases the Stalinists led the masses to terrible defeats. Even where they succeeded in taking power, as in China, they created regimes on the model of Stalinist Russia that had no appeal to the workers of the industrialised countries of Europe and the USA.
315. The negative role played by Stalinism in that period was an enormously complicating factor on a world scale. In relation to the bureaucratically deformed workers states of Russia and Eastern Europe, suffice it to say that the revolutionary developments in 1953 in East Germany, 1956 in Hungary and the movements in Poland and Czechoslovakia were either diverted along nationalist lines or brutally crushed by the Russian bureaucracy. The bourgeoisie of Western Europe and America could point an accusing finger at the Stalinists and say to the workers: "You want Communism? There is Communism for you!" And most workers would draw the conclusion: "Better the devil you know than the devil you don't know."
316. The enormous revolutionary potential of the European proletariat was shown even at the height of the post-war upswing in 1968 when the workers of France staged the greatest revolutionary general strike in history. In reality, power was in the hands of the French workers in 1968, but that magnificent movement was betrayed by the Stalinist leaders of the CGT and CP. The French events of 1968 were an anticipation of the even more dramatic developments that swept Europe in the 1970s, which coincided with the first serious economic recession since 1945. There were revolutions in Greece, Portugal and Spain and revolutionary movements in Italy and other countries.
317. Once again, as in the 1930s, there was the formation of left wing and even centrist currents in the mass organizations in Portugal, Spain, Greece, Britain, France and Italy. But this tendency was cut across when the revolutionary movements were derailed by the leadership. As the left reformist leaders got close to power, they soon dropped their left-wing rhetoric and moved sharply to the right. This was the political premise for a recovery of capitalism. For three decades the pendulum swung back to the right. The workers fell back into a state of apathy. The advanced layers became demoralised and sceptical. A period of what we characterized as mild reaction set in.
318. Under these conditions the pressure of the bourgeoisie on the upper layers of the labour movement became multiplied a thousand fold. This process was enormously exacerbated by the collapse of Stalinism. The bourgeoisie was exultant. They boasted of the end of Communism, the end of Socialism and even the end of History. But history has finally taken its

revenge on the bourgeois and its apologists in the leadership of the labour movement. Dialectically, everything has turned into its opposite.

319. **Conclusion**

320. The new period into which we have entered will be far more similar to the stormy years of the inter-war period than to the last half century. But there are also profound differences. In the 1920s and 30s a pre-revolutionary situation usually did not last long. The contradiction was settled rapidly by a movement in the direction of revolution or counterrevolution. In Italy the occupation of the factories in 1919-1920 was separated from Mussolini's March on Rome by just two years.
321. Now, however, the processes are more drawn-out. The basic reason for this is the changed correlation of class forces. In most European countries the peasantry remained a sizeable percentage of the population even after 1945. In Greece it was the majority. That provided a reservoir for Bonapartist and fascist reaction. The same was true of the students and white collar workers: teachers, civil servants, bank employees, etc. But now the peasantry has been largely liquidated in Europe; the white collar workers have been absorbed into the proletariat and have become transformed into a very militant layer. The students, who before 1945 provided a solid base for reaction and fascism, are now overwhelmingly in the camp of revolution.
322. For this reason the crisis can be prolonged for far longer than in the past before the final denouement is reached. That does not mean that things will be more tranquil, but quite the opposite. There will be ebbs and flows, both politically and economically (the downswing of capitalism does not signify the end of the boom and slump cycle, nor does it rule out the possibility of temporary recoveries, which occurred even during the Great Depression).
323. The inevitable ups and downs of the economic cycle will solve nothing from the capitalists' standpoint. After a long period of economic recession and high unemployment, even a small recovery (which is the best they can hope for) will lead to an upswing of strikes on the industrial front as the workers struggle to win back what was taken away during the slump. In a slump, however, there may be a falling-off of strike activity, but there will also be a tendency towards political radicalization.
324. Already there is a profound malaise in every part of the world. After a short delay, people are beginning to understand that there is no way out as long as the present unjust and oppressive system remains in existence. The revolutionary process is still developing, becoming broader and deeper. There will be wave after wave of strikes and demonstrations, which will act as training grounds for the masses. New layers of the population are being drawn into struggle – like the junior doctors in Britain, the Greek farmers and the Air France flight attendants. But such is the depth of the crisis that even the stormiest strikes and demonstrations in themselves solve nothing.
325. Only a fundamental change in the social order can solve the crisis. That requires radical political action. The political scene will be characterised by violent swings to the left and to the right. The existing parties will enter into crisis and split. All kinds of different left and right electoral formations can develop. The working class will move from the political front to the industrial front in turn. New and even more severe attacks on the workers are being prepared. The class struggle will be fought out on the streets.
326. The present crisis can last for years – possibly decades – because of the absence of the subjective factor: a mass revolutionary party with a genuinely Marxist leadership. But it will not move in a straight line. One explosion will follow another. Sharp and sudden changes are implicit in the situation. There will be a whole series of mass movements and struggles in one country after another. The old organizations will be shaken to the foundations. Let us recall

that Podemos grew from nothing to 376,000 members in the space of 18 months.

327. In one country after another the masses will eventually say “enough is enough.” But without a clear Marxist, revolutionary policy and programme, without the ideas of Marxism, we would have no reason to exist as a separate tendency, independent of the left reformists. The prior condition for our success is to maintain our revolutionary identity and keep our ideas sharp and clear. Any attempt to achieve short term popularity by merely going along with the left-reformist stream would ultimately end in disaster.
328. The road to great victories is paved by innumerable small successes. Our task is still to win the ones and twos, to educate them on the basis of sound Marxist theory, to build firm links with the most advanced layers of workers and youth and through them to build links with the masses. On the basis of events, the masses will learn. Ideas that are now listened to by handfuls will be eagerly sought by tens and hundreds of thousands, preparing the way for a sizeable tendency of Marxist cadres that can form the basis for a mass Marxist current that is capable of fighting for the leadership of the working class.
329. At present we are a small minority. That is mainly the result of objective historical factors. For a whole historical period the forces of genuine Marxism were weak and isolated. We were swimming against the tide. But now the tide of history has changed. We are beginning to swim with the current. Our task is to re-establish the traditions of Bolshevism internationally and to build a mighty proletarian International that is destined to change the world. That is the goal we have set before us: the only goal worth fighting and sacrificing for: the sacred goal of the emancipation of the working class.
330. Turin, 31st July, 2016